

Subject:	New Homes for Neighbourhoods Eastergate Road – Modular Pilot Scheme Update		
Date of Meeting:	3 December 2020		
Report of:	Executive Director - Economy Environment & Culture		
Contact Officer:	Name:	Nick Fishlock	Tel: 01273 293905
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Ward(s) affected:	Moulsecoomb & Bevendean		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 On 13 July 2017 the Policy, Resources & Growth Committee agreed that the land at Eastergate Road, Brighton, as identified in Appendix 1 be leased for the development of affordable rented housing by YMCA Downs Linkg Group (YMCA DLG) and agreed delegated authority to enter into the necessary contracts with YMCA DLG to lease the site to build Y:Cube homes for affordable rent, and enter into a nominations agreement with the council.
- 1.2 Since 2017 the project has progressed, and YMCA DLG have gained planning permission to build 30 studio ‘move-on’ flats for young homeless people. A lease has been prepared and is ready to sign, and a nominations agreement has been entered into.
- 1.3 The 13 July 2017 report was clear the new homes to be developed would be built using a volumetric, offsite, construction method, also known as modular, whereby each studio flat would be built in a factory, transported to site, and craned into position. However, the project is not financially viable for YMCA DLG if it proceeds using the modular technique; it can instead be built using traditional building methods. This report seeks to inform the Committee of this change and approval to proceed using traditional building techniques.

2. RECOMMENDATIONS:

- 2.1 That the Committee notes the progress made for this project.
- 2.2 That Committee agrees that the project, having achieved the aims of a modular pilot scheme, may proceed using traditional building methods with elements of offsite construction, rather than using a volumetric, modular method.

3. CONTEXT/ BACKGROUND INFORMATION

- 7.3 Background Information related to the site and project can be found in the report to P&R Committee 13 July 2017: New Homes for Neighbourhoods Modular Pilot - Y:Cube proposal.

- 7.4 The 'New Homes for Neighbourhoods Modular Pilot - Y:Cube' project, otherwise known as the Eastergate Road Housing project, is one of a number of 'modular pilot projects' undertaken to learn about the benefits provided by volumetric construction methods and other Modern Methods of Construction [MMOC], following a report to Housing & New Homes Committee on 23 September 2015, titled 'New Homes for Neighbourhoods - Small Site Strategy'.
- 7.5 YMCA DLG parted ways with Y:Cube as contractor to design and deliver the new homes in 2018. Instead, YMCA DLG progressed with a new architect to deliver a site-specific design for flats at the Eastergate Road site. During this time the number of homes to be delivered increased from circa 21 to 30 homes.
- 7.6 Council officers have watched the design and procurement process to learn about the risks and benefits of using volumetric modular construction, and how to successfully implement the design, procurement and construction stages for modular buildings. Key learning outcomes include:
- Cost benefits are only realised in economies of scale, with schemes of 30+ homes benefitting.
 - The greatest cost benefits are realised on straightforward sites, as standard unit designs do not accommodate irregular topography i.e. sloping sites.
 - Using architects and an employer's agent with experience of designing and delivering volumetric, modular homes is important to realising cost and timescale benefits
 - 'Off the shelf' turnkey modular systems do not meet the council's specification, so a site-specific design is required for our sites.
 - The nascent UK volumetric construction market for house builders presents a number of risks and issues when contracting.
 - Site abnormal costs such as ground works, decontamination and diversions can still be significant for MMOC projects
- 7.7 The project was submitted for Planning permission 18 July 2019 and approved on 2 October 2020. The submission was minded to grant by Planning Committee on 5 February 2020; an outcome of the Committee meeting was a requirement to provide additional staff on site. Appendices 1 and 2 show the scheme for which Planning permission has been approved.
- 7.8 A lease has been agreed by the council and YMCA DLG but is yet to be signed, this will take place if the Committee approves to progress the project using traditional construction methods. A nominations agreement has been agreed and signed: 50% of tenants will move on from specialist supported housing provided by YMCA DLG within Brighton & Hove, and 50% nominated by the council, either because they are ready to move on from specialist supported housing or they have a housing need and require a low level of support to manage a tenancy.
- 7.9 YMCA DLG's original budget for the project was found to be an underestimate when the market was tested earlier this year. Costs had primarily increased where higher sustainability standards, visual standards for cladding, and increased construction works at lower ground floor level were required by the Planning Authority.

- 7.10 The project has undergone a process of value engineering to reduce build costs and the only financially viable option is to build the homes using a concrete frame structure. The building will however use other MMOC methods by incorporating walls which are built offsite and building the top floor offsite using a timber structure, all of which would be craned onto site to be installed.
- 7.11 This is a significant change to the project as set out in the original report to P&R Committee 13 July 2017, as volumetric modular construction will not be used. Council officers believe lessons have been learnt regarding modular construction throughout this project and a key outcome for this 'modular pilot' has been met.
- 7.12 Building the homes using a concrete frame structure instead of a volumetric modular structure would increase the construction period from around 6 months to around 12 months.
- 7.13 The project is currently funded in part by Homes England's Move On Fund, which ends March 2022. The increased timescales present a problem as the project cannot be built using a concrete structure in time to draw down the full funding amount. Therefore, YMCA DLG have notified Homes England their Move On Fund grant funding allocation is to be rejected. YMCA DLG will instead bid for funding through Homes England's Affordable Homes Programme 2021-26 in December 2020.
- 7.14 A bid to the Affordable Homes Programme 2021-26 can cover any remaining funding gap following the value engineering process and remove the risk of not meeting delivery timescales. Homes England confirmed rejecting the Move On Fund allocation does not jeopardise an application to the Affordable Homes Programme 2021-26; an application for the Eastergate Road site is welcomed. The Affordable Homes Programme funding awards will begin to be determined from March 2021.
- 7.15 The longer development period for this site via a traditional construction method will create additional disturbance for local residents and businesses. The main disturbance caused will be noise, dust, and increased vehicle movements to and from the site. The constructor will be obliged to bring staff to site by bus, and not allow staff to park in the local area through the agreed contract with YMCA.
- 7.16 Another important change to the project is the loss of use of the carpark behind the neighbouring Oakendene block of flats, which is used by the residents, for the duration of the project. Under the previous scheme this car park would be unusable, or access blocked, for short periods to allow alterations to drainage and the site boundary, and to facilitate deliveries during work hours; but the change to traditional building methods requires more space to store materials and for staff welfare.
- 7.17 A strategy to mitigate disruption to neighbouring residents and businesses will be created by YMCA DLG and their contractors, and agreed with the council, before the project progresses to construction.
- 7.18 This project supports the council's Corporate Plan 2020-2023 outcome: a city to call home by reducing homelessness and rough sleeping and providing

genuinely affordable homes. It would meet city wide objectives in Brighton & Hove City Council's Housing Strategy 2015, Homelessness Strategy 2014 – 2019, Housing and Support for Young People Joint Commissioning Strategy 2013 and Rough Sleeper Strategy 2016. Officers therefore recommend the project proceeds to support meeting these aims.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 7.3 An alternative to the development of homes for young homeless people on this site is to continue the current use of the site for parking and/or storage or to sell it for such use. It would be possible to dispose of the site on the open market, subject to necessary consents for the sale of HRA land; the most likely use would be as open storage land for which it is likely to have some value. However, that would not achieve the benefits to the council set out in the report to Committee 13 July 2017: New Homes for Neighbourhoods Modular Pilot - Y:Cube proposal.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 7.3 Members of the cross-party Housing Supply Member Board have been consulted and agreed that this report could go directly to Policy & Recourses Committee in order to ensure a timely decision.
- 7.4 Local residents and businesses were invited by letter to a consultation event held at the Housing Centre 24 April 2017, as were non-resident leaseholders of Oakendene flats and licensees of the two garages. A follow-up meeting was held 17 October 2018 at a nearby café to give details of the amended proposal and seek input at an early stage on the aspects of the previous scheme that neighbours liked and disliked.
- 7.5 As part of the Planning process, a formal public consultation on the project plans was held between 14 Aug 2019 and 04 Sep 2019 and representations received were considered as part of the planning process.
- 7.6 YMCA DLG is committed to the concept of co-production and seeks to involve young people in the decisions that affect them and their environment as a means of giving them greater control of their lives and a greater sense of ownership of the project. During the design process there were four consultation events with 21 residents in YMCA DLG projects. Five YMCA residents visited prototype modular units at the Futurebuild conference at Excel, London 6 March 2019 and at a modular manufacturer's factory in Peterborough 14 May 2019.
- 7.7 Nearby businesses, including the council's Housing Centre, have previously been consulted regarding disruption caused by the construction process, but further consultation will be undertaken due to the changes in the delivery method and timescales. An updated programme and plan of works is being prepared so this discussion can take place.
- 7.8 Residents of the Oakendene flats are to be consulted on the changes to delivery method, timescales, and use of the Oakendene carpark with the support of the Communities, Equality & Third Sector Team.

6. CONCLUSION

- 6.1 Although YMCA DLG and council officers are disappointed the project will not deliver its aim of using a volumetric, modular, construction method, the main objective: to increase the supply of affordable housing, specifically filling a role in supporting young homeless people from supported accommodation, onto independence, would be fulfilled if the project were to progress.
- 6.2 Lessons have been learned about delivering volumetric, modular housing throughout the design and procurement process, which was a key outcome of the modular pilot projects and small site strategy.
- 6.3 Additional disruption will be caused to nearby residents and businesses, but a mitigation strategy must be devised and implemented for the development to proceed.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The proposed change of construction method and increase in the number of homes delivered at the Eastergate Road, an HRA owned, site will not require any capital input from the HRA, as was outlined in the original proposal. YMCA Downslink Group (YMCA DLG) will still bear all costs and risks associated with the home's construction.
- 7.2 Management and maintenance of the properties once completed will remain the responsibility of YMCA DLG and will have no impact on the HRA's revenue position.
- 7.3 Terms of the proposed lease have not changed from July 2017 where the council will benefit from 50% nomination rights but will also receive income at the rate of 33% of the scheme surpluses generated by YMCA DLG. The income would be generated from year 25 of the lease. The loan which YMCA DLG require to fund the construction will be repaid by year 25, it is still reasonable to assume that surpluses will be generated at this point as a major part of expenditure is no longer being incurred by YMCA DLG.
- 7.4 Currently the HRA incur maintenance costs for clearing the site of rubbish, upon completion of the project this cost would no longer be incurred.
- 7.5 Making use of the car park as a site office will not impact on the HRA's revenue position, no income is collected for these spaces. As well as these the two sites which are on the Eastergate Road site are no longer occupied, the previous occupants were relocated to other sites, therefore maintaining the income stream for the HRA.

Finance Officer Consulted: Craig Garoghan

Date: 05/11/2020

Legal Implications:

- 7.6 Back in July 2017, Policy, Resources and Growth Committee approved the disposal by lease of land at Eastergate Road, to “secure the building of modular Y cube homes for affordable rent by the YMCA.” Now that an alternative method of construction is proposed, it is appropriate for the Policy and Resources Committee to re-affirm the disposal by lease of the site to secure the building by the YMCA of homes for affordable rent using traditional building methods, with elements of off-site construction.

Lawyer Consulted:

Liz Woodley

Date: 02/11/20

Equalities Implications:

- 7.7 An Equalities Impact Assessment has been carried out for the New Homes for Neighbourhood programme and actions are built into the Estate Regeneration project management procedures.
- 7.8 YMCA DLG is an organisation that values diversity and promotes equality of opportunity. The organisation does not tolerate discrimination on grounds of gender, gender identity, marital status, sexual orientation, race, colour, nationality, religion, age, disability, HIV positivity, working pattern, caring responsibilities, trade union activity or political beliefs – or any other. The organisation is committed to ensuring that all dealings with service users, customers, colleagues and partners apply the principles and practices set out in its Equality and Diversity Policy.

Sustainability Implications:

- 7.9 The change in structure would produce more carbon emissions than an offsite modular structure, however the project is designed to lower operational carbon emissions through use of heat pumps instead of gas boilers for heating and hot water, and the elements of MMOC construction, the wall panels and top floor, reduce waste compared with traditional construction techniques.
- 7.10 During the planning process, additional sustainable measures were added including PV panels and a Chalk Downland ‘green’ roof across both blocks.

Brexit Implications:

- 7.11 The countries exit from the EU increases risks of cost inflation, and access to materials, which may affect the financial viability and programme of delivery for this project. The risk cannot be quantified at this time, but an element of risk is added to the project budget and timescales to account for this.

SUPPORTING DOCUMENTATION

Appendices:

1. Part 1 of the Design and Access Statement submitted to Planning.
2. Part 2 of the Design and Access Statement submitted to Planning.

Background Documents

1. Report to P&R Committee 13 July 2017: New Homes for Neighbourhoods Modular Pilot - Y:Cube proposal
2. Report to Housing & New Homes Committee 23 September 2015: New Homes for Neighbourhoods - Small Site Strategy

