

Edinburgh and South East Scotland City Region Deal Joint Committee

10 am, Friday 6 December 2019

The Edinburgh & South East Scotland Home Demonstrator: Application to the UK Government Industrial Strategy Challenge Fund

Item number

Executive Summary

This report advises Joint Committee that a bid has been submitted to the UK Government Industrial Strategy Challenge Fund to support a Demonstrator project. The project would seek to deliver a new, innovative business model that would support use of offsite construction methods to deliver high quality new homes with a focus on quality, low carbon options and whole life performance.

This project aligns closely with the two strategic aims of the Regional Housing Programme to deliver a step change in innovation and inclusive growth in the housing and construction sectors; and deliver a step change in the supply of new homes across the South East of Scotland.

The City of Edinburgh Council will act as lead local authority partner with funding sought as part of the bid process to support the Council to coordinate, manage and develop input into the project from across Council teams and local authority partners.

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Report

The Edinburgh & South East Scotland Home Demonstrator: Application to the UK Government Industrial Strategy Challenge Fund

1. Recommendations

Committee is asked to:

- 1.1 Note that a bid has been submitted to the UK Government Industrial Strategy Challenge Fund with the City of Edinburgh Council acting as lead local authority partner; and
- 1.2 Note that the Regional Housing Board will receive regular updates on progress with taking forward the project.

2. Background

- 2.1 In August 2018, all six local authority partners and both UK and Scottish Governments signed the City Region Deal. This included housing as a major thematic element and included draft terms of reference for the establishment of a regional housing board. Two strategic aims were identified for the Regional Housing Programme:
 - Deliver a step change in innovation and inclusive growth in the housing and construction sectors;
 - Deliver a step change in the supply of new homes across the South East of Scotland.
- 2.2 In late 2018, an off-site housing collaboration initiative 'Increasing offsite housing construction in Scotland' was established in partnership with Scottish Government, [Construction Scotland Innovation Centre](#) and industry partners. The City of Edinburgh Council was a steering group member and active partner in this project. The aim of the group was to explore solutions to mainstream the use of off-site manufacturing in affordable house building in Scotland. This project sought to identify, develop and test a range of potential options to support new policy,

regulation and procurement models and systems to increase the level of offsite affordable housing delivery.

- 2.3 In August 2019, as part of the UK Government [Industrial Strategy Challenge Fund](#), Innovate UK issued a call for funding for demonstrator projects which improve on the current state of the art in construction. Bids for funding are due by 6 November 2019 for projects to be developed over the coming 18-24 months.
- 2.4 On 27 August 2019 the Regional Housing Board recommended approval of the [Regional Housing Programme: Forward Work Programme](#), which was formally approved on 3 September 2019 by the Edinburgh and South East Scotland City Region Deal Joint Committee. Within the work programme the Innovation and Skills Workstream sets out a series of steps in relation to offsite and modern methods of construction including exploring a potential bid to the UK Government Industrial Strategy Challenge Fund and future funding opportunities.
- 2.5 Following this Board approval, The City of Edinburgh Council, [Offsite Solutions Scotland](#), Construction Scotland Innovation Centre, Edinburgh Napier University, Scottish Government, Scottish Enterprise and Scottish Futures Trust have been working collaboratively to develop a bid for a project.
- 2.6 This report sets out a collaborative project proposal which explores how the region can benefit from the potential benefits of offsite construction with the City of Edinburgh Council as lead local authority partner.

3. Main report

Context

- 3.1 The South East of Scotland is the fastest growing region in the Scotland and is the fifth fastest growing in the UK. A 40% increase in new build housing supply is required over the next two decades due to population growth (2019-2029) requiring 147,000 new homes.
- 3.2 The combined Local Authority partner Strategic Housing investment Plans (SHIPs) reveal a potential regional affordable housing delivery pipeline of over 20,000 affordable homes over the next five years.
- 3.3 The delivery of this programme is challenging in the context of rising build costs, a shortage of skilled labour, the need to meet ambitious targets for reductions in carbon emissions and the desire to build homes that are affordable to heat and maintain. The City of Edinburgh Council and other partner authorities have advocated for the need to look at alternative and more collaborative solutions.
- 3.4 As outlined in the [Regional Housing Programme: Forward Work Programme](#) off site manufacturing to support a pipeline of demand for affordable housing, particularly when linked to skills development, apprenticeships and the latest digital software and techniques have the potential to deliver housing at scale and transform the construction industry.

The proposition

- 3.5 The proposed initiative brings together Offsite Solutions Scotland Ltd (OSS), a unique industry collaborative consisting of nine-member companies active in the offsite sector in Scotland both as timber manufacturers and house builders with public sector partners to develop a new business model. CCG and Robertson have been representing the OSS collaborative during the project development. The City of Edinburgh Council has experience of working with both companies as part of its 21st Century Homes housebuilding programme.
- 3.6 The project is intended to create a means to deliver transformational change for and across the six local authorities who are part of the Deal via the delivery of a new business model based on the creation of a pipeline of demand and a long term approach to contracting via collaborative procurement, standardisation of house types and components and risk and benefit sharing between partners. It is also intended to inform wider strategic work by the Scottish Government and its partners in terms of modernising the approach to housing development and construction across Scotland.
- 3.7 The Demonstrator is not a build of a physical asset but the creation of a collaborative partnership model for greater standardisation of designs, processes and systems to facilitate longer-term partnering and collaboration across the public and private sector.
- 3.8 The demonstrable outcomes of the project will comprise: a new business model, set of standard house types/components, a pipeline of development, a digital model of the outputs which can be easily integrated to other systems and opportunity for a 1,000 homes pilot that could be fully monitored and evaluated. A business case and Council approvals would be required to take forward the pilot.
- 3.9 The project will support the regional partners to increase the speed, quality and assurance of future affordable housing delivery in Edinburgh and the city region to deliver cost savings and whole life benefits. It will also be used as a route to develop low carbon housing to support Edinburgh's goal to become net zero carbon by 2030.
- 3.10 This project is intended to start in April 2020 running for 18-24 months. The key work packages are outlined in appendix 1. The project management work package will be led by CSIC who will also lead the dissemination and reporting to Innovate UK.
- 3.11 Successful projects will be announced in January 2020. If the application is successful, project development and progress will be reported to the Regional Housing Board. The project will be taken forward in a manner that enables each local authority to comply with internal processes and governance arrangements.

4. Financial impact

- 4.1 The Industrial Strategy Challenge Fund criteria for demonstrator outlines that project grant funding bids can be between £0.5m-£8m of eligible costs. development.
- 4.2 The total project costs (excluding contributions in kind) amount to £1,483,112 and funding is being sought from Innovate UK for £973,223 of that sum. This includes funding to appoint design and technical consultants, procurement specialists and project management support.
- 4.3 The City of Edinburgh Council will act as lead local authority partner and has requested funding; as part of the bid process to support Council officers to coordinate, manage and develop input into the project from across Council teams and local authority partners. Scottish Government, Scottish Futures Trust and Edinburgh Napier University are also seeking funding to support their input to the project.

5. Equalities impact

- 5.1 The housing theme of the City Region Deal is an integral part of accelerating inclusive growth across the region. Removing physical barriers to growth has been identified one of five key interventions in the Deal Document's Inclusive Growth Framework. The Regional Housing Programme will achieve the following positive impact on equalities:
 - A significant programme of house building will be targeted at increasing the supply of housing across all tenures to improve affordability;
 - New homes will seek to reduce fuel poverty;
 - The Housing, Construction and Infrastructure (HCI) Skills Gateway Programme will ensure that people, including those with protected characteristics, across the region have the skills to access construction jobs generated through the housing programme and;
 - An agreed approach to City Region Deal Procurement will ensure that community benefit clauses will be used to target inclusive employment practices and other opportunities.

6. Background reading/external references

- 6.1 [Edinburgh and South East Scotland City Region Deal Document, August 2018](#)
- 6.2 [Regional Housing Programme Forward Work Programme](#)

7. Appendices

- 7.1 Appendix 1 - The Edinburgh & South East Scotland Home Demonstrator – Outline Work Activity

Appendix 1 – The Edinburgh & South East Scotland Home Demonstrator – Outline Work Activity

The key work packages to be delivered over 18-24 months starting April 2020 are outlined below:

Project management - starting April 2020 (*CS/C*).

Collaborative/Partnering models for procurement – Review alternative and develop new models of housing delivery and co-investment in manufacturing which meet procurement rules, and which will deliver the project outcomes (speed, cost, quality, innovation) over a multi-year period of at least 5 years. Establish preferred models for further development and piloting within the city Region (*SFT*).

Set whole-life performance standards (future maintenance and energy costs) - Establish and agree a set of whole-life performance standards which capture the true benefits of using MMC (*ENU/OSS*).

Develop definition and model for standardised product/design – Create a standardisation model for the Edinburgh build programme (*CEC/ENU/OSS*).

Manufacturing solution – Develop and evaluate options for supply side delivery including existing facilities, new (temporary), new (permanent), explore alternative investment models and develop a business case for investment (*OSS*).

Performance standards – Develop a framework through which the effectiveness of the partnership can be evaluated on an ongoing basis. This will include targets for improved productivity over the life of the partnership and a method of benefit sharing between CEC and OSS (*OSS/CEC/SG/SFT*).

Skills – Working with local skills partners through the City Deal Housing, Construction and Infrastructure Skills Gateway identify what skills will be required to support the programme, how these may be met by existing providers/programmes and where new skills programmes will be required (*ENU*).

Launch - agree pipeline of projects and implement a collaborative partnering model to deliver these (*All*).