

**Report of the Head of Regeneration**

**Report to the Director of Environment and Housing**

**Date: 14 August 2014**

**Subject: Variation at Tender Stage: Increase on the Authority To Spend – Little London Community Hub**

**Capital Scheme Number: 32036/CJ3/000**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s): Hyde Park and Woodhouse	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: 10.4 (3)	<input type="checkbox"/> Yes	<input type="checkbox"/> No

**Summary of Main Issues**

1. The comprehensive redevelopment of the Little London Community Hub site includes the proposed expansion of Little London Primary School from 1FE to 3FE, and a separate co-located new build community centre/ new build Neighbourhood Housing Office (NHO). The primary school is expanding from 210 to 630 school places to meet forecast basic needs growth in the area. The additional school places are required for the September 2015 term. Work on the school expansion needs to commence on site by the beginning of September 2014 if the September 2015 deadline is to be met.
2. The design, planning and procurement of the primary school expansion and NHO/ Community Centre projects have been combined as a single project in view of the close site and programme relationships, to obtain efficiency and economies of scale in the delivery. Therefore, the Little London Community Hub project combining all the aforementioned elements will be let as one contract. Subsequently, the new build community centre and new build NHO are tied into the same time pressured programme as the school expansion which requires a start on site at the beginning of September 2014 to allow the new school places to be available from September 2015. To facilitate the commencement of works by this date the preferred contractor needs to be formally appointed by the end of August 2014.

3. It is proposed that there is one Tender Acceptance Report to cover all three aspects of the Little London Community Hub project, which are separately funded through the General Fund, HRA and Basic Need Programme.
4. The 'Design & Cost Report' which included HRA Capital scheme number 32036/CJ3/000, appertaining to the redevelopment of the Little London Community Hub, was approved by the Executive Board in June 2014. This decision granted approval to spend a total of **£942.4k** to cover all elements of the Little London Community Hub redevelopment which includes:
  - Construction Elements (£788k):
    - New build Community Centre Construction - £574.0k, funded by LCC General Fund (GF)
    - New build Neighbourhood Housing Office (NHO) Construction - £214.0k funded by LCC Housing Revenue Account (HRA)
  - Non-Construction Elements (£154.4k):
    - Furniture and Equipment and ICT - £39.0k Split across GF & HRA
    - NPS Design Fees - £69.0k Split across GF & HRA
    - Other Costs - £46.4k Split across GF & HRA
5. The construction tender for the new build community centre and new build NHO submitted by Wates Construction Ltd in the sum of **£888.0k** facilitates the redevelopment of the Little London Community Hub. The neighbourhood housing office will replace the temporary office on site. This construction tender is broken down into the following separately funded elements:
  - New build NHO – **£240,846** HRA Funding
  - New build Community Centre – **£647,154** General Fund
6. The construction tender sum plus other costs exceeds the amount in the original DCR and equates to a total cost of **£1,042,400**.
7. The total revised cost for the Neighbourhood Housing Office element of the project is an increase of **£26,846**, which is within £100,000 of the total budget submitted to Executive Board in June 2014 for the HRA Capital Scheme. A Form 5 (Variation at Tender Stage) has been completed for the HRA capital scheme number identified at the top of this report for a variation in accordance with Financial Procedure 4 Appendix F 4.1 (b) Table 2.(i.e. where the Tender Price is over 5% increase on the Authority to Spend amount, up to a maximum of £ 100,000).

## Recommendations

The Director of Environment and Housing is requested to:

- i. Consider and sign the Form 5 (Variation at Tender Stage) at Appendix 1;
- ii. Approve an additional £26,846 of HRA capital to enable the delivery of the Little London Neighbourhood Housing Office at a total revised cost of £291,546;
- iii. Note that a Tender Acceptance Report will be prepared requesting an award of contract to Wates Construction Ltd for the new build community centre, new build neighbourhood housing office and new build primary school expansion;

- iv. Note the Deputy Chief Executive's consideration of Form 5 (Variation at Tender Stage) will be required following Director approval, in accordance with Financial Procedure Rule 4.1b.

## **1 Purpose of this Report**

- 1.1 The purpose of this report is to seek authority to increase the ATS in the sum of £26,846 for the new build NHO. This combined with a new build community centre will provide a 'community hub building' as a focal point for services in the heart of Little London alongside the proposed primary school expansion. The works associated with the Little London Community Hub building form part of the same contract that includes the proposed expansion to Little London Primary School.

## **2 Background Information**

- 2.1 The Community Hub occupies a prominent position in the centre of the Little London estate and is a site that has accommodated a range of important facilities for local residents, including Council-owned shops, car parking, play space and mature open green space, a Neighbourhood Housing Office, community centre and IT training rooms and a now-demolished social club. Immediately adjacent to the Community Hub is the site of Little London Community Primary School and the Little London Children's Centre.
- 2.2 This is a hugely important site for the Little London providing a range of essential services for local people from buildings that have, in large part, been in need of investment and refresh for some years. It is highly prominent on the main route to the city centre from the area and is a key part of the regeneration vision for the area that has been developed with residents, community groups and Ward Members.
- 2.3 Recognising the importance of the Community Hub, the Council had included the site in the Little London Housing PFI Project, to deliver a new community centre, a new Neighbourhood Housing Office, new retail units, a refurbished play area and 12 residential apartments. However during the procurement of the project and as a consequence of the Comprehensive Spending Review in 2010, a number of scope changes were required to enable the core housing improvements to receive government approval and for the PFI contract to proceed. The most significant change was the removal of the Community Hub from the PFI project.
- 2.4 Executive Board approved this change in July 2011 but affirmed the Council's continued intention to pursue improvements to the Community Hub as a critical part of the regeneration of Little London.
- 2.5 Little London as a whole is now undergoing a major transformation through the Housing PFI project and its delivery by Sustainable Communities 4 Leeds (SC4L). The first phase of refurbishments of Council-owned homes has been completed and handed over to tenants, with the refurbishment programme due to complete in September 2016. Work has also started on the Carlton Gate new build site where 113 new council homes will be built by January 2016. All of the refurbished and new build properties in Little London will then be maintained by SC4L for a period of 20 years.

- 2.6 In 2012 the opportunity arose to develop the Community Hub site to include the expansion of Little London Primary School, and new community centre and neighbourhood housing office, with the retail provision relocating to the old housing office site to be developed privately. A report to Executive Board in December 2012 set out the emerging proposals for the Community Hub and established the principles of redevelopment.
- 2.7 A further report to Executive Board in February 2013 set out in more detail the approach to redevelopment of the site including the expansion of Little London Primary School from 1 to 3 forms of entry (FE) utilising land at the community hub site placing it prominently at the centre of the community; phased relocation of the Neighbourhood Housing Office within the site; rebuilding of the community centre; and securing investment from a private retail concern to provide a new local convenience store, pharmacy and additional shop unit. This retail provision opened in May 2014.
- 2.8 The completion of this redevelopment will deliver a local centre that will be as good as – if not better – than that originally envisaged through the PFI Housing project.

### **3 Main Issues**

#### **3.1 Proposal**

- 3.1.1 The Little London Community Hub scheme has been developed in conjunction with Leeds City Council's Joint Venture Partners, Norfolk Property Services (NPS) Leeds Ltd. The project has been tendered as a two stage tender process via the YORbuild framework utilising a 'price / quality' assessment criteria.
- 3.1.2 Following the Stage 1 tender evaluation completed by LCC and NPS, Wates Construction Ltd were appointed as the preferred bidder, and became engaged in the design development process from RIBA Stage C.
- 3.1.3 RIBA Stage D design was completed by NPS with significant design and cost input from Wates. The Design and Cost report for the project was approved at Executive Board in June 2014 setting the budget based on the estimate at that stage of design and giving authority to spend.
- 3.1.4 Wates Construction Ltd have now submitted their second stage tender. The tender price for the community centre and neighbourhood housing office element of the project was initially substantially higher than the budget set at RIBA D and which was agreed by Executive Board. The council is working with Wates and NPS on an exercise of value engineering, challenge on costs and appropriate re-apportionment of costs between the community hub building and school elements, to reduce the the second stage tender cost.
- 3.1.5 The main elements for the increased cost from RIBA Stage D can be attributed as follows:-
- a. Restricted sub-contract competition due to lack of interest from the supply chain particularly in the smaller community centre/ neighbourhood housing office (CC/NHO) building;
  - b. Worse than previously anticipated ground conditions under the CC/NHO reported during RIBA Stage E;
  - c. Market forces - increase in cladding costs;

- d. Costing duplication for internal lining of external walls;
  - e. Increase spec on the floor finish;
  - f. Restricted sub-contract competition has increased the M&E costs;
  - g. Disposal of contaminated soil.
- 3.1.6 The costs for the project are now within [£100,000] of the total budget approved by Executive Board in June 2014 for the HRA Capital Scheme. A Form 5 (Variation at Tender Stage) for the HRA capital scheme number 32036/CJ3/000 has been completed for a variation in accordance with Financial Procedure Rules.
- 3.1.7 This report seeks approval to increase the ATS in the sum of £26,846 for the new build NHO.

## **3.2 Programme**

- 3.2.1 In order for the school expansion to open in September 2015 to provide the required school places, Wates need to start on site in September 2014.
- 3.2.2 Approval to increase the ATS is therefore required at the earliest available opportunity to ensure Tender Acceptance can proceed and handover of the site to the contractor undertaken by the end of August 2014. As the community centre and neighbourhood housing office form part of the same contract as the school and are closely linked on site, the same timescales apply to this element of the project.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 The revised proposals for the NHO/Community Centre have been subject to public consultation and stakeholder engagement following removal of the Community Hub from the Housing PFI project in 2011.
- 4.1.2 The first round of public consultation was in November 2012 to establish the community's view on a new build or refurbished community centre would be preferred. Views were also sought on what the public would like the community centre to include e.g. flexible spaces, ICT etc. The outcome of this informed the early design stages.
- 4.1.3 Following this consultation the Executive Member for Neighbourhoods, Planning and Personnel and Ward Members agreed to proposal for a new build community centre as it provided better value for money than refurbishment. Ward Members and the Executive Member for Neighbourhoods, Planning and Personnel have been engaged at all stages on progress of the Little London Community Hub. Briefings to Members will continue at key milestones throughout the project as required.
- 4.1.4 Consultation with the community centre users has taken place throughout the design process to ensure that the final specification and layout of this facility is fit for purpose and meets the needs of both existing and prospective new users. The most recent consultation took place in early March 2014 and where practical the outcomes of this were taken into account in the final design.
- 4.1.5 Following submission of the planning application, the public had further opportunity to comment on the proposals through the statutory consultation. All comments were considered by the Local Planning Authority in determining the application.

4.1.6 During the design process the Project Team has worked with officer representatives from Citizens and Communities and Environment and Housing to ensure their full engagement in design development of the proposed new build community centre and Neighbourhood Housing Office.

4.1.7 There is very strong local community support for the Community Hub project, which has formed a long standing part of the regeneration vision for Little London.

## **4.2 Equality & Diversity / Cohesion & Integration**

4.2.1 Equality, Diversity, Cohesion and Integration (EDCI) screening has been undertaken for the Little London Community Hub project and is attached at Appendix 2. It was completed to support the 'Design and Cost Report' at the June 2014 Executive Board.

## **4.3 Council Policies & City Priorities**

4.3.1 This project will directly support the delivery of the Best Council Plan 2013-17 objectives of:

- Supporting communities and tackling poverty
- Promoting sustainable & inclusive economic growth

4.3.2 The actions detailed in this report will complete the delivery of Little London Community Hub, with new frontline facilities that will complement and support the Council's significant investment in the area through the Housing PFI project.

4.3.3 The vision for a mixed-use development on the Community Hub was set out in the Little London Development Framework (2007), which was consulted on widely with local stakeholders and adopted as informal planning guidance. The actions detailed in this report help achieve this vision.

4.3.4 The development will provide job and training opportunities through construction and other jobs through the provision of new retail and the proposed school expansion. An employment and training requirement has been included in the contract details.

4.3.5 A new community centre provides opportunities for people to become involved in their communities, supporting community cohesion.

4.3.6 The 'Community Hub' building with the housing office located with the community centre means that the council and its partners can have a collaborative and joined up approach to delivering vital services via a 'one stop' approach. The community hub building will be built to high standards of energy efficiency, contributing to as Leeds working towards becoming a lower carbon city.

4.3.7 The Little London Community Hub will contribute to the 'Best City' vision for Leeds by supporting people who live in the area to enjoy a good quality of life, provide the opportunity of a good education, offer access to activities and services that will support good health and wellbeing as well as offering access to new job and training opportunities.

## **4.4 Resource & Value For Money**

- 4.4.1 The tender price is based upon the design drawings and specification provided by NPS and developed by Wates to RIBA E.
- 4.4.2 NPS (Leeds) have continued their involvement on this scheme beyond the cost estimate provided within the DCR (produced at RIBA Stage D) and have provided Quantity Surveyor and project administration services during the tender period.
- 4.4.3 The NPS Quantity Surveyor is preparing a Tender Report which will conclude that the project is value for money in the context that separating the Community Centre and Neighbourhood Housing Office from the already progressing contractor design and construction would be difficult, time consuming and expensive.
- 4.4.4 Subsequent to the agreed reductions and a revised tender price agreed with Wates, the revised cost for the Neighbourhood Housing Office element of the project is now £291,546, which is an increase of £26,846, within £100,000 of the total budget submitted to Executive Board in June 2014 for the HRA Capital Scheme for this project.
- 4.4.5 Discussions with the Environments and Housing Financial Management Team have confirmed that provision exists within the HRA capital programme to accommodate the increase in budget.
- 4.4.6 A Form 5 (Variation at Tender Stage) has been completed for the HRA capital scheme number identified at the top of this report for a variation in accordance with Financial Procedure 4 Appendix F 4.1 (b) Table 2. This provides for a delegated approval from the relevant Director and Deputy Chief Executive to accept an increase in Tender Price over 5% on the Authority to Spend amount, up to a maximum of £ 100,000).
- 4.4.7 All works have been procured in accordance with Leeds City Council's contract procedure rules. Following specific advice from LCC Procurement Unit the scheme was tendered via the YORbuild framework methodology utilising a NEC3 contract form and evaluated on a 'price / quality' criteria to reflect the importance of the phasing plan and access limitations.
- 4.4.8 The proposed expansion of Little London Primary School from 1FE to 3FE, Capital Scheme Number 16585/LIT/000, and the new build Community Centre Capital Scheme Number 32140/000/000 forms part of the same contract to which this Little London Community Hub Tender Acceptance report refers. Separate Tender Acceptance approvals will be sought from the Directors of Childrens Services and City Development for the school expansion and new build community centre elements of the Little London Community Hub project.

#### **4.5 Prior Approvals**

- 4.5.1 A planning application for the development was submitted in April 2014, planning permission was subsequently granted on the 4<sup>th</sup> July 2014.
- 4.5.2 A Design & Cost Report for the Little London Community Hub for 'Authority to Spend' was approved at Executive Board on 25 June 2014.

#### **4.6 Legal Implications, Access to Information & Call-in**

4.6.1 The Project has been detailed on the future list of 'Key Decisions' since April 2014 and has not been subject to any 'call-in' requests.

4.6.2 The tender has been procured in accordance with the City Council's contract procedure rules.

#### **4.7 Risk Management**

4.7.1 General risk to the project as a whole is to be managed through the application of 'best practice' project management tools and techniques via the Council's Delivering Successful Change Methodology.

4.7.2 A risk log has been maintained throughout the project.

4.7.3 NPS will oversee the site works undertaking the role of NEC3 Project Manager and NEC3 Supervisor. A client Project Team will be set up with representatives from Asset Management and Regeneration, Facilities Management, Communities and Housing Leeds to oversee the delivery of the new build community centre and NHO.

### **5 Conclusions**

5.1 Following a two stage tender evaluation completed by LCC and NPS, Wates Construction Ltd was the preferred bidder. The tender price submitted was over the budget included within the approved Design and Cost Report and Authority to Spend, but a capped increase on the construction cost for the neighbourhood housing office has been agreed with Childrens Services. The final revised cost for the Neighbourhood Housing Office element of the project is within £100,000 of the total budget submitted to Executive Board in June 2014 for the General Fund Capital Scheme for this project. Provision can be made within the General Fund Capital Programme to accommodate this increase in budget and a Form 5 (Variation at Tender Stage) for the General Fund capital scheme number 32140/000/000 has been completed for a variation in accordance with Financial Procedure Rules.

### **6 Recommendations**

6.1 The Director of Environment and Housing is requested to:

- i. Consider and sign the Form 5 (Variation at Tender Stage) at Appendix 1;
- ii. Approve an additional £26,846 of HRA capital to enable the delivery of the Little London Neighbourhood Housing Office at a total revised cost of £291,546;
- iii. Note that a Tender Acceptance Report will be prepared requesting an award of contract to Wates Construction Ltd for the new build community centre, new build neighbourhood housing office and new build primary school expansion;
- iv. Note the Deputy Chief Executive's consideration of Form 5 (Variation at Tender Stage) will be required following Director approval, in accordance with Financial Procedure Rule 4.1b.



## **7 Background Documents**

7.1 Appendix 1  
Form 5 (Variation at Tender Stage)

7.2 Appendix 2  
'Equality, Diversity, Cohesion and Integration' Screening Document