

Brighton & Hove City Council

Strategy, Finance & City Regeneration Committee

Agenda Item 122

Subject: Moulsecoomb Hub and Housing

Date of meeting: 13 March 2024

Report of: Executive Director Housing, Neighbourhoods and
Communities and Executive Director Economy, Environment and Culture

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Ward(s) affected: Moulsecoomb and Bevendean

For general release

1. Purpose of the report and policy context

- 1.1 This report gives an update on the Moulsecoomb Hub and Housing project, and outlines proposals to procure contractors to deliver the scheme. A further report seeking a full budget will follow, on receipt of the preferred supplier's proposals.

2. Recommendations

That Housing and New Homes Committee

Recommends to Strategy, Finance & City Regeneration Committee to:

- 2.1 Agree to begin a procurement exercise for the redevelopment of this site, including early market engagement.
- 2.2 Delegate authority to the Executive Director of Environment, Economy & Culture and the Executive Director Housing, Neighbourhoods & Communities to procure the contractors and then once a budget has been agreed at a subsequent committee meeting, to then enter in to relevant contracts.
- 2.3 Note that the demolition of some of the existing buildings is due to commence in March 2024.

That Strategy, Finance & City Regeneration Committee:

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3. Context and background information

- 3.1 The Moulsecoomb Hub and Housing project is an exciting, flagship scheme which represents a significant regeneration opportunity for Moulsecoomb and Bevendean, and for the city of Brighton & Hove.
- 3.2 The proposed scheme was granted Planning Approval in June 2023. It is an important project for Brighton and Hove City Council which will deliver over 200 much-needed affordable homes, alongside a new community Hub incorporating a Youth Centre, GP surgery, library, pharmacy, and café. High quality public realm will also be provided, including a skate park, and a 7-a-side 3G football pitch.
- 3.3 The proposed scheme is one of the largest and most ambitious initiatives to be undertaken by the Council. It forms a significant part of the New Homes for Neighbourhoods programme and delivers against numerous corporate objectives. The project will be funded by a mixture of council borrowing, Homes England grant and Brownfield Land Release Fund grant. Other funding opportunities for elements of the scheme such as the 3G pitches are also being explored.
- 3.4 There have been significant national and international developments since the project's business case was developed and agreed by the former Policy & Resources committee on 30 April 2020. The economic position is challenging, with uncertainty in the construction market caused by Brexit and Covid-19 and exacerbated by the conflicts in Ukraine and latterly the Israel-Gaza war leading to an increase in costs. Significant factors are contributing towards cost inflation which has seen a rise in construction inflation in recent years, significantly outstripping general inflation.
- 3.5 Against this backdrop the project has been reviewed with officers analysing all facets of the project, including the project costs, status and delivery options.
- 3.6 Up to this point, it had been envisaged that the project would be delivered by the Council's Strategic Partnership under a PPC2000 contract. The Council has had a series of construction partnerships since the early 2000s that have successfully delivered a number of projects within the city. The existing CityBuild Strategic Partnership was procured in 2017 and has been used to deliver a range of Council initiatives across housing, schools and leisure.

The duration of the Partnership was five years with the option of a two-year extension and is due to expire in September 2024.

- 3.7 Under the Strategic Partnership, most design and financial risk sits with the Council, therefore Council costs may increase through the duration of the project. Whilst this may be acceptable on smaller or less complex projects, it presents a significant risk on a project of this scale and with the current uncertainties in the wider construction market. An alternative form of contract would reduce risk and give more cost certainty, and a competitive tender process may reduce costs and provide evidence of value for money.
- 3.8 The project has therefore been taken out of the Strategic Partnership, and instead the team aims to progress under a Design and Build (D&B) route. To do so, a full tender process needs to take place to select a contractor (or contractors) to build out the scheme. While the tender process will take several months, it requires contractors to price competitively, and to submit a quality submission which the Council will evaluate to identify the most economically advantageous tender. This process will provide a comparison across the market and demonstrate value for money.
- 3.9 D&B reduces client responsibility, as the contractor takes on the most risk and financial liabilities. Clear contract terms define obligations, responsibility, and liability with the aim of reducing disputes. Improvements can be made to project programme due to overlaps in design and construction through single point of responsibility. While there is potential that the initial cost could be higher due to the inclusion of design development, risk, and overheads within the contractor's price, it gives greater cost certainty as the cost agreed at tender stage will be maintained regardless of market conditions or inflation. This means that the majority of risk related to cost overruns is with the contractor rather than client.

4. Procurement strategy

- 4.1 To this point, the project's reported viability gap has been against cost estimates rather than firm costs from contractors. A Tender process will require contractors to price competitively, and to provide proposals to deliver the consented scheme which received Planning Approval in 2023.
- 4.2 Receiving contractors' costs will enable the project team to review proposals against the project budget and ascertain the existence and extent of any viability gap. During the tender process, Suppliers can be given the opportunity to present proposals to value engineer the project, including a Section 73 (s73) application (if necessary) to be led by the contractor.
- 4.3 Under this approach, contractors can advise on buildability, and present practical value engineering solutions. If a s73 is necessary, the process would be led by the contractor, who would take on risk associated with this process. The disadvantage to this approach would be that the Council would be ceding control of the design to the contractor. A robust client brief and appropriate client-side project management would be necessary to ensure that the scheme delivered against the Council's requirements.

- 4.4 While there is scope to revise design and to realise savings, the consented scheme was approved based on a series of conditions, including one requiring the development to be carried out in accordance with approved drawings. This condition prevents substantial design alterations or reduction in scope without a Section 73 (s73) application.
- 4.5 Under the Town and Country Planning Act 1990, a s73 creates a method of removing conditions imposed upon the initial grant of planning permission. The local planning authority can grant to remove all conditions, specific conditions, or refuse the application in its entirety meaning all of the original conditions must be discharged.
- 4.6 A s73 would require the revised proposal to be consistent with the original description of the development (Demolition of existing buildings and redevelopment of site to provide new homes, a community hub building, 3G sport pitches, skate park, public open space and associated infrastructure) In comparison to re-submitting a full planning application a s73 has lower fees, shorter determination times and reduced timescales for the application process.
- 4.7 There is potential for the overall project to be split into Lots, allowing appropriately sized, specialist contractors to bid for elements of the scheme. This is anticipated to result in housebuilders bidding for the housing, and contractors better suited to the delivery of commercial spaces bidding for the Hub element. There is also potential for a larger contractor to bid for the entire works.

Route to market

- 4.8 Officers will begin a process of Contractor Engagement to discuss procurement options with suppliers to ensure the procurement exercise is attractive to the market and encourages an appropriate level of response from suitable suppliers. An in-person event will be held, giving suppliers the opportunity to meet Officers, and to discuss the tender process.
- 4.9 It is likely that the procurement process will be restricted tender. The tender process is costly and time consuming for suppliers, so there may be less interest from the market if suppliers are tendering in a fully 'open' basis rather than in a restricted process. A restricted procedure comprises a selection questionnaire stage (SQ) and an Invitation to tender stage (ITT). The SQ allows suppliers to provide sufficient information for Officers to draw up a shortlist without incurring the full cost of preparing a full tender response, or pricing the job. An SQ will be issued to the market via the Councils' online portal. The questionnaire will be 'open', allowing responses from all contractors, but suppliers involved in the market engagement will be notified of its issue.
- 4.10 The SQ will contain pass/fail questions to ensure suppliers meet the Council's minimum requirements, and that they are able to deliver the project. It will also ask backward facing shortlisting questions, asking

suppliers to demonstrate their experience and track record of similar delivery elsewhere. These questions will be evaluated by Officers, and a shortlist of suitable suppliers will be drawn up. This will ensure a suitable response rate to demonstrate value for money and to ensure competition through reducing the field in which suppliers are competing to encourage contractor responses.

- 4.11 The ITT will ask contractors forward facing, project specific questions focusing on proposals for delivery, including social value included within the contract. A fully costed fee for the scheme will also be provided. The tenders will be evaluated on a 60% cost/40% quality basis, with the contract being awarded to the most economically advantageous tender.

Revised programme

- 4.12 These changes will mean significant changes to the programme for the delivery of the Moulsecoomb Hub & Housing project. An indicative timeline is below:

Table 1 – Revised indicative project timeline

Project Task	Start	Finish
Market engagement	March 2024	
SQ issued	May 2024	June 2024
Shortlisting	June 2024	
ITT issued	July 2024	September 2024
ITT evaluation	September 2024	
Budget approval	October 2024	
Contract award	November 2024	
Start on site	January 2025	

Demolition

- 4.13 In June 2021, Brighton and Hove City Council successfully applied for Brownfield Land Release Fund (BLRF) for grant funding and is in receipt of an allocation of £1.694m. This grant funding is intended to facilitate the development through paying for the necessary enabling and site preparation works to release the land for development.
- 4.14 Members approved the grant-funded enabling works to commence, including the demolition of Moulsecoomb Hubs North and South to be financed by BLRF, at Policy and Resources Committee in June 2022. In addition, an additional budget of £389k, equating to 20% of the total BLRF allocation, was approved to cover on-costs relating to this work.
- 4.15 The preferred sequencing for this project had been to carry out the demolition as close to start on site as possible, to minimise disruption to the local community, and to avoid demobilisation and remobilisation costs, however Council incurs costs of £3,600pcm for security, cleaning, and

utilities charges for Hubs north and south. Early demolition therefore enables the Council to make significant savings against these costs.

- 4.16 A procurement exercise has taken place, and a contract has been awarded to the preferred supplier. It is anticipated that demolition works will begin in Spring 2024 for a period 15 weeks.

5. Community engagement and consultation

- 5.1 A communication strategy will be employed to notify the local community and relevant stakeholders of the demolition. Initially, a letter will be circulated to neighbouring properties. Meetings will be arranged with representatives from the school, and from the Children's Centre to ensure their needs are identified, acknowledged and addressed, and that disruption is minimised for these key stakeholders.

- 5.2 As part of their commitment to this project, the contractor will create a clear and primed space on the sites hoarding facing the school site for the school and it's pupils to decorate. This commitment also includes an allowance for the school to purchase required materials that can be ordered or supplied by the contractor, or through liaison with the school itself.

- 5.3 Revised designs will be subject to community consultation in advance of the submission of a s73 application, should design change be necessary. An in-person drop in consultation event will be arranged when tangible designs have been developed to canvas opinion from the local community and to enable these opinions to inform the final proposal.

- 5.4 A s73 application will be subject to a formal Planning consultation, during which the local community can make representations to Case Officer, to be considered and included within the Officer's report.

- 5.5 Community engagement will continue through the project and a revised communications strategy is under development as the project moves to its construction stage, subject to s73 approval.

- 5.6 A 'Meet the Contractor' event will be arranged prior to start on site, following the procurement of a contractor to build out the scheme.

6. Conclusion

- 6.1 The Council is at a point where it should test the market and seek contractors' proposals to progress this corporate priority project. The Council will tender the scheme for which Planning Approval has been granted, preserving the original design intent, and ensuring the design work, carried out to date is not abortive.

- 6.2 Competitively tendering the project would allow the Council to demonstrate value for money, and an alternative form of contract would reduce the risk to which the Council is exposed. Phasing the project into separate Lots

(residential and Hub) allows appropriately sized, specialist contractors to be sought, driving efficiency further.

- 6.3 Tendering at this point will enable the project to move forward without significant redesign or amendment to the existing Planning Permission. This reduces the risk of construction inflation to outstripping potential savings by the time the re-design and planning process are completed.
- 6.4 A report seeking full budget approval for this scheme will be brought to Committee once the s73 process has concluded and anticipated costs are known.

7. Financial implications

- 7.1 The financial implication arising from the recommendations of this report will require officers across the council to manage the procurement process, the project management costs are reviewed on an annual basis and capitalised where capital accounting rules allow, reducing the impact on revenue resources across the General Fund and HRA. Any work undertaken on the project is a direct overhead to the council, and under any option to bring the project forward would be incurred.
- 7.2 It has been confirmed through the council's Procurement service that undertaking the procurement exercise without full budget approval does not commit the council to entering into the contract. Therefore there is not a need to request budget approval at this stage, requesting budget once cost estimates have been received will allow for a more robust and realistic budget to be set.
- 7.3 In addition to this it has also been confirmed by the council's Procurement service that all cost risk is taken on by the contractor. Should the process not be successful, and contract not awarded as per recommendation 2.2 the council will not be liable for any costs incurred by the contractor.
- 7.4 A further report is required to Housing & New Homes Committee and subsequently Strategy, Finance and City Regeneration Committee that outlines the full budget request for the project. This will include a detailed viability summary and budget request which will include costs incurred to date. As per recommendation 2.2 it is only at this point that the Executive Director of Environment, Economy & Culture and the Executive Director Housing, Neighbourhoods & Communities can formally enter into a contract.
- 7.5 The Part 2 report includes implications of budget approved and costs incurred to date.
- 7.6 Paragraphs 4.10 to 4.13 set out the process for demolition on site. In 2021/22 the council received £1.694m in Brownfield Land Release Funding the budget that this grant funds has already been approved and forms part of the HRA capital programme for 2024/25, there is no need for further budget at this stage of the project. If this grant is not spent there is a risk that

it will need to be returned, therefore increasing any funding pressure on the full viability appraisal.

- 7.7 The demolition will also reduce the need for security on site and will provide a cost saving of c.£0.004m per month.

Name of finance officer consulted: Craig Garoghan Date consulted:
01/03/2024

8. Legal implications

- 8.1 The Council is required to comply with the Public Contract Regulations 2015 [PCR 2015] in relation to the procurement and award of contracts above the relevant financial thresholds for services, supplies and works. The current threshold for public works is £5,336,937 (inclusive of VAT).

- 8.2 The Council must also comply with its Contract Standing Orders (CSOs).

Name of lawyer consulted: Eleanor Richards Date consulted (26/02/24)

9. Equalities implications

- 9.1 Equalities Impact Assessments will be completed for relevant elements of this project. Feedback from communities and residents gathered through the Planning for Real sessions that relate to Equalities issues have been incorporated into proposals.

- 9.2 The housing scheme currently delivers seven wheelchair accessible homes. Each fully wheelchair accessible home will have their own allocated parking space.

- 9.3 The new hub and the surrounding public realm spaces will all be fully accessible and designed for people with disabilities. Careful consideration is being given to colour and material selection for people with visual impairments both inside the building and in the design of external spaces, for example in providing raised beds for growing vegetables for people in wheelchairs.

10. Sustainability implications

- 10.1 This project supports corporate sustainability priorities by investing in sustainable construction methods and low carbon energy supply such as solar panels, and ground source heat pumps avoiding the use of gas for heating. Opportunities to promote bio-diversity have also been considered by the Design Team for example using recycled materials from the buildings which are being demolished in gabion walls to create 'insect hotels'. It is also proposed to use timber from the demolished buildings to create benches or other features in the new public realm areas.

- 10.2 A Whole Life Carbon Assessor has been appointed to the project so a full understanding of the carbon impacts of the project is understood and

strategies developed for meeting the council's draft Zero Carbon New Homes Policy. Further examples are the aim to reduce the amount of concrete used in the scheme and if steel is used to ensure that it is sourced from suppliers using low carbon electric arc furnaces rather than traditional high carbon coal fired furnaces.

- 10.3 Sustainable and low carbon elements of the existing infrastructure will be reused or repurposed. For example, the project is currently exploring the feasibility of relocating the solar panels on the roof of Moulsecoomb Hub North & South to the refurbished former Portslade Sixth Form site.

11. Other Implications

Social Value and procurement implications

- 11.1 The procurement process will look to maximise opportunities for promoting social value, for example by providing apprenticeship and training opportunities, encouraging local work force and use of local supply chain where possible.
- 11.2 Due to the significant scale of this project we would like to include directed opportunities for potential contractors to commit to improvements to local community organisations and schools buildings. Specific questions within the ITT will centre on social value, and suppliers will be scored on project specific social value proposals which will be delivered as part of this project, to directly benefit the local community.

Crime & disorder implications:

- 11.3 Providing dedicated Community and Youth space in the new neighbourhood hub supports the local agenda to reduce antisocial behaviour. The project regenerates a central area within the Moulsecoomb estate and delivers improved public realm, sports and leisure facilities. There are strong links between quality of housing and community cohesion.

Public health implications:

- 11.4 Issues relating to Public Health are aligned to priorities in the Moulsecoomb & Bevendean Neighbourhood Action Plan and data from the Local Insight report relating to Moulsecoomb & Bevendean.

Supporting Information

1. Confidential Appendix (copy circulated to Member only)

