



Minutes of the Roundtable between parliamentarians, housing industry leaders with Lee Rowley MP, Parliamentary Under-Secretary of State for Business and Industry and Minister for Construction.

Tuesday 28th June 2022 at 14:30 (online meeting)

Members

Ben Everitt MP (BE)—Chair

In attendance

APPG Secretariat

Guests

Lee Rowley MP (LR)—Speaker

Aster

Places for People

RPS

Stonewater

Trent and Dove

McCarthy Stone

Lord Jitesh Gadhia

LPDF

PPR Estates

Sanctuary Housing

Meeting started at 14:30:

1. Introduction

BE introduces Minister Rowley

LR: I thought I'd touch on inflation, the current challenges that we're facing, a bit about skills, modernisation and productivity, and then net-zero.

We are obviously in quite a challenging place. The industry has bounced back post COVID. It changed and was extremely flexible really quickly. I'm very grateful to the sector for that. Speaking with organisations like Build UK, I know there were challenges in doing that, but that they are now above pre COVID activity rates. However, there's a whole heap of headwinds at the moment: supply chain challenges, costs, and inflation within that supply chain. Speaking with colleagues on the steel side, I know there were points during the earlier part of the war in Ukraine where it was difficult to hold quotes down for more than a little period of time. I try to



stay close to the industry and speak to them regularly, especially with the Construction Leadership Council which I co-chair. Government cannot inoculate industry from all the risks.

In terms of skills, we know that like in so many other sectors at the moment, the labour markets are running hot. There has always been a challenge with skills and pipe-lining in construction, and this has been exacerbated by the historical highs in the percentage of potential people that are in the labour market. That can be a thing, but it also comes with new challenges. I think the number of vacancies that I saw for last month was about 50,000. There are obviously lots of forecasts about how many people are going to be needed, not least because of some of the objectives that we are trying to set around retrofit, and around trying to make sure that more is built. There have been substantial discussion about this, to understand where the gaps are, and what is reasonable for the government to do. My department, BEIS is working with the DWP, DFE, and my role is to articulate the needs of the industry in those meetings. We need to ensure that new people can come in to the sector, and that people have the opportunity to build up their skill base, allowing them to progress and build careers.

On modernization and productivity, this is being a big area of focus. We work very closely with a number of initiatives, the main one is the Transforming Construction Challenge. About three or four years ago the government put in a 160 – 170 million, and the industry put in more and I think more than 30 billion pounds have gone into trying to understand how we improve productivity and processes. The Construction Innovation Hub, which I've visited, is demonstrating how to make things quicker and more productive. The big focus of MMC is trying to work out how to ensure that it can use all parts of the construction sector, not just house building. I know there are challenges based on the use of repetitive construction methods and places where housing built using MMC is not in a great shape after 50 or 60 years. So we need to use it, but understand how to use it as part of our construction play book. Government is working to figure out how we close that 15% gap between other sectors and construction, in terms of productivity, while acknowledging that construction is always going to be labour-heavy.

Finally, net-zero. A lot of the discussions about this remain at a high level and aren't really quantified in data. We are still at a very early stage of understanding how we tackle this. What we are trying to do in construction, working with the CLC, is root our approach in quantified data. There has been quite a big initiative over the last year called Construct Zero. We are working with the CLC to bring together a series of metrics, so we can try to evaluate what we need. It is not perfect, but it is an attempt to try to quantify, on a sector basis, what are the kinds of indicators that will allow us to say we are making progress. If you are interested, you can find the first couple of update reports on the [Construct Zero](#) website. They are released quarterly and there will be a review after the fourth one. We are about to publish the third one.



2. Questions and discussion

Q: What are we driving at within MMC? Are we truly trying to create modular construction or are we speaking of modernisation of individual aspects of construction? What does the term MMC actually mean in today's terms, because some think the term is a bit outdated.

A: Right that there is no definite definition of MMC, which is likely to not be helpful. From the perspective of the narrow role as someone with a portfolio for construction, there is no absolute definition of it. For example, you can say timber is probably the most historic construction method, but I went to a place in Hackney where they were demonstrating that you can deliver urban buildings using predominantly timber within the frame. It's very flexible and can be done in a way that improves the process and makes it more efficient and less costly. So my job is trying to push industry into MMC without being too prescriptive.

Q: In terms of MMC, encouraging more efficient and economic construction in light of rampant inflation on traditional materials, there's got to be something you could do as government minister. There are major challenges with getting bank lending on anything that might be considered non-standard construction. The other point is that our biggest challenge is still the planning process which takes even longer due to chronic shortages of resource and skills. It takes a very long time and costs thousands.

A: While I have lots of views on planning, it does not fall within my brief. I will absolutely ensure that I pass your comments back to DLUHC and the relevant ministers. On the bank lending point, I would be interested in more detail so, if I may, I'll take that away. Perhaps we can see if there is a further opportunity for roundtables, so we can flesh this out a little more. I will ask my office to, if possible, get in touch with you, to take about it further;

Q: Some of our clients are seeing that one of the advantages of MMC is that it allows them to tap into a different type of labour resource, which is helpful in light of the labour shortages. They are able to tap into more factory line workers so that it insulates them from some of the supply shortages that housebuilders have seen. In regard to the Levelling Up and Regeneration Bill (LURB), it struck me that the increased role of local residents in planning consents and the design of new buildings might have a negative impact because, I think, there is still this perception that MMC buildings can't be beautiful. Any ideas on how we can strengthen the role of MMC in the planning framework.

Q: In my experience of full modular, it is significantly more expensive. There is the issue of transferring these units across the country. In our experience, it takes longer to build. There are restrictions of the width you can have, which ultimately affects the internal layout of the property. For some properties, it's fine, but for others it isn't.

Q: Looking at things from a rural angle and from the perspective of those who build two, three units at a time on brownfield sites, the MMC providers aren't really interested in that. Particularly because there are some strict design criteria which are even more strict in rural areas. I would also echo the point of manoeuvring around some country lanes with these modular pieces isn't really going to work. MMC is part of the solution, but it is not THE solution.



A: In terms of the interaction with the planning framework, it is a challenging one because we know how challenging the conversation around planning framework is at the moment. That is something Michael Gove is leading on, and we work closely with them and continue to do so. I can't comment on where that policy is heading. From a BEIS perspective, we want to use our enabling powers to make sure MMC is an option for people to consider rather than just going to the standard answer. One of the challenges around MMC is the historically bad press some modular constructions have received. There is also a challenge around practicality, which is a point some of you made. The point of what BEIS and others are trying to do through the Transforming Construction Challenge is to prove the utility of MMC again to a new generation within the sector. From a BEIS perspective, we can utilise some money allocated some years ago to demonstrate and progress the conversation about using MMC when and where it's appropriate and when it's financially viable.

Q: It is clear that if we do not do something about the planning system soon, there is a danger that we won't build the houses we need for our population, and particularly the younger generation, but we will also have a sector that starts to stagnate and potentially decline.

A: Though this is not directly in my purview, I will pass the messages back to Stuart Andrew and Michael Gove. I accept the point that this is an interactive matter that we have to ensure we have the right frameworks in place to ensure the sector thrives.

Q: In rural sites we are finding that it is becoming extremely cost prohibitive, and certainly on our bigger developments we are running significant headwinds with developers saying that they just can't afford to make it work. Many of us are in discussions with Homes England, and they have to stick to very strict treasure guidelines about when a grant can and can't be paid. I think maximum flexibility around some of those guidelines would be extremely helpful.

A: I understand that the situation is challenging though I am seeing some light at the end of the tunnel. I hope that there is some stabilisation, especially in gas prices, albeit at a higher amount than it was historically. I do hope some logistics processes will hopefully start to stabilise and be in a more consistent place, though I recognise that that is a consistently higher place. In terms of Homes England guidelines, I am glad to hear that there is some flexibility being applied, but if there is anything else you think is particularly problematic, if you want to write to me with the details, I will happily look into it.

Q: Through our strategic partnership, we've got commitment to deliver a number of off-site manufactured or MMC. I don't see that being applied to the whole of the housebuilding sector, so it is not being driven through planning per se. It is being driven through funding streams.

A: There is always a challenge about knowing what's reasonable and proportionate in terms of regulations and rules to apply and when to apply them. There will always be some other differences between new build and retrofit, but I take your point and will pass it back.

BE thanks LR and the guests for their time.

Meeting ends at 15:30.