

CABINET MEETING – 15 JUNE 2021

EXECUTIVE SUMMARY SHEET – PART I

Title of Report:

Housing Innovation & Construction Skills Academy - Progress Update

Author(s):

Executive Director of City Development

Purpose of Report:

To provide a progress update and seek approval to take all necessary steps to facilitate delivery of the Housing Innovation & Skills Academy (“HICSA”).

Description of Decision:

Cabinet is requested to:

- i. Note the proposals for delivery of the HICSA as described in this report and approve the variation to the Capital Programme to reflect the latest budget and funding assumptions; and
- ii. Authorise the Executive Director of City Development, in consultation with the Chief Executive, Executive Director of Corporate Services and the Leader of the Council, to take all necessary steps to procure the delivery of the HICSA up to (but not including) the award of building contract;
- iii. Authorise the Executive Director of City Development, in consultation with the Chief Executive, Executive Director of Corporate Services and the Leader of the Council, to approve, finalise and (subject to the receipt of satisfactory external funding) enter into an agreement for lease with Sunderland College as the proposed tenant for the long-term letting of the HICSA following practical completion
- iv. Subject to the receipt of external funding for the HICSA and execution of a lease agreement with Sunderland College, authorise the Executive Director of City Development, in consultation with the Chief Executive, Executive Director of Corporate Services and the Leader of the Council, to thereafter award the building contract for the HICSA;

Is the decision consistent with the Budget/Policy Framework? **Yes**

If not, Council approval is required to change the Budget/Policy Framework

Suggested reason(s) for Decision:

The Council is creating a city-wide housing ecology which will support the delivery of the City Plan objectives of providing more and better housing, increasing the city centre population, and driving social and economic regeneration that results in better outcomes for local people.

The HICSA is a critical element of the ecology and will provide education, skills and training programmes for the housing professionals and housing workforce of the future, inspiring and creating employment opportunities for local people, and supporting supply chain growth in modern methods of construction, low carbon and digital technology.

The HICSA will be a critical link between academia and industry, establishing Sunderland as a regional and national hub for housing innovation, research and development. It will support the attraction and retention of local talent, providing greater opportunities for young people from under privileged communities, and support the growth of Sunderland College as a business and technical centre of excellence.

Advancement of the HICSA design proposals and planning status will add credibility to the Council's grant application to the Levelling Up Fund (LUF), which is being administered by the Ministry of Housing, Communities and Local Government (MHCLG), which seeks to secure the third party funding required to supplement the provisions relating to HICSA within the Capital Programme.

Alternative options to be considered and recommended to be rejected:

The alternative options are:

i. Not to deliver the HICSA

This will reduce the city's capability to deliver education, skills and training opportunities for local people and limit the growth of Sunderland College. It would leave a gap in the Council's housing ecology and the benefits achieved through housing innovation, adoption of MMC, low carbon and digital technology will take a lot longer to materialise

ii. Delay progression of the HICSA design proposals until such time that third party funding is secured

This could restrict the opportunity to secure grant as awards are usually made to projects which are most advanced and can deliver the benefits in the most efficient timeframe

These options have been considered and rejected

Impacts analysed;

Equality ☒ Privacy ☐ Sustainability ☒ Crime and Disorder ☐

Is the Decision consistent with the Council's co-operative values? Yes

Is this a "Key Decision" as defined in the Constitution? Yes

Is it included in the 28-day Notice of Decisions? Yes

HOUSING INNOVATION & CONSTRUCTION SKILLS ACADEMY

REPORT OF THE EXECUTIVE DIRECTOR OF CITY DEVELOPMENT

1. Purpose of the Report

- 1.1 To provide a progress update and seek approval to take all necessary steps to facilitate delivery of the Housing Innovation & Skills Academy (“HICSA”).

2. Description of Decision (Recommendations)

- 2.1 Cabinet is requested to:

- i. Note the proposals for delivery of the HICSA as described in this report and approve the variation to the Capital Programme to reflect the latest budget and funding assumptions; and
- ii. Authorise the Executive Director of City Development, in consultation with the Chief Executive, Executive Director of Corporate Services and the Leader of the Council, to take all necessary steps to procure the delivery of the HICSA up to (but not including) the award of building contract;
- iii. Authorise the Executive Director of City Development, in consultation with the Chief Executive, Executive Director of Corporate Services and the Leader of the Council, to approve, finalise and (subject to the receipt of satisfactory external funding) enter into an agreement for lease with Sunderland College as the proposed tenant for the long-term letting of the HICSA following practical completion
- iv. Subject to the receipt of external funding for the HICSA and execution of a lease agreement with Sunderland College, authorise the Executive Director of City Development, in consultation with the Chief Executive, Executive Director of Corporate Services and the Leader of the Council, to thereafter award the building contract for the HICSA;

3. Introduction/Background

- 3.1 For decades the UK has failed to build enough homes which has led to rising housing costs. The Government has set an ambitious target to build 300,000 homes annually by the mid-2020s but constraints such as the shortage of skilled workers mean it cannot meet that target using traditional building methods alone. A significant proportion of homes must therefore be built using modern methods of construction (MMC) to achieve the target.
- 3.2 The shortage of workers with relevant skills is one of the main constraints to increasing the pace of housing delivery in the UK. It is vital that there is an increase in skills provision and homebuilding becomes an appealing career choice for young people.

- 3.3 To address these shortfalls and position the city at the forefront of housing innovation, the Council has been developing proposals with Sunderland College and the Ministry of Building Innovation and Education (MOBIE) to create an industry-leading education and skills academy which will promote the development and practical application of MMC in the delivery of high quality new homes, embrace low carbon, renewable energy and digital technology, and accelerate carbon reduction through retrofitting of the city's existing housing stock. . The HICSA will change the approach to the design and construction of new homes, and it will make a decisive contribution to Sunderland's zero-carbon and smart city targets.

4 Rationale

- 4.1 Sunderland College is seeking to enhance its education, training and skills offer in the construction and advanced manufacturing sector. It is seeking to become a regional centre of excellence and business hub. It would like to retain its presence in the city centre and sees the HICSA as an opportunity to create a purpose designed and innovative environment that will attract new students to the city and maximise learning and teaching outcomes.
- 4.2 MOBIE is seeking to create a regional / national hub for delivery of its degree and vocational programmes. MOBIE is keen to improve its links with Sunderland and its founder George Clarke is a passionate advocate of housing innovation and the city's housing development ambitions.
- 4.3 Delivery of an education, training, and research facility supports a holistic approach to housing delivery and will provide the local supply chain with the resources it needs to maximise housing outputs. The Sunderland Housing Ecology and HICSA concepts are closely aligned with the Government's housing and skills agenda and Sunderland has been recognised by industry leaders and policy makers for its progressive approach.
- 4.4. The HICSA will help to ensure the skills of local people are aligned with the needs of future industry and maximises employment and career opportunities for local people.
- 4.5 The HICSA forms part of the Riverside Sunderland masterplan. The design proposals comprise the regeneration of the historic Goods Shed at the corner of Hay Street with a new purpose-built teaching and training environment added to the rear of the building (see Appendix 1). The aim is to create an inspirational setting for a ground-breaking programme in an immersive, technology-enabled environment.

5. Current Position

5.1 Design

- 5.1.1 RIBA Stage 2 concept design proposals have been developed by MawsonKerr Architects and a feasibility cost plan prepared by Faithful & Gould. The design solution has been heavily influenced by Sunderland College and MOBIE's curriculum requirements and aspirations, and the creation of multi-functional spaces which maximise design and cost efficiency.

- 5.1.2 The concept design proposals use the existing Goods Shed as a social, reception and exhibition space and incorporate MOBIE's regional hub and some research and development labs. The new build element of the building provides a large two storey workshop area which breaks out into a large external manufacturing and assembly space, and is surrounded by formal and informal teaching space and classrooms,
- 5.1.3 The new and existing elements of the building are linked by a service core and transition zone which clearly delineates the building functions and maximises visibility and connectivity to promote interaction and knowledge sharing
- 5.1.4 The cost plan assumes the delivery of a highly sustainable low carbon teaching facility with the latest design and advanced manufacturing technology to deliver an aspirational learning and teaching experience.
- 5.1.5 To secure the delivery of the HICSA, and the support bids for third party funding, there is a need to advance the design proposals to planning application stage. This will also produce greater cost certainty to inform the terms of an agreement for lease between the Council and Sunderland College for the future operation of the facility.
- 5.1.6 It is therefore proposed that the existing design team is procured via the Pagabo Framework to prepare a planning application and produce tender drawings to support the procurement of a construction contractor which can assist with the completion of the technical design information.

5.2 Delivery Structure & Funding strategy

- 5.2.1 Initial discussions have been held with representatives from Sunderland College over the proposed operational model for the facility post completion. At this stage, it is proposed that the most effective delivery structure is for the Council to develop HICSA and retain the freehold ownership of the facility once complete. Sunderland College will operate the facility as the Council's tenant via a lease agreement. MOBIE will be a service provider to Sunderland College.
- 5.2.2 In the event Cabinet approves the recommendations in this report, it is proposed that the Executive Director of City Development, in consultation with the Chief Executive, Executive Director of Corporate Services and the Leader of the Council, is authorised to negotiate and approve proposed lease terms with the College. An agreement for lease would be entered into with the College to commit the College to the leasing of the building prior to the appointment of the building contractor.
- 5.2.3 The HICSA is included in the approved capital programme at a cost of £10.95m of which the Council was anticipated to contribute £5.475m. The current estimated cost of the HICSA is £14.2m which reflects expansion of the building footprint and the associated fit out works to accommodate additional teaching space and broaden the range of training that can be provided by the College and its partners. The Council's proposed contribution remains unchanged at £5.475m with the balance of funding (£8.725m) being sought from external sources including MHCLG's Levelling Up Fund (LUF).
- 5.2.4 The Council and Sunderland College are collectively engaging with MHCLG and the Department for Education regarding potential capital and revenue funding support in relation to HICSA, and the project will form part of the Council's Round 1 LUF funding application.

5.3 Programme and Key Milestones

- 5.3.1 The key milestones and target completion dates associated with project delivery are summarised in the following table:

Milestone	Target Date
Planning Submission	Summer 2021
Commence procurement of Principal Contractor	Summer 2021
Determination of Planning Application	Autumn 2021
Completion of technical design	Winter 2021
Commencement of construction works on site	Spring 2022
Practical Completion	Summer 2023
HICSA opens	Autumn 2023

- 5.3.2 Following procurement of the design team, preparation of a planning application will commence with a target submission date of Summer 2021. Subject to successful determination by the Local Planning Authority planning approval should be obtained in Autumn 2021.
- 5.3.3 The procurement of a construction contractor will commence once the planning application has been submitted, and tender process will be managed by the Council's Corporate Procurement Team using an existing public sector framework which is fully compliant with the Public Contracts Regulations 2015.
- 5.3.4 It is anticipated that a construction contractor will be appointed in Autumn 2021 and will assist with completion of the technical design prior to commencement of construction works on site in Spring 2022.
- 5.3.5 The target practical completion date for the construction works is Summer 2023 which will allow the official launch of the facility to be held as part of the Sunderland Future Living Expo. Sunderland College will take occupation of the building and commence its first academic programme in Autumn 2023.

6. Reasons for the Decision

- 5.1 The Council is creating a city-wide housing ecology which will support the delivery of the City Plan objectives of providing more and better housing, increasing the city centre population, and driving social and economic regeneration that results in better outcomes for local people.
- 6.2 The HICSA is a critical element of the ecology and will provide education, skills and training programmes for the housing professionals and housing workforce of the future, inspiring and creating employment opportunities for local people, and supporting supply chain growth in modern methods of construction, low carbon and digital technology.
- 6.3 The HICSA will be a critical link between academia and industry, establishing Sunderland as a regional and national hub for housing innovation, research and development. It will support the attraction and retention of local talent, providing greater opportunities for young people from under privileged communities, and support the growth of Sunderland College as a business and technical centre of excellence.

- 6.4 Advancement of the HICSA design proposals and planning status will add credibility to the Council's grant application to the Levelling Up Fund (LUF), which is being administered by the Ministry of Housing, Communities and Local Government (MHCLG), which seeks to secure the third party funding required to supplement the provisions relating to HICSA within the Capital Programme.

7. Alternative Options

- 7.1 The alternative options are:

- i. Not to deliver the HICSA

This will reduce the city's capability to deliver education, skills and training opportunities for local people and limit the growth of Sunderland College. It would leave a gap in the Council's housing ecology and the benefits achieved through housing innovation, adoption of MMC, low carbon and digital technology will take a lot longer to materialise

- ii. Delay progression of the HICSA design proposals until such time that third party funding is secured

This could restrict the opportunity to secure grant as awards are usually made to projects which are most advanced and can deliver the benefits in the most efficient timeframe

- 7.2 These options have been considered and rejected.

8. Impact Analysis

- 8.1 **Equalities** – Potential impacts of the decision have been analysed, concluding that there is no adverse impact on any specific group and the public sector equality duty (PSED) has been complied with.

- 8.2 **Sustainability** – a detailed sustainability assessment will be undertaken in line with all statutory and Council policy requirements and will be submitted as part of the planning application

9. Other Relevant Considerations / Consultations

9.1 Financial Implications

- 9.1.1 The HICSA is included in the approved capital programme at a cost of £10.95m of which the Council was anticipated to contribute £5.475m. The current estimated cost of the HICSA is £14.2m which reflects expansion of the building footprint and the associated fit out works to accommodate additional teaching space and broaden the range of training that can be provided by the College and its partners. The Council's proposed contribution remains unchanged at £5.475m with the balance of funding (£8.725m) being sought from external sources including MHCLG's Levelling Up Fund (LUF).

- 9.1.2 Securing third party funding is critical to the delivery of the HCISA. Should the requisite funding not be secured then the Council, as developer and promoter of the HCISA will be exposed to the abortive costs and fees incurred up to the point it is determined that the HCISA is no longer viable, or any costs associated with value engineering the proposals to create a viable proposal.
- 9.1.3 Given the initial interest and indicative support of MHCLH and DfE, recent Government investment in similar schemes in the North West and the West Midlands, and the close alignment with the Government's housing and skills agenda the Council is hopeful of securing the required grant.
- 9.1.4 Where appropriate risk will be stepped down to the construction contractor through the construction contract with any residual risk resulting from approved programme or cost overrun sitting with the Council. Appropriate contingencies will be incorporated within the development budget and terms of the lease agreement to cover the residual risk.

9.2 Legal Implications

- 9.2.1 The Council will procure the design and construction of the HCISA in accordance with the Public Contracts Regulations 2015 and the Council's internal Procurement Procedure Rules.
- 9.2.2 As explained above, prior to the award of the building contract for the HCISA, the Council will enter into an agreement for lease with the College for the subsequent long-term letting of the HCISA by the College upon practical completion of the construction works. The detailed lease terms will be agreed in due course. The College will then operate the HCISA facility as the Council's tenant.

9.3 Property Implications

- 9.3.1 The Council acquired the freehold interest in the Engine Shed site in 2012 with the assistance of funding from Homes England (HE). The terms of the funding agreement require the Council to obtain HE's consent for the disposal, in full or part, of any freehold or leasehold interest in the site. HE is aware of the HCISA proposals and appropriate consent will be secured prior to execution of the agreement to lease.
- 9.3.3 Under the terms of the agreement for lease, Sunderland College will be granted a long-term leasehold interest in the property and as the Council's tenant will become responsible for the operational costs of the facility.

9.4 Health & Safety Considerations

- 9.4.1 The project will be delivered in accordance with the Construction Design and Management (CDM) Regulations. Where appropriate consultants with appropriate experience and expertise will be appointed to fulfil the roles and responsibilities of the respective duty holders. Following completion of the procurement process, the successful contractor will be appointed to deliver the construction works and fulfil the role of Principal Contractor.

9.5 The Public / External Bodies

- 9.5.1 Extensive public and stakeholder engagement will be completed in relation to the HICSA proposals prior to the submission of the planning application.

Appendix 1 – HICSA Site Location

