

GREATER LONDON AUTHORITY

REQUEST FOR ASSISTANT DIRECTOR DECISION – ADD2206

Title: Promoting precision manufactured housing in London

Executive Summary:

London will not be able to significantly increase home building rates by relying on traditional methods of construction alone. The Mayor is committed to support and promote the modernisation of London's construction industry through the delivery of more precision manufactured homes (PMH). A lack of standardisation in PMH and of design for manufacture approaches is widely recognised as hampering the adoption of the technology. This decision form seeks approval of expenditure to commission, along with industry partners, specialist consultancy services to help accelerate the process of standardisation necessary for the use of PMH to grow significantly in London.

Decision:

That the Assistant Director of Housing approves

1. expenditure of up to £50,000 (as a contribution towards the full costs, the balance to be provided by industry partners) on specialist consultancy services (from Cast Consult Ltd) required to develop a common framework for delivering precision manufactured homes at scale in London; and
2. a related exemption from the requirement of the GLA's Contracts and Funding Code to procure such services competitively.

AUTHORISING ASSISTANT DIRECTOR/HEAD OF UNIT:

I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.

It has my approval.

Name: Jamie Ratcliff

Position: Assistant Director of Housing

Signature:



Date: 20.3.2018

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1. The Mayor's draft new London Plan sets out targets to build around 65,000 new homes a year in London over the next decade in order to address the capital's housing shortage. While traditional methods of construction will continue to play a vital role in home building, it will not be possible to increase output to the necessary extent by relying on traditional methods alone. The Mayor has committed to supporting and promoting precision manufactured homes (PMH) – an umbrella term for high quality homes that are majority constructed offsite – as a means of delivering the step-change in housing delivery required.
- 1.2. In its report on the contribution that PMH could make to solving London's housing crisis, *Designed, Sealed, Delivered*, the London Assembly's Planning Committee argued that a lack of standardisation in the market for PMH is hampering its growth. The absence of common approaches is leading to the duplication of effort, and the absence of interoperability between technologies is increasing the risk for early adopters and undermining the aggregation of demand.
- 1.3. Greater standardisation could reduce the costs associated with PMH, by reducing the need for full designs from scratch for every development and bringing down the costs of manufacture as components for a range of suppliers can be manufactured in a single factory. By increasing the interoperability of processes, systems and components, standardisation will provide clients with confidence that, in the event of a particular supplier encountering financial difficulties, others can step in. In turn, this should help to aggregate demand and provide confidence to manufacturers by delivering a long term pipeline of demand and certainty for their order books.
- 1.4. To accelerate the process of standardisation, the planning committee recommended that the Mayor work towards the development of a design code for PMH in London. Officers have been consulting with stakeholders on how to take this recommendation forward, including considering how to complement ongoing work being done externally. For example, work is in progress on the development of a British Standards Institute Publicly Available Specification for designers of volumetric PMH systems.
- 1.5. Through this consultation, an opportunity has arisen to commission work that will encourage standardisation and a design for manufacture approach from the client side. This opportunity is to commission, with industry partners, specialist consultancy services from Cast, with supporting expertise provided by Bryden Wood. This work would be to develop a common framework for delivering PMH developments at scale. The full scope of the work will be defined during project delivery, in response to feedback from the stakeholder group and following early results, the relevant industry partners entering into direct contracts with Cast for subsequent phases of the services (see section 1.8 below). However, it will include:
 - research and parametric modelling to establish the opportunity to standardise PMH buildings, including a commonality study looking across a number of different building typologies to assess the extent to which different elements of those buildings could be standardised. It will identify the elements with the greatest opportunity for standardisation;
 - the development of a digital toolkit, to enable design for manufacture approaches and capable of integration with Building Information Modelling (BIM) systems. The exact nature of these tools will be determined as part of the project. However, they should allow developers, housing associations and their advisers to consider how different PMH systems could be used on

specific sites or to determine the number of common components that they will use across a whole building programme, to allow them to order at scale.

- consultation with industry to ensure that the work will meet their needs.

- 1.6. The outputs of the work will be free to access without any commercial interests associated with it, and would aim to complement other work being conducted in this area, such as by The British Standards Institute (BSI) and British Research Establishment (BRE).
- 1.7. Commissioning this work with industry partners, should assist in enabling PMH developers and manufacturers to contribute their expertise to it. Furthermore, Mayoral investment in this work will unlock significant contributions from other partners including the private sector, which will be greater than the GLA's contribution. The full project cost is £147,500. As part of the agreement that has been secured, the results of the work will be freely available and Cast will not provide any of the other partners with an unfair advantage to the rest of the market.
- 1.8. The GLA will not handle contributions from private sector partners. Instead, each partner will have a separate agreement with Cast Consult Ltd. and be invoiced by the contractor separately. The GLA's contribution will be paid at the point of project inception, while partner payments will be paid at a later point (interim report/completion). To ensure coordination between the GLA and partners, we will agree common details for these separate agreements, including timescales, payment schedule and contract outputs. While each partner will have an individual agreement, the GLA will have visibility of all contact between the contractor and partners.
- 1.9. Officers acknowledge that section 9 of the GLA's Contracts and Funding Code requires, where the expected value of a contract for services has a value of between £10,000 and £150,000 that services should be procured competitively. However, section 10 provides that an exemption from this requirement may be approved where there is a complete absence of competition or where the contractor has previous involvement in a specific project.
- 1.10. There is an absence of competition in this instance because the opportunity to work with partners and unlock their contribution to the project is attached to Cast's specific proposal and conditional upon working with this consultancy team. The project will proceed only if led by Cast. This condition is due to the confidence that the partners have in the proposed consultancy team, which is made up of particular subject matter specific experts, who are considered to be uniquely qualified to complete the project. One is the author of Government's independent review into the construction labour market in the UK, *Modernise or Die*, and so is widely acknowledged as the leading authority on the modernisation of the construction industry in England and need for PMH.
- 1.11. Furthermore, this work will be a continuation of a previous specific project. Cast's expert personnel previously produced *Delivery Platforms for Government Assets*, which looked at the design challenges for construction of Government buildings (looking particularly at prisons, schools and hospitals). This work will start by applying the lessons learned through and approach employed on that project to the residential sector.
- 1.12. Despite the complete absence of competition, the expenditure is considered to represent good value for money, as it is commensurate with the cost of equivalent specialist consultancy services involving a wide range of expertise, including industry insight, BIM, parametric computer modelling and computer application design. We have made sure that this is the case by comparing the cost of individual consultants' time with the chargeable rates for consultants offering services at a similar level of expertise.
- 1.13. The Assistant Director's approval of an exemption from the requirement of section 10 of the GLA's Contracts and Funding to seek competitive bids for the services required is sought accordingly.

2. Objectives and expected outcomes

- 2.1. The objective of the commission is to make significant progress toward private and public developers being equipped to use design for manufacture approaches to development and in so doing supporting a significant increase in the number of precision manufactured homes delivered in London.
- 2.2. The outcome will be documents and tools that the PMH market can adopt to make design for manufacture significantly simpler. This will help to accelerate the process of standardisation of PMH in London, delivering efficiencies for the industry and creating the favourable conditions needed for demand to aggregate.

3. Equality comments

- 3.1. The purpose of the work is to support the growth of PMH in London, in order to increase the construction industry's capacity to deliver the quantity and the quality of new homes needed in London, including affordable housing. As outlined in the Integrated Impact Assessment (IIA) carried out to support the draft London Housing Strategy, delivering new housing, including affordable housing, is likely to have broadly positive benefits in relation to social and economic sustainability objectives such as improving health, reducing inequalities, increasing accessibility, and economic development.¹
- 3.2. These benefits would particularly accrue to those groups that are currently more likely to be in housing need, including low-income households, lone parent families and several BME sub-groups. The IIA of the draft London Housing Strategy provides further detail on how the impacts of London's housing shortage are disproportionately experienced by different groups with protected characteristics, and on the benefits to these groups of addressing this shortage.

4. Other considerations

a) Key risks

- 4.1. The key risks associated with this decision are that:
 - There is a lack of clarity about contract management given the nature of the commission. This risk will be managed by the GLA having visibility of all contact between the contractor and partners and actively engaging with partners to agree a common approach to any issues that arise
 - The work is not delivered within the timeframe specified. This risk will be managed through requiring fortnightly updates from the consultancy team, regular (six-weekly) meetings between the GLA and research team and staged payments.
 - The work does not achieve its objective of making significant progress towards equipping developers to use design for manufactured approaches. To mitigate this, we will ensure that the work is commissioned from recognised experts in the field and ensuring a wide range of industry bodies remained involved throughout the projects progress
 - One or more of the partners decide not to proceed threatening the delivery of the whole project. This risk will be managed by ensuring regular ongoing contact with external partners and only proceeding to project initiation and payment once confirmation of a majority of the funding has been received. As assurances have already been received from other funding partners and they were fundamentally involved in the project conception, this risk is considered low.

¹ London Housing Strategy Impact Assessment, Draft for Consultation; GLA, 2017

b) Links to Mayoral strategies and priorities

- 4.2. Proposal 3.4C of the Mayor's draft London Housing Strategy states that "The Mayor will support and promote the modernisation of London's construction industry through more precision manufacturing of homes."

c) Impact assessments and consultations

- 4.3. At this stage, the outputs of this work are intended to be for voluntary adoption by the industry. As such, their adoption would not be subject to a formal consultation. However, the engagement of a wide range of industry stakeholders will be sought as part of the project.

5. Financial comments

- 5.1 This decision requests approval to spend up to £50,000 as a contribution to specialist consultancy services (from Cast Consult Ltd) to develop a common framework for delivering precision manufactured homes at scale in London. The full project cost is £147,500 of which the GLA will contribute £50,000 and the balance by industry partners.
- 5.2 The GLA's contribution will fund the first £50,000 of project expenditure with partner payments being made later. There is a risk the GLA may lose their contribution if the project does not go ahead after the funding has been paid. The risk is considered low.
- 5.3 Approval is also required for an exemption from the requirements of the GLA's Contracts and Funding Code.
- 5.4 This will be expended from the 2017/18 Housing and Land Management and Consultancy budget.

6. Legal Comments

- 6.1 The foregoing sections of this report indicate that the activity in respect of which approval is sought may be considered to be facilitative of and conducive to the exercise of the GLA's powers:
- (a) and discharge of its obligations under part 7A (Housing and Regeneration) of the Greater London Authority Act 1999; and
 - (b) under section 30 of the Greater London Authority Act 1999 to undertake such activity as may be considered to promote economic development and wealth creation, social development and the improvement of the environment in Greater London and have complied with the Authority's related statutory duties to:
 - (i) pay due regard to the principle that there should be equality of opportunity for all people;
 - (ii) consider how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom; and
 - (iii) consult with appropriate bodies.
- 6.2 In taking the decisions requested, the assistant director must have due regard to the Public Sector Equality Duty; namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010, and to advance equality of opportunity between persons who share a relevant protected characteristic (race, disability, gender, age, sexual

orientation, religion or belief, pregnancy and maternity and gender reassignment) and persons who do not share it and foster good relations between persons who share a relevant protected characteristic and persons who do not share it (section 149 of the Equality Act 2010). To this end, the assistant director should have particular regard to section 3 (above) of this report.

- 6.3 Section 9 of the GLA Contracts and Funding Code (the 'Code') requires the GLA to call off the services required from an accessible framework or conduct a competitive procurement exercise for the same. The assistant director may however, approve an exemption from this requirement under section 10 of the Code upon certain specified grounds. Two of those grounds are that exemptions may be approved where there is an absence of competition and/or the proposed contractor has had previous involvement in a specific current project or the work is continuation of existing work that cannot be separated from the new project/work. Officers have indicated at sections 1.10 to 1.12 of this report that this ground applies, the assistant director may therefore, approve the exemption proposed if satisfied with the supporting content of this report.
- 6.4 Should approval of the proposals set out as decisions be granted officers:
- (a) must ensure that appropriate contract documentation is put in place and executed by the GLA and Cast Consulting Ltd. before the commencement of the services;
 - (b) also advised not to place any reliance upon industry partner contributions without legally binding commitments being secured from such partners.

7. Planned delivery approach and next steps

Activity	Timeline
Award of contract	March 2018
Delivery start date	March 2018
Draft final report	TBC
Final report and project closure	TBC

Appendices and supporting papers: None

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary.

Note: This form (Part 1) will either be published within one working day after approval or on the defer date.

Part 1 Deferral:

Is the publication of Part 1 of this approval to be deferred? NO

If YES, for what reason:

Until what date: (a date is required if deferring)

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form –NO

ORIGINATING OFFICER DECLARATION:**Drafting officer:**

Ellen Storrar has drafted this report in accordance with GLA procedures and confirms that the Finance and –if relevant- Legal teams have commented on this proposal as required, and this decision reflects their comments.

Corporate Investment Board:

The Corporate Investment Board reviewed this proposal on 19 March 2018

HEAD OF FINANCE AND GOVERNANCE:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature:



Date:

19.03.18

