

**Report for:** SCRUTINY COMMITTEE

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| Date of Meeting:     | 9 June 2025                                                                                                                                                                                         |
| Subject:             | <b>VALUE FOR MONEY AND BEST PRACTICE IN<br/>MID DEVON HOUSING MODULAR SOCIAL<br/>HOUSING DELIVERY</b>                                                                                               |
| Cabinet Member:      | Councillor Jane Lock, Cabinet Member for Housing,<br>Assets and Property                                                                                                                            |
| Responsible Officer: | Simon Newcombe, Head of Housing and Health                                                                                                                                                          |
| Exempt:              | None                                                                                                                                                                                                |
| Wards Affected:      | All wards                                                                                                                                                                                           |
| Enclosures:          | Annex A: Zed Pods standards<br><br>Annex B: Value for Money benchmarking<br><br>Annex C: Awards<br><br>Annex D: Draft Social Value Impact Economic<br>Appraisal Report St Andrews House, Cullompton |

**Section 1 – Summary and Recommendation(s)**

This report provides the PDG with the strategic and policy context supporting the delivery of modular (modern methods of construction, MMC) social housing in the Mid Devon Housing (MDH) Housing Revenue Account (HRA) development programme.

It further provides information and assurance in respect of the value for money and relative benchmarking with more traditional build schemes alongside the standards and best practice associated with our modular MMC approach. The report also sets out the wider context and benefits of the programme with regard to regeneration, net-zero carbon, added or social value and tenancy sustainment.

**Recommendation(s):**

- 1. The Committee notes the report**

2. That the Committee recommends that Cabinet continues to adopt an HRA development programme with a focus on delivering MMC, modular net-zero social housing where possible and viable as part of the Council's future Housing Strategy

## **Section 2 – Report**

### **1 Introduction**

#### **Strategic context**

- 1.1 In response to a national acute housing crisis, in July 2024 all councils in England were given new, mandatory housing targets aimed at providing 1.5 million new homes. Within this, the government has pledged the biggest boost to affordable, social, and council housing for a generation.
- 1.2 One of the principle mechanisms to address the shortage of affordable housing specifically is the Affordable Homes Programme under Homes England. The government recently announced a new, larger, £11.5bn Affordable Homes Programme 2021-26 (AHP), including funding for social rent, supported housing, and a renewed commitment to delivering homes using modern methods of construction (MMC).
- 1.3 In March, the government announced £2bn in grant funding as a "down payment" on a future AHP to support the delivery of new social and affordable homes.

So far, we know that Homes England have indicated that this funding:

- Will be delivered on the same terms as the current Affordable Homes Programme including a commitment to MMC
- Will be prioritised for homes for social rent.

#### **Local context**

- 1.4 In July 2024, Lord Best reported on the Devon Housing Commission setting out a real housing crisis in this county, emphasising an acute shortage of homes affordable for the next generation. In a series of recommendations aimed at central government, strategic Devon partners and at local district level, in the context of new affordable housing there is a focus on:
  - Commitment to the ongoing AHP with a focus on social rented homes;
  - Opportunities for a Devon Housing Strategy and greater regional coordination;
  - Increased delivery of social rented housing at type and location of need;
  - Strengthened support for the Devon Carbon Plan; and
  - Increased focus on rural exception sites

- 1.5 The Council have led many aspects of a local response to this housing crisis through its Housing Strategy 2021-25 and its increased delivery of social rented housing within its council HRA stock.
- 1.6 Within this strategic context and national direction, there is a strong synergy with regard to our local objectives and targets as set out below
- MDDC Housing Strategy - 19 objectives within Strategic Housing Priority 1 including those specific to supply of new homes and sustainability, meeting housing needs and raising building design standards including piloting MMC, design quality and climate change
  - MDDC Corporate Plan 2024-28 – Homes as a strategic theme with specific objectives to increase the delivery of quality designed, well built homes across the housing market to meet identified needs and building of energy efficient and low carbon homes
  - Rolling 5-year/500 unit HRA development programme with sub-targets around MMC delivery
- 1.7 The Housing Strategy is due for review with the adoption of a new strategy in 2026 where a review and assessment of the HRA building approach as set out within this report is timely.
- 1.8 With respect to the HRA development programme for MDH, it has allocated 29 additional properties within its stock since April 2024 and has acquired a further 28 units ready for occupation shortly. A number of additional sites have full planning permission for social housing with development commenced on several of these. These have been a mix of buy-back acquisitions, traditional build schemes and MMC modular net-zero. It is worth noting that MMC therefore only represents an element of the MDDC HRA development pipeline – albeit that it is providing a steady flow of additional properties to the portfolio, as referenced below. It is also worth noting that MDDC has also been instrumental in enabling the delivery of other affordable housing units within the district – for example the 70 new properties at Post Hill.
- 1.9 In respect of its delivery MMC modular net-zero carbon units, three schemes are now fully complete and the Council are moving forward with additional Zed Pods designed and commissioned schemes as set out below.
- St Andrews House, Cullompton – 6 units (complete March 2024)
  - Shapland Place, Tiverton – 8 units (complete October 2024)
  - Crofts, Sandford – 5 units (complete April 2025)
  - School Close, Bampton – 18 units (underway – due for completion January 2026)
  - Beech Road, Tiverton – 8 units (underway – due for completion September 2025)
  - Holly/Sycamore Road, Tiverton - 13 units (underway – due for completion November 2025)

- Fir Close, Willand – 1 unit (underway – due for completion November 2025)
- Eastlands, Hemyock - 5 units (underway – due for completion December 2025)
- Somerlea, Willand - 7 units (planning permission obtained – due to commence August 2025)
- Watery Lane, Tiverton - 10 units (planning permission obtained – due to commence January 2026)
- Roundhill, Tiverton – potentially 12 units (currently in pre planning – due to submit July 2025)
- College Green, Uffculme - 2 units (planning permission obtained – due to commence September 2025)
- Churchill Drive, Crediton – 3 units (planning permission obtained, due to commence February 2026)

There are a number of additional projects at concept, early design or draft planning stage for implementation later in the development programme with an ongoing emphasis on MMC net-zero specification homes.

### **Funding and external assessment**

- 1.10 MDH fund all of its schemes through the HRA with a key contribution from external funding sources in order to provide viable, high-quality and which are typically available at lowest, most affordable social rent. External funding grants have come via AHP and the One Public Estate (OPE) Brownfield Release Fund (BRLF) including the Prisoner Building Homes funding alongside one-off Devolution Programme support.
- 1.11 The Council's bids into these external funding schemes are subject to a strict assessment criteria and capital funding rules where the Council has been successful in its leverage of maximum grants for its modular housing schemes in particular. This is due to a range of factors directly associated with the Zed Pod developments and our development approach:
  - Project deliverability;
  - Track record of successful deliverability;
  - Suitability for infill regeneration projects at point of need/within existing settlements and HRA developments;
  - Design and high quality specification (MMC and operational net-zero, ultra-low energy/tenant utility costs); and
  - Social rent and high potential for tenancy sustainment
- 1.12 In the last 12-months alone, our MMC net-zero schemes have unlocked around £5.5m of grant funding at an average of £75k per unit, outperforming contributions to traditional, lower-specification schemes. This has significantly enabled and supported the viability of these schemes at the most affordable social rent level, thereby reducing the net-cost of the Council and its HRA and enabling it to meet its Housing Strategy and Corporate Plan objectives.

- 1.13 Each of these external funding programmes undergo an independent scheme by scheme viability and value for money (VfM) assessment where the overall project costs must fall within defined parameters. The case of AHP this includes benchmarking against national metre square floor costs. Unless our schemes fall within the required VfM parameters they are ineligible for funding.
- 1.14 Whilst Homes England and OPE/Ministry of Housing, Communities and Local Government (MHCLG) do not provide applicants (or otherwise publish) the specific VfM outcomes for each scheme in order to maintain commercial sensitivity and a level playing field for applicants, all of the Council schemes have been determined as eligible – demonstrating that Government assessors are happy with the information and costs submitted in relation to our grant funding applications. Feedback is that our MMC modular schemes sit at the upper end of VfM and therefore attract a higher level of financial support.
- 1.15 As a result of its deliverability and VfM track record in MMC and net-zero social housing, the Council have become a ‘continuous market engagement’ delivery partner with Homes England.
- 1.16 From April 2025, this Homes England partnership enables the Council continued access to the AHP programme post-2026 facilitating grant funds for more schemes that will complete much later (by March 2029). This provides the Council with ongoing, more seamless and extended access to AHP whilst a future AHP scheme is developed and is very much a vote of confidence in our development programme and our track record of successfully in delivering new, high quality social housing.
- 1.17 Under this extended, continuous engagement arrangement, funding allocations will be made within the same parameters as the current AHP 2021-26 including priority for MMC and social rent. This demonstrates the importance of MDH meeting these key national requirements in full and validates the innovative modular development programme approach that the Council has adopted alongside other methods of delivery.

## **2 Typical MDH modular build and design**

- 2.1 The Devon Housing Commission report has evidenced the importance of providing more, high quality affordable housing that meets local needs. Consequently, it is important we continue to deliver social housing into the MDH stock in locations of demand, at a scale and type that meets measured housing needs and helps to sustain our village and town communities.
- 2.2 The MDH development programme with its modular MMD focus was designed from the outset to meet common objectives through a ‘right home at right place’ approach with a number of core features:
- Smaller, infill schemes scaled to meet local needs across the district
  - Use of brownfield, under-utilised land within existing communities
  - MMC off-site construction to minimise construction phase impact on current residents and neighbours

- High-quality, long-term design that meets a wide range needs
- Focus on low-tenant costs and long-term tenancy sustainment
- Provision of local infrastructure improvements to support wider regeneration and local benefits e.g. local drainage improvements, additional community parking, biodiversity enhancements
- Unlocking maximum grant funding to support viability

2.3 As a result, the typical MDH MMC modular scheme has the following characteristics:

| Location and design                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Approach                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Performance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Use of former redundant garage and other brownfield land with demolition of existing structures and removal of asbestos containing materials (e.g. garage roofs),</li> <li>• Bringing low-value land into productive use</li> <li>• Small scale, 7-8 units on average, within the curtilage of existing MDH communities</li> <li>• 1-3 bedroom units; mix of flats, maisonettes, bungalows and homes with private outside areas together with a mix of communal and private gardens</li> <li>• Flexible appearance and massing designed to work well with local architectural precedents / sensitive to existing conservation areas and other planning considerations</li> <li>• Additional mature planting and other biodiversity/landscape enhancements including bird and bat boxes,</li> <li>• Sustainable urban drainage provision, permeable parking above 1.7 spaces per dwelling requirements that is free to use by the local community</li> </ul> | <ul style="list-style-type: none"> <li>• Zed Pods ‘turnkey’ procurement – feasibility, design, planning, build and commissioning under proven performance standards</li> <li>• Pre-planning engagement with the MDDC Development Management and local town and parish councils, current MDH tenants and wider residents</li> <li>• Wholly new build plus net-uplift - replacement of end-of-life existing, low EPC homes on specific schemes with an increase in overall number of units</li> <li>• Measurable overall social value uplift (see St Andrews project example in Annex D)</li> </ul> | <ul style="list-style-type: none"> <li>• Highest Energy Performance Certificate (EPC) A+ rated and net-zero operational carbon certification</li> <li>• Roof mounted photovoltaic solar panels for electricity generation and heat pumps with mechanical ventilation and heat recovery</li> <li>• Significant energy/utility cost reductions for tenants together with water saving design and energy efficient appliances</li> <li>• Steel frame with thick wall natural stone wool insulation, triple glazing</li> <li>• Reduced maintenance cycles and lower long-term costs</li> <li>• Meet or exceed Building Regulation requirements including new-homes durability and minimum 60-years lifespan, nationally described space standards, overheating and all relevant safety standards including fire safety</li> </ul> |

- 2.4 Further information on the design and quality assurance standards that underpin Zed Pod modular homes is set out in Annex A.

### 3 Innovation, evaluation and awards

- 3.1 Whilst MMC and off-site modular construction of homes is common across Europe and the USA it remains less widely used and understood in the UK and consecutive Governments have been keen to promote and expand its use as a mechanism to deliver additional homes at pace. Despite rapid advancements in materials, manufacturing, digital transformation and technology, the development sector has nonetheless largely remained largely unchanged and focused on traditional build.
- 3.2 Innovation, and therefore change, sits at the heart of the Council's MMC modular approach and demonstrates how high quality, durable, low-carbon future-proofed MMC social housing can be viable and delivered at social rent levels whilst achieving wider regeneration benefits and sustainability benefit for local communities.
- 3.3 As result, this non-traditional development focus has required ongoing education and engagement to set out the rationale and benefits of our approach. Nonetheless, the feedback from all stakeholders including Homes England, OPE, local and district members, new tenants and the wider public has been overwhelmingly positive and the strong, positive alignment with national and local strategic housing objectives has been clearly defined.
- 3.4 This feedback isn't just strategic at one level or anecdotal at another, it has been unpinning by post-occupancy evaluation (such as the University West England' report a Zed Pod modular project at Hope Rise, Bristol) and the survey of residents at our St Andrew's House scheme as set out below.

How would you rate the building in terms of its aesthetics?

Answered: 4 Skipped: 0

8.3

average rating



How would you rate the building in terms of its design and lay...

Answered: 4 Skipped: 0

8.5

average rating



How would you rate the interior of the apartments?

Answered: 4 Skipped: 0

9.8

average rating



How would you rate the homes in terms of overall quality?

Answered: 4 Skipped: 0

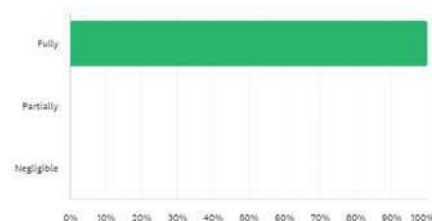
9.3

average rating



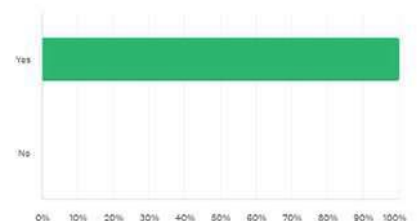
Has the project met your expectations for sustainable develo... \*\*\*

Answered: 4 Skipped: 0



Do you agree that the project has significantly transformed th... \*\*\*

Answered: 4 Skipped: 0



- 3.5 Our modular schemes have also been visited post-completion as key demonstration projects by a number of MHCLG, Homes England and OPE teams together with visits by a wide number other Local Authorities / private registered social housing providers and Devon County Council commissioning and delivery colleagues.
- 3.6 This has generated a high level of regional and national recognition through our St Andrews House and Shapland Place schemes in particular with these either winning or being a finalist in a number of development awards, as listed in more detail in Annex C.
- 3.7 MDH and Zed Pods were also invited to present on our collaboration and innovation in delivering modular social housing at the Chartered Institute of Housing (CIH) South-West Regional Conference in February 2025. As a result, we have been jointly invited to do the same at the joint, national CIH / National Housing Federation 'Housing Community Summit' in September this year. An event which brings together the housing sector's key stakeholders, politicians, and housing leaders and practitioners from across the country to debate and shape the future of social housing.

#### **4 Traditional versus Modular construction**

- 4.1 A number of independent studies have been published that take a closer look at these different approaches to construction. Examples include the Jones Lang LaSalle study (2021), Procurement Partnership Frameworks (2022), BES (2024) and Travis Perkins (2025).
- 4.2 These studies provide helpful, independent comparative analysis and typically focus on three areas – time, cost and quality/design and sustainability.

##### **Time**

- 4.3 When considering the various differences between MMC and traditional housebuilding, perhaps the most obvious is time to completion. On average, off-site manufacturing reduces construction time on-site by around a third.
- 4.4 Notwithstanding delays caused by poor utility mapping and under-capacity in utility providers to resolve issues quickly, which impact brownfield traditional and MMC projects equally and is a national issue, for social housing developers and local authorities including MDH, this time saving directly translates to revenue generation, as we can fill tenancies more quickly and begin to collect rent. Furthermore, the ability to produce more social housing quickly into our stock provides much needed support to address the local housing crisis and deliver on our strategic housing goals.
- 4.5 MMC's ability to deliver units more quickly, together with strong quality/sustainability credentials and VFM benchmarking, is therefore one of the main reasons it is being prioritised by Homes England's AHP (2021-26).
- 4.6 Potentially therefore, time savings on-site and quicker completions could be sufficient reason for more developers to explore MMC when the UK is in the

midst of a housing crisis and perennially missing its 300,000 homes a year target. Unfortunately, it is unlikely the time savings alone will encourage private build- for- sale developers to fully embrace MMC, particularly high-volume builders that hold significant numbers of a existing permissions and extensive land-banks where market control may be featured more strongly over speed of delivery. These time-saving considerations are perhaps much more of interest to social housing developers, hence the Council embracing an MMC approach where time is considered to be a significant factor.

## **Cost**

- 4.7 As highlighted above, one of MMC's main advantages relates to the time it can save in the construction process. However, at present it is not automatically a cheaper way to build homes. MMC requires a constant pipeline, a repetition of product, and thus relies on economies of scale or highly localised manufacturing efficiencies and flexibility in order to generate ever-more efficient returns. Thus, larger scale projects and a consistent pipeline would mean eventual, more significant cost savings, but as it stands today, the industry is not at that scale.
- 4.8 Equally, this does not mean small scale modular projects, such as those the Council are undertaking, delivered in close collaboration with development cannot compete against traditional build costs, especially when benchmarked fairly against lower-volume and smaller scale brownfield traditional built schemes. This is evidenced through the AHP and other external funding VFM and assessment process as set out above and through an individual analysis of whole project costs and our completed schemes to-date. More information and data on benchmarking our Zed Pod modular schemes is set out below and in Annex B.
- 4.9 Cost can also relate to much more than just build cost. If you take into account less time on site, council tax and rents coming in quicker, less waste overall, less repairs in the future, and less disruption to neighbours and the community during construction, it could be seen as a cost benefit in the long run.
- 4.10 These added value factors can be used to develop a social value cost-benefit ratio for a specific scheme which provides a much more realistic, holistic assessment of value capturing a range of benefits. This includes tangible and measurable benefits in monetary terms, directly impacting budgets, non-cashable benefits that improve value for money, community benefits and other benefits that are difficult to monetise but improve quality of life, well-being or enhance public trust and engagement.
- 4.11 This has been recognised by Zed Pods who have been working in conjunction with the Ministry of Justice (in respect of its engagement in the Prisoner Building Homes programme) and the Council to develop such an assessment which draws upon published, verified sources of data including many produced by central government as part of an economic appraisal approach that forms a

critical part of the HM Treasury Green Book business case methodology – a standard approach that can be used by Council's and the wider public sector in seeking approval of capital projects.

- 4.12 This social value appraisal is a developing approach, however a draft example report for St Andrews House is shown in Annex C which shows a significant overall benefit / cost ratio of 8.15.

### **Quality, Design, and Sustainability**

- 4.13 One of the greatest differences between traditional building and MMC is the ability to ensure a level of quality in the finished product that meets exact design specifications.
- 4.14 Due to its repeatable manufacturing process in a controlled indoor environment compared to a less controlled outdoor process, manufacturers of off-site modular units can guarantee homes that will achieve certain design standards and meet regulatory safety requirements. Design errors can be closely monitored under accredited processes and systems (e.g. ISO 9001 and 45001) where any issues can immediately be identified and addressed, significantly mitigating risk.
- 4.15 The durability of MMC is further key consideration. The Zed Pods MMC specification has longer replacement cycles for key planned maintenance items such as doors, windows, roofs and kitchens. Enhanced life cycles and planned maintenance cost reductions can be built into the long-term financial planning of the HRA with confidence, further supporting the overall viability of the schemes. This is enhanced further where MMC is used to replace end-of-life or poorer quality stock with higher planned maintenance costs where less beneficial expenditure can be removed from the future balance sheet delivering net savings in the long-term and supporting the overall financial sustainability of the HRA.
- 4.16 One of the biggest, emerging challenges facing the housing sector currently is fire safety. This includes the provision of non-combustible insulation and cladding materials with a more stringent focus on building safety. MMC has a clear advantage over traditional build given the controlled manufacturing process and assurance that each unit is an exact replica of the original design to ensure regulatory standards are met. Additionally, as all the data for each design is readily accessible, it is straightforward to establish the exact specifications of each unit so if there were any issues with materials it would be straightforward to identify products and units affected and thus easier to resolve.
- 4.17 With traditional build however, there is no guarantee that the contractors have been able meet the exact design specifications and significantly less control over the overall construction process.
- 4.18 It is becoming widely accepted that decarbonisation is becoming one of the greatest driver for change in the construction industry. Recent data from the

Department for Business, Energy & Industrial Strategy shows that in 2020, the residential sector accounted for 21% of all carbon dioxide emissions. The UK has committed to be Net Zero Carbon by 2050 with Council adopting an even more stringent aim of being carbon neutral by 2030, therefore the homes being built must be highly energy efficient. According to a number of manufacturers, MMC delivers at least an EPC B. In the case the Zed Pod units provided the Council this is higher again at EPC A and certified operational zero-carbon.

### **Potential MMC constraints**

- 4.19 No construction approach is perfect and there are constraints or challenges inherent with each that is chosen. The challenges of MMC include a general risk uncertainty from potential tenants and clients which can be overcome through education and engagement. As noted above, post-occupancy surveys at our longest running scheme (St Andrews House) have shown very high levels of tenant satisfaction.
- 4.20 There has been similar risk aversion from some warranty providers which is again being addressed and all the Council MMC schemes come with industry standard, full 10-year new build warranties including the high quality 'Q Policy' and ICW warranty assurance. This means our units are being built to a fully mortgageable standard.
- 4.21 Further disadvantages include the fact that some people don't like how modular styles look. This was more the case through early designs when the MMC industry was in its infancy. Since then, newer providers such as Zed Pods and others have been able to bring forward designs that are highly flexible where completed schemes can be indistinguishable from contemporary and older traditional build archetypes.
- 4.22 There needs to be assurance on structural design to avoid fragmentation, especially if material choices and assembly are poor. This is overcome through BRE (Building Research Establishment) design assessment, Buildoffsite Property Assurance Scheme (BOPAS) including steel framed systems and other accreditations using an architect led approach. All of which is applicable to Zed Pods and an essential consideration in any MMC supplier the Council uses. See Annex B for further information.
- 4.23 MMC and net-zero heating systems are different from traditional gas-fired or other electrical heating systems with benefit of a high degree of thermal stability. All of which feels different to tenants more familiar with traditional build properties and conventional systems. This has been overcome through the MDH teams working closely with our supplier to on-board tenants including the use of bespoke welcome leaflets and home user guides.
- 4.24 Some UK planning teams remain cautious of MMC and modular buildings, unlike countries such as Scandinavia who have adopted MMC more widely. This comes down to awareness, familiarity and experience of specific planning officers. This potential challenge has not been the experience in Mid Devon and we have worked closely with the Planning Development Management team

through a demonstration unit, site visits and the pre-application process to overcome any misunderstandings.

- 4.25 Finally, off-site manufacture requires the development site having adequate road access to enable HGV/crane delivery of the modular units. With planning and careful route and site assessment. Almost all sites within the district that have been evaluated have proven suitable, however a small number of sites are too constrained where traditional or different types of MMC schemes may be required.

## **5 Benchmarking of MMC modular schemes**

- 5.1 Largely setting aside where the Council's MMC approach aligns and underpins its strategic objectives and social housing delivery as described above, there is still validity in undertaking more quantitative cost benchmarking of our new housing schemes against other housing projects in order to provide assurance on VfM.
- 5.2 As has been set out above, there are a number of key over-arching differences between traditional build and MMC development approaches. There are further site-specific differences ranging from specification of each home and energy performance, unit sizes, low-volume brownfield vs high-volume greenfield sites, utility constraints and costs, demolition and disposal costs, infrastructure and wider regeneration deliverables together with sites with or without significant communal build spaces. There also significant differences in overall value and long-term costs with variable benefit to cost ratios.
- 5.3 It is also valid to highlight the differences between VfM and cheapest or low-cost. VfM goes beyond cost savings by considering the overall benefits of a purchase or investment. It evaluates quality, sustainability, risk mitigation, and long-term outcomes relative to the cost and needs to consider the life-cycle of the asset not just the up front cost.
- 5.4 When it comes to overall viability and VFM of a particular scheme, then it is not just a comparison or assessment of gross project cost but requires an understanding of the net cost to the Council. This is particularly relevant where different specification and design/delivery approaches can unlock variable levels of external grant funding as set out in Section 1 above.
- 5.5 As with all public sector expenditure on goods and services, the process of procuring new housing must comply with strict public procurement rules including the recently implemented Procurement Act 2023. Whilst all of its new housing contracts are fully compliant with these legal requirements, there are nevertheless differences in terms of the competitiveness of a procurement exercise and the number of suppliers able or willing to enter into a process and provide a price against a specific required specification.
- 5.6 In order to provide assurance in respect of procurement and ensure maximum consistency of pricing without putting each housing scheme through an expensive bespoke market tendering exercise, direct awards may be

undertaken. A direct award is permitted under the current procurement legislation and each direct award is made under a compliant framework.

- 5.7 Frameworks are umbrella agreements that set out the terms, that include specification, quality, price, quantity, under which individual contracts (call offs) can be made during the lifetime of the framework (normally 4 years). Legislation governs the way frameworks are run. Suppliers compete through open competition to be appointed to a framework. Publicly funded contracting authorities such as the council then call off individual contracts.
- 5.8 In terms of VfM considerations, the key advantages of direct awards via frameworks is the scale and assured volume of potential delivery across a wide number of potential clients and organisation is attractive, therefore they attract a wide range of suppliers. The frameworks also provide wider assurance due to in-depth expertise in specific sectors, high quality specifications and pre-tender engagement through to consistency and independence of the evaluation and award process. They also provide additional financial protections to organisations calling off contracts. Overall, these benefits substantially de-risk the process for the Council in what are major capital investments. There are further advantages in speeding up the procurement process and enabling housing to come forward more quickly.
- 5.9 These differences and considerations make benchmarking costs highly challenging where it is easy to arrive at invalid comparisons as a result. Where comparisons are made, where possible, it is important to set out the key differences between projects and specific sites where these are known in order to understand how cost differentials may arise in order to inform the overall VfM assessment.
- 5.10 Notwithstanding these challenges, a detailed benchmarking cost comparison is set out in Annex B which compares the costs of several complete or pending traditional build schemes with modular schemes within the MDH stock. Therefore, these are schemes contracted by the Council where it has full information on costs and specification. Against this, information has been obtained from other traditional or MMC schemes commissioned by other organisations but in similar settings (scale, social housing etc), some of which have also benefited from AHP grant and therefore assurance.
- 5.11 From Annex B, it is possible to compare unit or metre square costs for our completed St Andrews, Shapland Place and Crofts schemes and our Holly Road and Beech Road schemes currently under construction which are all Zed Pods MMC modular against a separate Beech Road scheme, a tendered build scheme in Cullompton, a completed social housing scheme in Bristol (New Kingsland) which are all traditional build and a different type of MMC affordable housing scheme completed in Portsmouth (EBC Former Post Office). All of these schemes have been priced (tendered), live and/or completed within the last 2-years in order to provide a valid comparison.

- 5.12 Of the non-Zed Pods MMC and traditional build schemes, these were selected due to the availability of data and that the schemes were all lower-volume, infill and typically brownfield regeneration projects providing affordable housing. However, none of the schemes has a comparable EPC A+ zero-operational carbon specification as provided for by the Mid Devon Zed Pods units and are all lower specification EPC B rated developments.
- 5.13 The findings of this benchmarking exercise are the MDH Zed Pods schemes consistently perform well in a comparison of measured unit and m2 costs of the other schemes, both traditional build and MMC as ranked in Table 1 below despite having highest overall EPC specification at social rent.
- 5.14 Of the five Zed Pod schemes in the comparison table typical of the Mid Devon development programme (complete and in progress units), four are in the top-five rankings (lowest cost). This includes the Shapland Place scheme characterised by exceptional regeneration and community benefit but with associated atypical infrastructure uplift i.e. more than double parking provision over planning policy requirements, steel podium/flood zone design, enhanced drainage attenuation and EV charging provision.

Table 1 – Summary of net cost benchmarking data (Zed Pod schemes in bold)

| Ranking<br>(Cost – Low<br>to High) | Net average cost per unit*                          | Net cost per m2 (gross living<br>floor area)         |
|------------------------------------|-----------------------------------------------------|------------------------------------------------------|
| 1                                  | <b>St Andrews House Zed Pods<br/>MMC Modular</b>    | <b>Beech Road Zed Pods MMC<br/>Modular</b>           |
| 2                                  | <b>Beech Road Zed Pods MMC<br/>Modular</b>          | <b>Holly/Sycamore Road Zed Pods<br/>MMC Modular</b>  |
| 3                                  | <b>Holly/Sycamore Road Zed Pods<br/>MMC Modular</b> | <b>St Andrews House Zed Pods<br/>MMC Modular</b>     |
| 4                                  | <b>Crofts Zed Pods MMC Modular</b>                  | 9No. North Somerset, Bristol &<br>Gloucs MMC Modular |
| 5                                  | <b>Shapland Place Zed Pods MMC<br/>Modular</b>      | <b>Shapland Place Zed Pods MMC<br/>Modular</b>       |
| 6                                  | Beech Road Traditional Build                        | Honiton Road Traditional Build                       |
| 7                                  | EBC Former PO MMC                                   | <b>Crofts Zed Pods MMC Modular</b>                   |
| 8                                  | BCC New Kingsland Traditional<br>Build              | BCC New Kingsland Traditional<br>Build               |
| 9                                  | Honiton Road Traditional Build                      | Beech Road Traditional Build                         |
| 10                                 | -                                                   | EBC Former PO MMC                                    |

\* Average costs are not available for the 9no. North Somerset, Bristol & Gloucestershire MMC Modular benchmarking in Annex B with net average m2 data only

- 5.15 Considering a summary of average net cost m2 benchmarking data by build type based on gross floor living area provided:

- Average all Zed Pods MMC Modular (5no. EPC A/Zero C): £2,571.88

- Average all traditional build schemes (3no. EPC B): £4,103.65
- Average all non-Zed Pods MMC (9no. EPC B): £2,387.65

The Zed Pod schemes largely perform better on a cost per m2 comparison against the traditional build schemes and are comparable with the non-Zed Pods MMC schemes. Both of these comparison schemes types are built to lower EPC specification that do not achieve zero-operational carbon performance.

- 5.16 This favourable net cost for the Zed Pods units is reflective of overall costs for delivery together with strong compatibility with external funding streams, enabling higher grant leverage and competitive net costs for the Council. This is whilst providing high quality accommodation that has lower running costs for tenants and enhanced tenancy sustainability alongside reduced cyclical planned maintenance costs long-term for the HRA, especially in comparison with traditional build schemes.
- 5.17 The ability to bring forward viable Zed Pod schemes at the formula social rent level further enhances the overarching strategic and financial alignment within the Council. In turn, this further strengthens our response to the housing crisis as a social housing provider through the provision of future-proofed homes at the most affordable, and therefore most accessible, rent level for our communities.

## **6 Conclusions and summary**

- 6.1 Overall, the MMC modular housing building approach that has been adopted for Council Housing by MDH under its HRA is directly aligned with our wider national and local strategic objectives.
- 6.2 It forms a highly effective and tangible response by the Council in terms of the delivery of more affordable housing for local people at lowest social rent. The shorter on-site build times and overall reduced project timeline bring forward critical new housing at relative pace.
- 6.3 The Zed Pods MMC modular design and high quality specification for Mid Devon unlocks greater external funding support through the Homes England Affordable Homes Programme and the MHCLG Brownfield Release Programme in particular.
- 6.4 This strong placement of our MMC modular schemes provides greater certainty of delivery and de-risks the Council through; a reduction in the long-term costs to the HRA, enhancement of the overall viability of the projects and clear VfM benchmarks resulting in competitive net financial costs in comparison with traditional build schemes and other MMC.
- 6.5 These modular schemes are particularly suited to low-volume, infill sites using existing HRA land where they provide housing to meet defined local needs and support the sustainability of local communities.

- 6.6 The flexible, zero operational carbon, neurodiversity-friendly homes also help the Council to meet its corporate environmental, sustainability and social value aspirations with clear overall benefit to cost ratios.
- 6.7 The standards and design introduced by the Zed Pod units meet or exceed all regulatory standards and provide an innovative approach to social housing building that is inherently better than typical traditional build approaches. This is especially the case for the smaller, infill schemes required to meet housing needs and sustain our communities across the district.
- 6.8 The quality and effectiveness of our completed schemes is already been set out through post-occupation evaluation and feedback from tenants and other stakeholders and myriad of industry awards where the Council is building an enviable track-record of delivery.
- 6.9 Overall, the MMC modular programme is capable of playing a continued key role in the delivery of more Council houses for residents at a time of critical need. The programme demonstrates this can be done without compromise on quality and will drive forward improved tenancy sustainment through the high accommodation standards, significantly reduced tenant running costs and overall enhanced tenant experience.
- 6.10 Given such a positive assessment and strong overall VfM and deliverability, it is important that the Council continues to support, refine and grow its MMC modular housing building programme in order to meet its house building targets and wider objectives.

## **7 Recommendations**

- 7.1 In accordance with the above, the following recommendation are made:
  - 1. The PDG notes the report
  - 2. That the PDG recommends that Cabinet continues to adopt an HRA development programme with a focus on delivering MMC, modular net-zero social housing where possible and viable as part of the Council's future Housing Strategy

## **Financial Implications**

The activity of MDH including its development programme is funded through the Housing Revenue Account (HRA). The HRA is ring fenced and subject to specific financial controls.

In case of its modular MMC projects in particular, development costs are significantly supported through the successful leverage of external grant.

Financial benchmark data is set out in Annex B of the report and wider VfM considerations set out within the report.

## **Legal Implications**

The compliance of the Zed Pods MMC residential build system with regulatory standards, performance, technical certifications and accreditation together with other related criteria are set out within report and in more detail within Annex A.

### **Risk Assessment**

This is set out within the report including strategic context and alignments, an assessment of traditional build versus MMC modular construction, specification and further specific alignment with grant funding and reduced net financial costs, VfM benchmarks and the overall conclusions as summarised above.

### **Impact on Climate Change**

All Zed Pods MMC modular development provided for the Council are EPC A+ and zero operational carbon rated.

### **Equalities Impact Assessment**

Not applicable

### **Relationship to Corporate Plan**

Homes are a strategic theme with specific objectives to increase the delivery of quality designed, well built homes across the housing market to meet identified needs and building of energy efficient and low carbon homes.

## **Section 3 – Statutory Officer sign-off/mandatory checks**

**Statutory Officer:** Andrew Jarrett

Agreed by or on behalf of the Section 151

**Date:** 22 May 2025

**Statutory Officer:** Maria de Leburne

Agreed on behalf of the Monitoring Officer

**Date:** 22 May 2025

**Chief Officer:** Richard Marsh

Agreed by or on behalf of the Chief Executive/Corporate Director

**Date:** 22 May 2025

**Performance and risk:** Stephen Walford

Agreed by the Chief Executive

**Date:** 22 May 2025

**Cabinet member notified:** Yes

## Section 4 - Contact Details and Background Papers

**Contact:** Simon Newcombe, Head of Housing and Health

Email: [snewcombe@middevon.gov.uk](mailto:snewcombe@middevon.gov.uk)

Telephone: 01884 255255

### Background information:

Zed Pods Ltd Homepage

[OUR HOMES | ZEDPods](#)

Mid Devon Housing Development Hub with access to more detail on specific modular and traditional build schemes in the current HRA development programme

[MDH Development Hub | Let's Talk Mid Devon](#)

HM Treasury 'Green Book' guidance on how to appraise policies, projects and programmes.

[The Green Book and accompanying guidance - GOV.UK](#)

Guidance on different types of Modern Methods of Construction (MMC)

[Microsoft PowerPoint - The MMC Definition Framework - Michelle Hannah \(July 2019\)](#)

Social Rent Housing at Pace – The MMC Playbook (Housing Festival 2024)

[Social Rent Housing at Pace Playbook — Housing Festival](#)

Guidance on direct award procurement frameworks

[Procurement Routes - Building Better](#)

[Modern Methods of Construction \(MMC\) for New Homes \(NH3\) | Frameworks | LHC LSE](#)

BOPAS accreditation for Zed Pods

[ZED PODS - BOPAS](#)

ICW building warranty information as applicable to Zed Pods

[Building Warranty Specialists | ICW Insurance Services](#)

More information on the Considerate Constructors Scheme

[Considerate Constructors Scheme](#)