Housing in the Humber

Report to the Humber LEP Board 10th Nov 2017
Report from Investment & Regulation Board

1. Summary

1.1. The Investment and Regulation Board met on 10th November 2017 and considered a number of strategic infrastructure issues. The main focus of the meeting was to consider how the Humber LEP could support housing to provide a strategic enabler for economic growth. Papers were considered on the future of housing in the Humber and also on modular housing in the Humber.

1.2. In addition to the housing agenda the board considered what a future energy strategy in the Humber should include.

2. Recommendation

2.1. It is recommended that the report be considered and the actions proposed noted.

3. Housing in the Humber & Modular Housing in the Humber

3.1. Two housing reports were presented to the I&R Board on 27 October 2017. These related to a general paper on the potential role of the LEP in supporting the delivery of more housing and the importance of investing in existing stock and a more specific paper looking at opportunities to promote growth through the use of modern methods of construction (These papers are enclosed in Appendix A and B). The papers stimulated considerable discussion and the following is a short summary of the key issues raised:

- It is important that the justification for housing growth is clearly expressed. This needs to focus on both meeting identified housing needs and also broader growth ambitions (i.e. benefits to the local economy of inward investment and jobs/training). Useful to also highlight the 'immediate' benefits of e.g. increased council tax which helps to develop a clear business case for new development.

- In determining new housing targets, consideration needs to be given to both policy on and policy off positions - this relates to current Government consultation on housing growth.

- Need to understand the local market and in particular the different players involved in delivering housing - both volume house builders and SMEs. The presence and role of each varies from local authority area to area - but it is recognised that the scope for more from the SME sector exists (albeit, further support for the sector may be required)

- Current delivery of affordable housing is seen to be a problem i.e. not enough is being provided to meet identified needs.

- The cost of delivering affordable housing (and other policy costs) were highlighted as a challenge - alongside broader viability / land value/market challenges.
• Need to develop and/or refresh the local understanding of what the barriers to growth locally are.

• Skills/labour shortages and cost of materials highlighted as key challenges - need to consider the role of the LEP in responding to the skills/labour market challenge.

• It was agreed that a further meeting between the local authority housing leads and the key SME developers would be arranged to establish an up-to-date position regarding barriers and opportunities.

• It would be useful to involve one of the active volume house builders in taking this work forward - to develop a better understanding of the issues that the sector face.

• Need to explore the opportunities available to make better use of land in public ownership to increase delivery of affordable housing.

• The quality and range of housing provided has an important role to play in improving perceptions of the area i.e. making it a more attractive location for people to choose to live and invest in. Related to this, it was highlighted that new housing should be provided for our aging population.

• Important to develop our understanding of commuting patterns out of the area to (e.g. Leeds) which may continue to grow and the policy implications flowing from this.

• Agreed to provide further information on planned levels of development as compared to what is actually happening on the ground and also a split between delivery by volume house builders as compared to SMEs (across the Humber and by local authority area)

• Explore options to develop a pilot scheme to further test the delivery of MMC housing locally. North Lincs and North East Lincs offered to provide pilot sites for such developments.

3.2. It was proposed that the above should form the basis of further work which will culminate in a more detailed topic paper being presented to the I&R Board within 4 months. This will in effect establish a Humber Housing Deal which will sit alongside and complement the emerging Humber Industrial Strategy.

3.3. The Board is asked to support the above approach and consider whether there are any particular areas where it is considered that the LEP can further support housing delivery in the area working with local authority partners, the HCA and the housing sector as a whole.

Andrew Hewitt/Kishor Tailor
2nd Nov 2017
Discussion Paper: Housing in the Humber

Report to the Investment and Regulation Board
Meeting to be held on 27 October 2017

Report from Housing LEP Officers Group

1. Summary

1.1. Housing plays an important economic role in the Humber. The National Housing Federation’s Home Truths Document states that every £1 invested in the construction of new homes generates £2.84 in local spend. It also indicates that 2.3 person years of direct employment is created for every new house built in addition to the equivalent number in other sectors - a total of 4.5 person years of employment for every new house built.

1.2. The four local authorities in the area have a key role in the housing agenda in the Humber, working with all members of the local community and with other statutory, private, community and voluntary bodies to:

- Develop a shared vision for a vibrant, prosperous and inclusive local area
- Understand the needs and aspirations of people, communities and businesses underpinning that shared vision
- Develop relevant strategies and action plans to achieve the vision

1.3. In doing this the Humber Local authorities recognise the opportunities the Humber has to contribute to the national housing agenda, due to significant land availability, and contribute towards economic growth and to facilitate social mobility.

1.4. The Humber LEP’s focus is delivering economic growth and enhancing the capacity of the area to improve its productivity. A key priority as outlined within the Humber LEP’s Strategic Economic Plan is to help to ensure that the correct enabling infrastructure is in place which can develop the conditions for growth. This obviously includes ensuring that the correct types of housing are delivered in the right places and that these are affordable and that it allows for mobility of workforce in the region and beyond.

1.5. Provision of appropriate housing in optimum locations can drive economic growth through attraction and retention of skilled workers, stimulating local retail economies and providing a pipeline of projects for house builders and local trades people.

1.6. In the context of the Humber housing provision has a key role to play in the forthcoming Local Industrial Strategy. Indeed the Role of the LEPs in housing was acknowledged in the Housing White Paper (2017) which recognises that LEPs have a key role in providing strategic enabling interventions.

1.7. The purpose of this paper is to build upon the work already undertaken by Local Authorities and other partners to investigate and generate discussion on the role which the LEP can play to support housing provision for the Humber, especially in the context of the Humber Industrial Strategy which will begin preparation soon.
2. **Recommendation**

2.1. It is recommended that the report be discussed.

3. **Context**

3.1. Nationally government has, and continues to be driven by increased delivery of new housing completions. The Humber can contribute towards this agenda, across the four local authorities, the combined housing target is 57,000 (the plans have various end dates from 2026 to 2032). A land supply has been identified in excess of this. Local authorities estimate that there are unexercised planning permissions equal to in excess of 13,000 dwellings.

3.2. The 2016 refresh of the Humber LEP’s Strategic Economic Plan recognises that developments take time to come forward, but the main issues holding back development are low values and high abnormal costs and variability in the market (some areas have a very strong market eg Pocklington whereas other areas are very weak e.g. Holderness) This in turn makes it difficult to access HCA instruments which are 100% recoverable.

3.3. Challenges exist in the supply of labour and skills within the construction sector locally and the supply and cost of building materials to facilitate house building.

3.4. The planning system is also often highlighted as being a barrier to development.

3.5. Despite this, renewal activity is showing success in driving up values and private sector developers are becoming more active.

3.6. Generally, good relationships have been fostered with the house builders operating in the Humber. However the presence of the different sized house builders varies in each of the Humber Authorities. Across the Humber there is interest in stimulating further SME activity, as well as encouraging builders to develop midsized sites. North Lincolnshire has communicated a desire to engage more volume house builders in their area.

3.7. Housing continues to be big business in the Humber, as an example combined investment in Hull’s housing programme and Lincolnshire Lakes alone is over £1.7 billion.

3.8. The National Housing Federation’s Home Truths Document states that every £1 invested in the construction of new homes generates £2.84 in local spend. It also indicates that 2.3 person years of direct employment is created for every new house built in addition to the equivalent number in other sectors - a total of 4.5 person years of employment for every new house built. Research by the Home Builders Federation asserts that these are ‘real’ jobs-permanent, skilled employment opportunities that move from site to site as new homes are delivered. In relation to affordable housing, the Home Truths Report for Yorkshire and Humber also estimates that every new affordable home built adds £83,126 and creates 1.9 jobs in the regional economy.

3.9. Delivering the step change in the Humber’s housing, set out in the Humber SEP remains a challenge which all local partners are working towards, and progress is being made on key projects. The major investments being led by Humber local authorities in city/town centres are vital for stimulating private sector investment, so it is essential that these continue.
3.10. The Humber welcomes housing growth and the track record of Humber local authorities shows steps are being taken to achieve this, but the evidence shows that the combination of low values and high abnormal costs and other matters listed above makes it unlikely that the Humber’s ambitious housing targets will be achieved by private sector house builders on their own. Further concerted effort by the public sector on planning and, where necessary, to provide support to stimulate the market, will be required.

3.11. Estate and neighbourhood regeneration is an issue in the Humber local authority areas, and the LEP supports local authorities' interest in this. The quality of existing stock in the private sector is an issue, particularly in Hull and North East Lincolnshire. The LEP also supports North Lincolnshire Council’s bid for a Garden City at Lincolnshire Lakes.

3.12. Opportunities are proactively being taken to bid for additional resource for housing provision. Good examples of this include the bids recently submitted for HCA Marginal Viability and Accelerated Construction funds. Further challenges exist in relation to the delivery of housing sites in general where the prevailing market conditions are weak, including parts of East Riding (eg Holderness Coast and Goole) Appendix A summarises the bids submitted to date.

4. **Current barriers for Housing growth in the Humber**

4.1. The barriers to growth are different across Local Authorities however there are areas of commonality.

4.2. As previously outlined viability is a key barrier to delivery of new build, low land values (exacerbated by weak markets and peripheral locations) and high abnormal costs (caused by flood mitigation, site complexity) has an adverse impact on the delivery of housing schemes in purely market terms. Issues around site ownership and landowner release have also provided a challenging delivery context in the Humber.

4.3. These barriers also have an impact upon the range of house builders who are willing to operate in the region and the lack of active involvement of national builders.

4.4. Weak market conditions affect the delivery of improvements to existing stock also. This has generated issues of existing stock not meeting local needs in Hull, North Lincolnshire and North East Lincolnshire as well as pockets of East Riding.

4.5. Labour supply and skills gaps alongside increasing cost and scarcity of building materials also constitute a barrier to growth.

5. **Areas of Activity for Humber LEP**

5.1. The Humber Housing Officers feel there are three areas which greater intervention from the Humber LEP could be beneficial

5.2. **Delivery of New Build Housing:** The provision of up front infrastructure investment continues to be a key method of facilitating housing site development. The Housing Officers group are keen to develop innovative methods of near full recovery on key sites and see this as a key method of accelerating housing completion and delivering difficult, but important housing sites in the region.

5.3. A successful approach is likely to adopt site specific measures. East Riding has gone some way to addressing this issue in terms of a very positive dialogue with developers/agents/landowners. They have produced a development site prospectus...
(much as we would traditionally have done for economic development sites) and have just appointed a housing delivery officer.

5.4. Nationally the use of public owned land is seen as a solution to land supply issues, LEPs in other parts of the country have used their strategic role to collate information about these site and broker land release with the market. Is there any role for the Humber LEP to do this in this area?

5.5. **Existing Stock Improvement and Regeneration activity:** The government’s housing approach is largely focused upon delivery of new build housing. An approach which provides mechanisms for improvement of existing stock in areas of difficult market conditions, and regeneration of these areas could significantly contribute towards supporting economic growth and meeting the housing needs of the Humber. These types of activity can stimulate other market activity (especially in town centre locations), are scaleable and often are deliverable over short timeframes. They also provide wider economic benefits in terms of health, which in turn would have a positive impact upon workforce productivity. A revolving fund could be created using a similar mechanism to the Growing the Humber fund.

5.6. **Providing Support for Businesses within the Sector:** The Humber LEP can use mechanisms such as Growth Hub to develop specific sector support mechanisms to SME builders and Off-site construction companies to allow them to develop a role within the housing delivery market.

5.7. The LEP has already started working with Local Authorities to address skills gaps within the housing industry. LEPs play a critical role in setting the regional skills strategy, working directly with local providers and employers. The Humber LEPs can play a role in ensuring construction skills are being delivered, both in terms of quality and quantity. LEP funding can play a key role in encouraging new innovative courses and equipping the construction workforce with the necessary skills.

5.8. Andrew Horncastle on behalf of the Board produced a discussion paper, and his assessment following consultation with small builders in the area. He identified a number of action that are needed to accelerate engagement and involvement of small builders in the Humber to support housing delivery.

6. **Areas for Discussion**

6.1. What can be done by the Humber LEP to;

   - Support the delivery of New build housing?
   - Deliver stock improvement and regeneration activity?
   - Provide business support approaches for the construction sector?

6.2. Have any areas which the Humber LEP could support the housing agenda which has not been picked up by this analysis?

6.3. Does the LEP have a role in marketing strategic housing sites to volume housebuilders in the same way that it would market inward investment sites?

6.4. Beyond the membership of the Investment & Regulation board are there any partners who could add value to the further development of this agenda, who should be engaged?
7. **Next Steps**

7.1. The Humber Housing Officers Group uses discussions from Investment & Regulation Board and develops a detailed housing approach for the Humber which can be reexamined and adopted by future Investment & Regulation Board.
Appendix A. - Summary of HCA Marginal Viability and Accelerated Construction bids submitted.

Hull City Council Marginal Viability Fund Applications

Hull is seeking to submit three bids to the Marginal viability fund. All sites are key allocations in the Local Plan and will provide a significant supply of housing over the coming years. In total the Council is requesting £14.6m to bring forward a pipeline of over 2500 homes, whilst leveraging in a total of £350m investment which will create and sustain nearly 6,000 jobs.

The infrastructure required focuses around land assembly and site preparation costs, highways infrastructure, substation improvements and flood/drainage mitigation measures.

Hull has a strong track record of housing delivery and has used its assets, external funding and partnerships to ensure homes are delivered in challenging site and market conditions. The Council recognises that because the Housing Infrastructure Fund is a limited pot with high demand that some or all of the sites may not be successful. However, by illustrating the current pipeline and the potential private sector investment and job opportunities created it is hoped that this can form part of a larger discussion about investing in infrastructure and housing across the Humber region.

<table>
<thead>
<tr>
<th>Site</th>
<th>HIF Bid</th>
<th>Private Investment unlocked</th>
<th>New Homes released</th>
<th>Jobs created*</th>
<th>Infrastructure Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Bank (Tower Street)</td>
<td>£6.5m</td>
<td>£82m</td>
<td>712</td>
<td>1394</td>
<td>Site Assembly, River Wall improvements, substation improvements</td>
</tr>
<tr>
<td>Preston Road and Wawne</td>
<td>£5.5m</td>
<td>(£200m (£75+£125))</td>
<td>1,390</td>
<td>3400</td>
<td>Roads, Drainage and flood risk measures including green/blue infrastructure</td>
</tr>
<tr>
<td>Ings Development</td>
<td>£2.6m</td>
<td>£69m</td>
<td>407</td>
<td>1173</td>
<td>Spine/ Link Road</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£14.6</strong></td>
<td><strong>£351m</strong></td>
<td><strong>2509</strong></td>
<td><strong>5967</strong></td>
<td></td>
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</tbody>
</table>

*CITB multiplier for direct, indirect and apprentices.

North East Lincolnshire Marginal Viability Support Bid

The Grimsby West project will deliver a new community on the western edge of Grimsby, with 3,500 new homes and associated strategic, social and community infrastructure. As the largest strategic site in the soon to be adopted Local Plan, accelerating its delivery is critical to the Council’s long-term plans for economic and housing growth.

Grimsby West will create a sustainable, low carbon community delivering a new housing offer that will provide choice and variety for the existing population and future residents/employees. The site will be delivered by 2 major landowners working in partnership with the Council and Homes and Communities Agency.
The project generates a requirement for a wide range of highways, education and community infrastructure. This includes a new strategic Link Road, connecting the A46 with Aylesby Road and eventually the A1136/A180, which is essential to unlock the full delivery potential of the site. The range of infrastructure requirements, coupled with low land values, ensure that the project would not be viable without grant support to deliver the Link Road.

Marginal Viability Fund support of £10m is being sought to fund the first phase of the Link Road. The total cost of the scheme is approximately £12.4m with the balance of funding provided by the developer.

By developing a complementary housing offer, the project will support growth of the low carbon/renewables, food and logistics/value added manufacturing sectors which are identified as priorities in the Humber Strategic Economic Plan. The Borough is experiencing unprecedented levels of inward investment enquiries but businesses highlight the need to widen housing choice and improve quality of place. The Grimsby West project will support both these objectives.

**North Lincolnshire Marginal Viability Bid / Accelerated Construction Bid**

For the Brigg Housing Growth: Phase project, the North Lincolnshire Council are putting a bid together to seek marginal viability funding for enabling infrastructure and flood mitigation works across land allocated in the adopted housing and employment land allocations document.

This road infrastructure opens land for the delivery of 142 units across land owned by NLC or where legal works are underway for NLC to acquire the land.

The overall scheme cost is £1.25m which of which £645,120 is being applied for from Marginal Viability Funding and £604,880 from the Accelerated Construction pot.

Phase one will generate 20 construction jobs and will lever private sector investment in the second phase.
1. **Summary**

1.1. The Humber already recognises the economic opportunities presented by Modular housing in the area.

1.2. Off-site construction was also highlighted as one of the elements of ‘The Farmer Review of the UK Construction Labour Model – Modernise or Die’ report published in October 2016. This advocated a tri-partite covenant between the construction industry and end clients, with government playing the role of strategic initiator to bring about change. The Investment and Regulation Board has a potential role here as the strategic initiator.

1.3. There is an established cluster in the Humber encompassing the modular building and caravan sector, with a ready supply of available skilled workforce and established supply chain available. A DIT sector proposition exists which has contributed to inward investment enquiries being fielded by the local authorities in the Humber.

1.4. Indigenous modular build companies in the Humber have been investing the development of housing products. However, without a clear site pipeline and commitment by end clients, supported by the local public sector, they feel there are unable to further commercialise these products fully.

1.5. There is also an on-going case for rapid increase in house building in England and a desire stated within the recent Housing White Paper (2017) to increase innovation in the house building market. The HCA is keen to investigate the opportunities presented by modular building on their housing sites, with propositions being developed in the Sheffield and Tees Valley City Regions, and would be keen to work in similar initiatives in The Humber.

1.6. The purpose of this paper is to communicate the economic opportunity provided by this sector to the area and commence discussions with Local Authority contacts, and the main housing providers, as to how the modular housing sector can contribute to delivering an effective housing mix in their areas whilst growing the local economy. The role of colleges and encouraging young people into a cleaner construction industry is a further opportunity for the Board to discuss.

2. **Recommendation**

2.1. It is recommended that the report be discussed and the team be commissioned to draw up a delivery strategy for future consideration.

3. **Background – Modular Building House Building in the UK**

3.1. Within Communities and Local Government (DCLG) there is recognition that, in order to increase the supply of new homes, the housing manufacturers would benefit from adopting the practices of other manufacturing sectors.
3.2. The Housing White Paper (2017) states “Industry reports suggest homes constructed off-site can be built up to 30% more quickly than traditional methods and with a potential 25% reduction in costs. They are high quality, reliable, more productive and can be highly energy efficient. They require fewer people on site, helping to mitigate the skills shortage. Some firms are increasing their use of these methods, but we need to go further.”

3.3. To support the off-site sector the white paper suggest opening housing innovation funding to allow modular housing producers opportunities to access growth funding in order for them to innovate and develop new products. This includes the Accelerated Construction Programme and the Home Builders Fund.

3.4. The Government has also undertaken to support a joint working group with lenders, valuers and the industry to ensure that mortgages are readily available across a range of tested methods of construction, and have undertaken to ensure operation of the planning system is working for modern methods of construction developments.

3.5. Currently around 15,000 modular homes are constructed in the UK. In October 2016, the then Housing Minister, Gavin Barwell, said that the government sees a huge opportunity in manufacturing off site homes and would increase access to finance for Modular Housing providers to help supply more than 100,000 homes by 2020.

3.6. Finally the government states it will work with local areas that are supportive of this type of manufacturing to deliver growth, provide jobs and build local housing more quickly. The Humber has a real opportunity to work with government on this.

4. **Context – Modular Building Industry In The Humber**

4.1. It is important to recognise that the term Modular Building or Off-Site construction covers a wide range of technologies from closed panel timber systems, steel frames, and modular components through to volumetric solutions where a total floor of a house is constructed off-site and then brought in on a lorry to be stacked on pre-prepared and serviced pads. Some of the largest players nationally, such as L&G and Sheffield Insulations Group (SIG) and, locally, Premier Modular, are concentrating on volumetric solutions. With such a range, one of the strategic initiation roles is to match end clients with the technological solution they are comfortable with. In addition, some end clients, such as Keepmoat, are developing their own products with opportunities for pop-up construction units close to active sites.

4.2. The Humber already has an established cluster for Modular Building and the Caravan Sector. The Humber LEP’s response to the government’s Industrial Strategy Green Paper (2017) notes the importance of these sectors to Humber Economy.

4.3. **Caravan Industry:** 90% of the static caravan and lodge manufacturing undertaken in the UK is carried out in Hull and the East Riding. Nationally the caravan manufacturing industry is estimated to be worth £3 billion a year. The caravan manufacturing industry locally has evolved into the kind of unplanned manufacturing cluster phenomenon identified by Professor Michael Porter in his seminal book ‘On Competition’.
4.4. Locally caravan production plants employ approximately 3000 people, with an estimated further 1500 employed in the supply chain locally. Leading local players in the industry include, Willerby Holiday Homes, Swift Caravans, ABI, Delta, Coachman, Atlas and Victory Holiday Homes.

4.5. **Modular Building Industry**: In addition to the caravan industry, there is a significant local modular building industry. The initial focus of this sector locally was commercial, retail and leisure opportunities. However, the emerging off-site housing manufacturing sector utilising Modern Methods of Construction (MMC) has seen many companies begin to develop modular housing products as it is an ideal fit with the local skills and supply chain available.

4.6. Key local players in the industry include, Elliot, Integra, and Premier Modular.

4.7. **Supply chain**: The Port of Hull is the leading port for the importation of Softwood into the UK with leading importers based in and around the port.

4.8. Potential investors in the modular building industry will be able to utilise the local supply chains that are already established in areas such as kitchen, boiler and composite materials manufacture.

4.9. **Inward investment** – Due to the site propositions (size, proximity to ports and motorways coupled with and range of Enterprise Zone status), there has been significant interest in the Humber from large players in this sector. L&G Homes considered the Humber before developing their initial off-site housing factory in Selby. Other large scale players in the sector have enquired about locations within the Humber.

4.10. Many of the local modular building companies have developed housing products including Premier Modular, whose housing product meets all 5 main elements required to achieve a BRE Green Guide Rating of B or above and is designed to achieve a Code for Sustainable Housing Level 3 or above. The dwellings meet the requirements of Life Time Homes and Premier ensures their modular houses are fully mortgageable by offering an insurance-backed warranty package through a number of providers which are accepted by over 98.5% of lenders.

5. **Current barriers for growth to the Modular Sector in the Humber**

5.1. **Lack of Pipeline of Sites**: Humber LEP discussion with Premier Modular has outlined that the lack of local pipeline of sites is a major barrier to growth of the overall sector in the area.

5.2. This finding is supported by work undertaken by the HCA that has been investigating the opportunities for this sector to accelerate housing completions in the North. The HCA has concluded that there is a good case for promoting the growth of the off-site housing manufacturing sector in the North and is considering three particular strategic initiation strategies:

- Requiring a percentage of Pre-Manufactured Value (PMV) on all of its sites or where it is giving grant funding to Housing Associations (leaving the technological choice to the end client);

- Marketing a cluster of HCA owned sites, which could include a cluster of land in local authority or other public ownership, to create the scale of opportunity to give a manufacturer a three to five year programme of supply;
• Creating links with companies with the manufacturing capability and large housing providers or housing associations, again with the intention of creating a strong forward order book for the manufacturer.

5.3. This approach is beginning to yield opportunities; however this is currently only on HCA owned sites. The majority of the HCA housing sites in this region are in Sheffield and Tees Valley City Regions. The HCA’s opinion is, to ensure that maximum local economic benefit is realised for the Humber, the public sector must lead this process and the role of local authority and other government department land may be fundamental to achieve the impact. In addition, the LEP has a potential role to link local companies to end clients and consider land or investment help needed for these companies to scale up where needed.

5.4. It should be noted that HCA has also been working with off-site manufacturing companies to achieve location on some of its employment sites.

5.5. **High entry to market costs for local businesses:** Although many local companies have existing factory facilities, these will need to be increased in size to deal with the volume required to drive down the unit price of modular houses.

5.6. The level of design expertise required to move from primarily holiday lodge and caravan production (the specialism of many local firms) to housing production is another front loaded entry to market cost. The quality of the design staff is paramount to developing a product which has appeal to the mass market as offsite construction requires highly detailed design at the early stages prior to the housing production commencing. Substandard design input at the early stage may lead to uniform or unappealing products.

5.7. **Issues consumers accessing mortgage finance for Modular Build Homes:** Discussions with the regional director of a major high street bank has uncovered issues with domestic customers gaining mortgage finance for buying modular products built in this area’s producers.

5.8. The main issue from the mainstream lenders’ perspective appears to be the lack of proven long-term durability. There appears to be some uncertainty around whether a modular home would qualify for Help To Buy. Given then number of new homes sold with the assistance of Help To Buy – it is an important aspect to consider if you are trying to support the expansion of the sector.

5.9. **Unit Cost price is still prohibitive compared to traditional methods:** Generally, the current unit cost of off-site manufactured units is either more, or no better, than traditional construction. This is a cumulative effect of the issues above but also reflects that the products are still being developed and value-engineered in a wider R&D process with companies learning from the prototypes. However, more detailed understanding off whole-life cycle costs for modular buildings may make them more attractive, in particular to housing associations and domestic customers if these can be communicated clearly.

6. **Suggested Areas of Activity for Humber LEP, Local Authoirites and Partners**

6.1. In order to address the barriers for growth of the sector there are three key strands of activity which the LEP could pull together partnerships to deliver:

6.2. **Business Support for the Sector:** Through mechanisms such as Growth Hub and LA business support programmes. This could act as a service to help local modular builders access support to increase their design capacity, develop partnerships with
social housing providers, develop test sites to showcase their products and work with finance establishments to develop bespoke mortgage type finance to make the product more appealing to the retail customer. This could also assist with any land and skills needs should either an indigenous company grow or a new inward investment locates in the Humber. This work needs to include an understanding of the scale of production needed by local companies to achieve an attractive price per unit, and the range of technological solutions on offer to meet different end clients.

6.3. **Development of a percentage target for each housing site**; Via mechanisms such as Section 106 provide a target for developers of individual housing sites to deliver a percentage of the site using off site construction methods. HCA will be able to give technical advice on the appropriate percentage of Pre-Manufactured Value and how this is being accepted within the market as a positive means of accelerating delivery.

6.4. **Development of a modular housing pipeline for the region** – Use models being developed by HCA in other parts of the UK to increase the supply of land available for Modular Housing, by developing packages of land which could be tendered for large scale modular housing companies to deliver. The amount of land to be offered needs to relate to the understanding of scale needed by local companies and how many years of supply to make the business model work. This work stream also needs to review the range, size and appetite of end-clients in the Humber and possibly help match construction companies to clients.

7. **Next Steps**

7.1. Suggested next steps are to draw up a delivery strategy including:

- Presenting this paper to Humber LEP Board for consideration in the context of future strategic action and prioritisation.

- Integrating Modular Housing activity strands into Humber Industrial Strategy to promote this area as a key hub for the sector and working with HCA to integrate this with national thinking.

- Establish a team, including HCA to draw up a delivery strategy for future consideration.