

Brighton & Hove City Council

HOUSING COMMITTEE

Agenda Item 41

Subject: New Homes for Neighbourhoods - Eastergate Road
Former Garage Site Redevelopment

Date of meeting: 16 November 2022 – Housing Committee
1 December 2022 – P&R Committee

Report of: Housing, Neighbourhoods & Communities

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Ward(s) affected: Moulsecoomb & Bevendean

For general release

1. Purpose of the report and policy context

- 1.1 Improving housing supply, including through building new council homes, is a priority in the council's Housing Strategy and essential if City Plan housing targets are to be met and the city's housing crisis tackled. The council's New Homes for Neighbourhoods (NHFN) programme addresses this undersupply by identifying suitable vacant land and infill sites to develop new homes across the city.
- 1.2 To support the council's aims, this report seeks approval to progress the former garage site at Eastergate Road to the end of the pre-construction phase, to include design work up to the Royal Institute of British Architects (RIBA) Stage 4, and clearance of the site.
- 1.3 The project is due to be delivered using off-site Modern Methods of Construction (MMC). Since companies who can deliver off-site construction are likely to have bespoke systems, it is essential that the council can procure under a Design & Build contract. This contract will be phased, so that the council will not be committed beyond the design stage, without further budget approval.
- 1.4 A further report will follow for June 2023 Committees, requesting a budget for the construction phase of the project. A detailed project budget and financial appraisal will accompany the report.

2. Recommendations

- 2.1 That Housing Committee:
 - 2.1.1 Approves the recommendation of the Procurement Advisory Board (PAB) on 17 October 2022 that the main contractor is procured by Direct Award from an appropriate public sector procurement Framework, or by restricted tender.

2.1.2 Delegates authority to the Executive Director for Housing, Neighbourhoods & Communities to take all steps necessary to procure and award contract(s) for design work to the end of RIBA Stage 4 (Technical Design), this to include construction works (commitment to progress works will be dependent on further budget approval) at the former garage site, Eastergate Road.

2.2 That Policy & Resources Committee:

2.2.1 Approves a budget for the former garage site at Eastergate Road of £293,000 to allow the completion of design work to the end of RIBA Stage 4 (technical design), and for site clearance works, financed by a mixture of HRA borrowing and Brownfield Land Release Fund (BLRF) grant.

3. Context and background information

Introduction

3.1 This scheme will provide move-on accommodation for young people with low level support needs, helping bridge the gap between medium/high support housing and independent living. It will assist the council in its aim to deliver 800 additional council homes.

The Site

3.2 The site is a former garage site in the ownership of the council's Housing Revenue Account (HRA). It is currently used informally by the council's Housing Repairs team for the occasional parking of repairs vehicles.

3.3 The council previously agreed to lease the land to YMCA DLG who planned to develop the land to provide up to 30 self-contained studio units of 'transitional' move-on housing for young people with low support needs. The project, under this guise, was approved at Housing Committee in June 2017, and Policy & Resources Committee in July 2017 and December 2020.

3.4 YMCA DLG were granted planning permission on 2 October 2020 but pulled out of their role as developer in 2021. Following this decision, the council's Housing Team undertook a review of the site. Officers determined that there was still a need for this type of supported housing scheme for young people in the city. Consequently, the site was passed to the Estate Regeneration team.

Management of the Scheme

3.5 It is intended that the completed scheme will be managed by YMCA DLG. Officers are in discussion with YMCA DLG to agree lease Heads of Terms (HoT).

- 3.6 Should terms not be agreed with YMCA DLG, the council will consider partnering with another suitable Registered Provider of Social Housing (RP, or management of the scheme in-house.
- 3.7 The scheme will not be reliant on council revenue funding. Management costs will be covered within rent and service charge income.
- 3.8 The council will take a cautious approach to expenditure on design work until a service provider is confirmed. This may mean limiting some areas of design that could be considered bespoke to one service provider. Design development will focus on flexibility and adaptability of spaces.

Design

- 3.9 The designs that were submitted with the planning application were completed by HKR Architects, who were instructed by YMCA DLG who consulted widely with the intended client group (Appendix 1).
- 3.10 The council's appointed consultant, Modular Buildings Consultants Ltd, are currently reviewing the design to look for efficiencies that will improve the financial viability of the scheme. This work will continue with the appointed main contractor during the detailed design stage. Any variations to the design and original drawings will be shared with Planning officers at the earliest opportunity to determine whether these would be acceptable to the Local Planning Authority. This would be followed by a formal submission to vary the planning permission.
- 3.11 It is possible that the work to find greater efficiencies will produce an option for the site where the total number of units is less than the approved scheme of 30 units.
- 3.12 YMCA DLG had originally intended the scheme to be built using Modern Methods of Construction (MMC). When viability became challenging, they switched to a more traditional build and gained support from P&R Committee for this in December 2020. Since then, the Modular and Panelised housing market has grown and so the council would like to re-test the current market to see whether MMC can deliver a more cost-effective scheme at Eastergate Road.
- 3.13 By considering MMC, including Modular and Panelised buildings, some of the geographical constraints of the site are likely to be overcome. The project can also act as originally intended, as a pilot scheme, for the use of off-site construction methods in the delivery of the New Homes for Neighbourhoods programme.

Modern Methods of Construction

- 3.14 Since the council are pursuing an off-site building solution, it is vital that a Design and Build contract is awarded. Providers of modular and panelised systems are likely to have bespoke systems, so that contracting the detailed design and the construction separately is not suitable.

- 3.15 The council's Procurement team have advised that a Design and Build package can be procured, awarding the contract with break clauses included at key milestones e.g. planning approval of design amendments, and prior to construction, so that the council is not committed should the project not proceed to the next phase.

Sustainability

- 3.16 Using MMC reduces the amount of embedded carbon, compared to a traditional build by up to 45%. Sustainable technologies and materials will be built into the tender specification. A fabric first approach will be adopted to reduce energy demand and operational carbon emissions. It is intended that air source heat pumps and solar photovoltaics are installed in this scheme.
- 3.17 The building will be designed so it can be easily dismantled and re-used or recycled in line with the council's circular economy principles. The ability to meet the council's sustainability targets will be scored at a minimum of 10% of the Quality criteria when procuring the main contractor.

Project Delivery and Timescales

- 3.18 Indicative project timescales (subject to change) are as follows:

- Procurement for site clearance February 2023
- Procurement of main contractor April 2023
- Final scheme budget approval June 2023
- Site clearance works June 2023
- Enabling & groundworks August 2023
- On site works start September 2023
- On site works end February 2024

- 3.19 Due to the nature and size of this project there are a limited number of companies who will be suitable to act as the main contractor. It is therefore proposed to procure the main contractor by Direct Award from an appropriate public sector procurement Framework, or by restricted tender. At PAB on 17 October 2022, it was recommended that Housing Committee approve these procurement options.
- 3.20 The small size and constrained nature of the site and the proposed method of construction rules out the procurement of the Strategic Construction Partnership and traditional building companies, unless they have demonstrable experience of partnering with a Modular or Panelised Build Specialist.
- 3.21 Initial high level cost information suggested build costs might be lower by using a panelised system (where building panels are made off-site and fitted together on-site). However, market testing has demonstrated a lack of interest from this sector due to the project size. Most builders of panelised housing will only consider projects of 100 units or more. This is, in part, due

to a shortage of on-site construction labour, and the difficulty in recruiting for a short build period.

- 3.22 Officers will not rule out this method of construction, but it is likely that the council will proceed with a modular build.
- 3.23 It is necessary to continue progress on this scheme, to keep it on programme. Planning permission will lapse on 2 October 2023 and BLRF grant requires above ground building to commence no later than 31 March 2024.

Financial Modelling and Rent Policy

- 3.24 Officers have undertaken market testing of the construction market and have begun discussions with Homes England regarding capital funding grant, and YMCA DLG regarding management of the completed scheme. The conclusion of these discussions will enable a full project budget and financial appraisal to be produced and presented with a report seeking approval for the final budget to include the construction phase.
- 3.25 The rent that the tenants will be charged is capped, under a planning condition, at the lower of Affordable Rent, defined as 80% of market rent, or the 1-bedroom rate of LHA for this type of accommodation.
- 3.22 Table 1 outlines the budget for the pre-construction phase of the project.

Table 1 – Estimated Pre-construction Costs

Cost Item	£'000
Surveys & Designs to RIBA Stage 4	220
Contingency 10%	22
Demolition, site clearance, hoarding	25
Contingency 20%	5
Consultancy fees	21
Total Costs:	293
Funded by:	
Brownfield Land Release grant	30
HRA Borrowing	263
Total Funding	293

4. Analysis and consideration of alternative options

- 4.1 Since YMCA DLG pulled out of the developer role, the council has considered options for this site.
- 4.2 The planning permission is not explicit about who can occupy the completed scheme. The accommodation is suitable for single people for up to two years, but there are no restrictions on age or other characteristics. The scheme could therefore be adapted to fit different client groups.

- 4.3 If agreement to partner with YMCA DLG cannot be reached, the council will consider working with other housing service providers. They will have the opportunity to influence design development.
- 4.4 General Needs housing was explored but rejected on the grounds of viability and suitability on this very constrained site.
- 4.5 The land could be sold to a private developer. However, this is likely to result in housing for private sale being built, which will not meet the council's objective of increasing affordable housing supply.
- 4.6 Alternatively, the council could do nothing and leave the land as it is or level the site to use it for vehicle parking, for example, by the Housing Repairs service. However, this would not be a productive use of an HRA asset.

5. Community engagement and consultation

- 5.1 YMCA DLG carried out extensive community consultation before they achieved planning permission. There was also a statutory consultation as part of the planning process.
- 5.2 Key Officers, Ward Councillors and Lead Members have been informed of the plan for the council to build the planning approved supported housing scheme.
- 5.3 Should committee approve the commencement of the project, officers will continue consultation with these parties and will reopen consultation and communication with the local community, including residential and commercial neighbours, and community groups.

6. Conclusion

- 6.1 This project will deliver up to 30 homes for rent, providing much needed 'transitional' move-on housing for young people with low level support needs, helping bridge the gap between medium/high support housing and independent living. It will assist the council in its aim to deliver 800 additional council homes and will make productive use of a long-standing empty site.
- 6.2 By approving a budget to take this project through to the end of the pre-construction phase, it enables the council to procure a main contractor and keep the project delivery on timetable.

7. Financial implications

- 7.1 If recommendation 2.2.1 is approved the £0.293m budget request to reach RIBA Stage 4 will be added to the 2022/23 HRA capital programme. Funding for this budget will come from Brownfield Land Release Funding and HRA borrowing as outlined in table 1 of the main report.
- 7.2 The council has already received the £0.233m of Brownfield Land Release Funding to apply to this scheme, with only £0.03m eligible to be applied up

to this stage. The balance remaining of £0.203m from the grant will be carried forward to fund the main construction works of the homes.

- 7.3 With the expectation that this project proceeds, the long-term financing costs will be funded by the new rental income generated from the lease arrangement with YMC DLG or another provider. However, short-term financing costs will need to be met from within existing resources.
- 7.4 The total budget approved as part of this report will form part of the overall costs for the development and will be included in the financial appraisals undertaken and presented alongside the full budget request in June 2023.
- 7.5 At this stage the costs are being incurred at risk to the HRA. Should the project not proceed beyond RIBA stage 4, the costs incurred up to that point will be sunk costs for the HRA with the associated financing costs needing to be funded from existing HRA revenue resources in the long term.

Name of finance officer consulted: Craig Garoghan

Date consulted:19/10/22

8. Legal implications

- 8.1 As a local housing authority, the council has power under the Housing Act to provide housing accommodation. Acts incidental to the exercise of that power are also within the council's powers. The recommendations in section 2 of the report are appropriate.

Name of lawyer consulted: Liz Woodley Date consulted 20/10/22

9. Equalities implications

- 9.1 An Equalities Impact Assessment has been carried out for the New Homes for Neighbourhoods programme and actions are built into the project management procedures.
- 9.2 Nominations to the housing will be split 50/50 between the council and YMCA DLG. The council will do so in consideration of their equalities policy. YMCA DLG have an equalities policy in place, and this has already been approved by the council, as the parties have an existing working relationship.

10. Sustainability implications

- 10.1 The scheme has been designed to high sustainability standards. Air source heat pumps and solar PV are to be installed. Modular buildings offer considerable embedded carbon savings, when compared to traditional building methods.
- 10.2 Heating demand will be kept low by taking a fabric first approach, insulating well, and focusing on air tightness. It is likely that a mechanical ventilation heat recovery (MVHR) system will be included and will help keep flats warm

while improving air quality. Modular buildings are designed to be easily disassembled, in keeping with the council's circular economy principles.

11. Other Implications

Social Value and procurement implications

- 11.1 The procurement of the main contractor to deliver this project was considered at the PAB held on 17 October 2022. That board recommended to Housing Committee that they delegate authority to the Executive Director of Housing to procure a main contractor and recommended to P&R Committee that they approve a project budget.
- 11.2 The report to PAB addressed social value within the procurement process for appointing a main contractor. Social value will make up a minimum of 10% of the quality score and will also address the provision of local employment opportunities. However, it should be born in mind that off-site construction often takes place outside of the local area and therefore might not generate significant local employment opportunities. However, the employment that is generated will be within a cutting-edge growth sector of the construction industry.

Crime & disorder implications:

- 11.3 The vacant land at Eastergate Road may attract anti-social behaviour, such as fly tipping. By bringing the land into active use, opportunities for others using the land in this way are significantly reduced. YMCA DLG's aim is for young people to belong, contribute and thrive in their local communities. The tenants living at the scheme will be local to Brighton and will be integral members of their community. YMCA DLG will proactively manage any issues that do arise within the scheme.

Public health implications:

- 11.4 The young people supported by YMCA DLG, on average, have lower attainment when compared with the general population, in things like health, wealth, education and employment. By giving people a home and supporting them at a pivotal time of their lives, the life and health chances of those people living at the scheme, are improved.

Supporting Documentation

1. Appendices

1. Eastergate Road Drawings