

Report of Chief Officer of Property and Contracts

Report to Director of Resources and Housing

Date: 8 May 2018

Subject: Approval to undertake a procurement for repair and improvement works to the Appletons and Saville Green high rise housing blocks.

Are specific electoral wards affected?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If yes, name(s) of ward(s):	Burmantofts & Richmond Hill
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, access to information procedure rule number:	
Appendix number:	

Summary of main issues

1. The Council is seeking to undertake a competitive procurement exercise inviting tenders for the delivery of repair and improvement works to 4 high rise towers blocks. These are Appleton Close, Appleton Court, Appleton Square and Saville Green, in the LS9 district of Leeds. Construction works are planned to commence on-site from June 2019.
2. This report seeks approval for the proposed procurement route and includes the scope of works. Works include enclosed balconies, concrete and render repairs, and external painting. The pre-tender estimate is £4.6m. The works will be fully funded from within Housing Revenue Account (HRA) resources.
3. The scheme is part of the Housing Leeds capital refurbishment programme 2018-19 to 2020-21, and supports the delivery of the city's high rise strategy, making these blocks safer and better for residents including families with children.
4. A review of the available delivery options has been undertaken, and a preferred option identified. In accordance with Contracts Procedure Rules (notably CPR 3.1.8) this report seeks approval from the Director of Resources and Housing to

undertake a procurement for the works and invite tenders via the Efficiency North framework.

Recommendations

5. The Director of Resources and Housing is requested to:
 - i. in accordance with Contract Procedure Rule 3.1.8, approve the invitation of tenders via the Efficiency North framework for the delivery of repair and improvement works to four high rise blocks – the Appletons and Saville Green.
 - ii. Note that the evaluation of the tenders will be on a price / quality ratio of 70% price and 30% quality. The questions and weightings that make up the quality tender evaluation criteria are being prepared and approval will be sought in line with CPR 15.1 to invite tenders on this basis.

1. Purpose of this report

- 1.1. In accordance with Contract Procedure Rule (CPR) 3.1.8, to seek approval from the Director of Resources and Housing to invite contractors on the Efficiency North framework to tender for the delivery of repair and improvement works to Appleton Close, Appleton Court, Appleton Square and Saville Green high rise housing blocks.
- 1.2. To provide a summary of the works to be completed.
- 1.3. To provide an update on the progress made to date, including stakeholder consultation.

2. Background information

- 2.1. The scheme is to undertake improvements to these four high rise blocks in the east of the city, linked to recommendations from the city's High Rise Strategy (see the [October 2016 Executive Board Report](#)) identifying certain measures to improve blocks that currently house a large number of households with children, and responding to site specific requirements and the need for certain repair and maintenance works.
- 2.2. The aim is to make these blocks safer and better for residents, including families with children.
- 2.3. The four blocks of flats are each ten storeys, and comprise of about 240 dwellings. About a third are 3 bedroom flats, a third are 1 bedroom flats, and the remaining third are 1+ bedroom flats (with an extra room entered from the living room – historically these were let as 2 bedroom flats).

3. Main issues

- 3.1. Following options consideration, and informed by resident engagement, the scope of the works on the blocks includes:
 - Enclosed private balconies. These will be fully enclosed, but still ventilated outdoor spaces. All of the private balconies shall be enclosed in the same manner.
 - External and internal communal painting and decorating
 - Replacement of stairwell glazing
 - Concrete and render repairs (as needed prior to balcony and painting works)
 - Measures to prevent climbing between the ground floor and first floor communal walkway
 - Refurbishment of four ground floor rooms (including enabling one to be brought back into use for drop in services, and to house sprinkler pumps and CCTV equipment).
 - Creation of secure storage facilities on the first floor and above for the 3 bedroom flats (excepting Appleton Close that will have additional storage starting from the second floor).

3.2. The value of the works on the blocks to be procured is estimated as £4.6m.

3.3. In the 240 properties there are five leasehold flats, of which two are owner-occupiers. Leaseholders will be charged for the works, in line with Council policy.

3.4. As part of separate but co-ordinated works these blocks will also benefit from:

- improved CCTV and controlled entry for security (a high priority for local residents). This is [now on site], with works delivered by the internal service provider Leeds Building Services.
- more affordable heating as they are being linked to the District Heating Scheme, which will also be retro-fitting sprinklers to these blocks as part of the works.
- improvements to the surrounding area – to be delivered via internal service provider Parks and Countryside. This will include:
 - Improvements to play facilities at the local park, and
 - Improvements to the external areas and walkways around the blocks for accessibility, recreation / amenity, and recycling.
- a new local lettings policy, Housing Management colleagues are currently developing this for consultation.

3.5. One of the key constraints on the project is working around the timescales of the District Heating project being on site. The planned timescales for works are indicated in the table below:

	2018				2019				2020				2021		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Enhanced security through controlled access and CCTV works to all blocks (Leeds Building Services)															
District Heating Scheme first stage – pipework to be laid to the ground of blocks.															
District Heating Scheme second stage – works on the lateral and vertical risers of blocks															
Work on the blocks - balconies, painting etc. (Contractor)															
District Heating Scheme third stage – works works within flats for changeover of supply & sprinklers															
Work on the blocks - balconies, painting etc. (Contractor)												end date TBC			
Work on the surrounding areas - park play improvement (Parks & Countryside)		dates TBC													
Work on the surrounding areas - access, recreation etc. (Parks & Countryside)													dates TBC		

- 3.6.** A concept design for the balconies and technical surveys have been undertaken, using NPS Group (the Council's joint venture partners), and will be provided to the bidders along with specifications for the works. The concept design is also been used in discussions with Planning services.
- 3.7.** The procured contractor will be responsible for the final design and build, including securing full planning permission.
- 3.8.** In discussion with procurement officers the following procurement options have been considered in line with Contract Procedure Rule 3.1:
- 1) Do nothing. Discounted. There would be no procurement activity and therefore no contractor to deliver the programme.
 - 2) Internal Service Provider (ISP). Discounted. In line with Contract Procedure Rules, Leeds Building Services as the internal service provider have been consulted and were offered the works and declined the opportunity. This was linked to the more specialist nature of the requirements including design activity.
 - 3) Use an existing External Framework. Recommended. These works could be procured through an external framework, where the suppliers have already been through a competitive process in order to be awarded on the framework. Four frameworks were reviewed in relation to best fit for the requirements and nature of the works. YORBuild 2 was initially identified as the Preferred Option, specifically Lot 4 (for works between £4m and £10m in size), followed by Efficiency North (Lot 50).
 - 4) Use of Constructionline. Discounted as an option given the anticipated contract value being expected to be above EU threshold limits.
 - 5) Procure an LCC contract via a restricted or open procedure. Discounted. As existing external frameworks are considered to be appropriate to deliver these works, they should be considered first, in line with Contract Procedure Rules. A new OJEU compliant procurement would involve additional time and resource costs. If none of the external frameworks were viable then this option would be reconsidered.
- 3.9.** An expression of interest was sent to all of the contractors on Lot 4 of the YORBuild 2 framework but unfortunately there was insufficient interest from this lot to consider it a viable option.
- 3.10.** Following on from this an expression of interest was issued to all contractors registered on the Efficiency North framework, Lot 50. Six companies have expressed an interest in progressing this further, and encouraging level of interest.
- 3.11.** The evaluation of the tenders will be on a price / quality ratio of 70% price and 30% quality. The questions and weightings that make up the quality tender

evaluation criteria are being prepared and approval will be sought in line with CPR 15.1 to invite tenders on this basis.

- 3.12. The form of contract will be JCT 2011 Intermediate Building Contract with Contractors Design (ICD). This is a lump sum contract for construction works. Under the Efficiency North framework we are restricted to using this form of JCT contract for this work.
- 3.13. Work continues now to prepare and finalise the tender documentation, with the aim of issuing this in June.
- 3.14. Following evaluation and further leaseholder consultation, the decision on contract award should be taken by December 2018. This will enable the contractor to then take forward mobilisation activity including securing full planning permission prior to the main contract then being awarded and works starting on site from June 2019.

4. Corporate considerations

4.1. Consultation and engagement

- 4.1.1. Local resident consultation activity has included an onsite drop in event all day and early evening during the October 2017 half term, promoted by flyers hand delivered to every flat in the blocks, and working closely with the Tenant and Resident Association. Over 30 residents attended to hear more and to share their views on potential plans and what they felt needed to be done in the blocks and surrounding area. These views have shaped the scope and design of the scheme being taken forward and some of the separate but co-ordinated works.
- 4.1.2. In addition, further local consultation is planned on the preferred design, including a mock-up of the balcony design to inform the specification. We are also consulting with Planning services about the design.
- 4.1.3. Between October 2017 and April 2018 Burmantofts and Richmond Hill ward members have been engaged and consulted on the project and this scheme. Following the local elections the elected members for this ward have not changed.
- 4.1.4. Leaseholders have also been notified of the Council's intention to procure a new contract for this work under the Leasehold Consultation Requirements (England) Regulations 2003. A legal notice has been sent to the 5 leaseholders. No comments or observations have been received to date.
- 4.1.5. There has been detailed internal consultation in developing the scheme, including with Housing Management who are part of the project team. Finance and legal colleagues have also been consulted.

4.2. Equality and diversity / cohesion and integration

- 4.2.1. An Equality, Diversity, Cohesion and Integration screening and impact assessment have been completed. The impact assessment is attached at appendix 1. Please note that the assessment covers both the planned works on the blocks to be procured, and those on the surrounding area that will be undertaken by Parks and Countryside.
- 4.2.2. This project will have an overall positive impact on equality, diversity and cohesion. All resident's balconies will be enclosed, responding to feedback from consultation. Identified actions are being taken forward as the project progresses. Identified leaseholder financial impacts are noted separately in this report.

4.3. Council policies and the Best Council Plan

- 4.3.1. It is paramount that procurement within Leeds City Council is undertaken with a view to ensure openness, transparency and fairness and procured in line with Leeds City Council's Contract Procedure Rules and the Public Contracts Regulations 2015.
- 4.3.2. The scheme will contribute to the following council plan ambitions:

Objectives:

- Supporting communities and tackling poverty.
- Building a child friendly city.

Outcomes:

- Live in good quality, affordable homes within clean and well cared for places.
- Be safe and feel safe.

Priorities (direct impact):

- Transport & Infrastructure. Connecting people and places, improving air quality, meeting housing needs.
- Child friendly city. Keeping children safe, supporting families, raising aspirations and educational attainment.

Breakthrough project:

- Housing growth and high standards in all sectors

4.4. Resources and value for money

- 4.4.1. The procurement will be carried out in an open and transparent manner as required by the Public Contract Regulations 2015 whilst ensuring competition is sought to identify best value.
- 4.4.2. The Council should receive competitive tender submissions from contractors on the Efficiency North framework because of the competitive nature of the procurement process. Bidders will be completing an activity schedule, providing an overall price which will be used for evaluation purposes and for subsequent contract management.

- 4.4.3. The tender evaluation team will consist of three members of the capital programme team to evaluate the quality of the submissions. Quality will form 30% of the evaluation criteria. A housing Quantity Surveyor will evaluate the value of submissions, price equates to 70% of the marks.
- 4.4.4. Project and procurement officers in the Projects, Procurement and Contract Management Team in Property & Contracts have been involved in the development of the project to date, and the consideration and planning of the procurement, and will continue to provide support including oversight of the tender and evaluation process.
- 4.4.5. The scheme will be contract managed by the planned works team. A contract management plan will be developed for these works as is required by Contract Procedure Rule 3.1.16.

Capital Funding and Cashflow

- 4.4.6. This scheme is part of the HRA Housing Leeds Refurbishment programme programme.
- 4.4.7. As part of the overall capital programme report to February's 7th 2018 Executive Board the total funding package for the Housing Leeds Refurbishment programme from 2018-19 to 2020-21 was presented and injected into the capital programme by full Council on 21st February 2018 in the amount of £237m.
- 4.4.8. The first substantial year of spend for this scheme (reference 32035 FG7) is identified in the programme and starts from 2019/20, when works are planned to start on site.
- 4.4.9. Annual key decisions are taken on the Housing Leeds capital refurbishment programme to approve authority to spend each year. After the outturn position in 2017/18 the table below shows the current authority to spend position.

Total Capital Programme Injected Feb Full Council 2018	TOTAL £000's	FORECAST				
		2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's	2021 on £000's
CONSTRUCTION (3)	306000.0	68000.0	78000.0	80000.0	80000.0	
TOTALS	306000.0	68000.0	78000.0	80000.0	80000.0	0.0
Current Authority to Spend at outturn 2017-18	TOTAL £000's	FORECAST				
		2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's	2021 on £000's
CONSTRUCTION (3)	154390.4	69268.0	76732.0	8390.4		
TOTALS	154390.4	69268.0	76732.0	8390.4	0.0	0.0
Total overall Funding (As per latest Capital Programme)	TOTAL £000's	FORECAST				
		2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's	2021 on £000's
HRA self financing	132906.9	60385.1	67019.7	5502.1		
HRA RTB receipts	13717.8	7217.8	6500.0	0.0		
Government Grant	354.0	30.0	324.0			
HRA RCCOs	1635.1	1635.1				
European Grant	5776.6	0.0	2888.3	2888.3		
Total Funding	154390.4	69268.0	76732.0	8390.4	0.0	0.0
Balance / Shortfall =	0.0	0.0	0.0	0.0	0.0	0.0

4.5. Legal implications, access to information, and call-in

4.5.1. The decision set out in this report is a key decision and subject to call in.

4.5.2. Leaseholders have been informed of the intention to undertake works and have received the appropriate correspondence in line with national guidelines. They have been informed of their rights to offer comments during the statutory leaseholders' consultation period. Leaseholders will also be consulted following tender evaluation.

4.5.3. A separate delegated decision report will be required for contract award, as a significant operational decision.

4.5.4. The Efficiency North framework has been procured in accordance with the Public Contracts Regulations 2015. Some amendments may be required to the terms and conditions of the framework agreement in order to deliver the risk profile and the commercial position that the Council needs. In each case, Housing Leeds will work with the Procurement and Commercial Service to balance the possible procurement challenge risk that comes with any change to terms and conditions of a framework agreement against the need to deliver the scheme in a way that is acceptable to the Council.

4.5.5. The designs are being discussed with Planning services, and their feedback will be taken into account in tender documentation. It will be the responsibility of the contractor to secure full planning permission.

4.5.6. A Privacy Impact Assessment has been undertaken in relation to sharing of personal data and information governance considerations. Council

information governance requirements will be included in the contract, and where information on residents is shared with the contractor it will be required to be managed, stored, transferred and destroyed in accordance with council guidelines.

4.6. Risk management

4.6.1. A risk register is in place for the project.

4.6.2. Very high or high risks currently identified include:

- **Project timescales are negatively impacted by changes to timings or plans of the District Heating Scheme works.** Works have been planned around the district heating programme activity and close working is being maintained between the project teams to avoid different contractors being on site at the same time, or delays affecting plans.

- **Leaseholders receive very high recharges and/or increased service charges** from the project works being undertaken in the pilot blocks or new services introduced, which they may not be able to afford. This may result in reputational risk and/or loss of income. This risk is being tolerated, whilst we are making sure we take forward the appropriate consultation and processes with the leaseholders. As previously noted there are five leaseholder, of which two are owner-occupiers. Estimated costs per leaseholder are in the region of £19k.

4.6.3. It should be noted that there is always a risk that the tendered rates received following the competitive exercise could be significantly more than the pre-tender estimate. This risk has been mitigated as far as possible by consideration and checking of estimates by housing Quantity Surveyors.

4.6.4. The choice of a design and build approach, the choice of form of contract aligned with the requirements of the Efficiency North framework, and the planned approach to only enter into the main contract with the winning contractor following their achievement of full planning permission, all support management of risk. As set out at paragraph 4.5.4 above some amends may be required to the framework terms which brings with it some risk of procurement challenge.

5. Conclusions

5.1. The scheme is to undertake improvements to four high rise blocks in the east of the city, linked to recommendations from the city's High Rise Strategy identifying certain measures to improve blocks that currently house a large number of households with children, and responding to site specific requirements and the need for certain repair and maintenance works.

5.2. It forms part of the Housing Leeds capital refurbishment programme 2018-19 to 2020-21 and, along with separate but co-ordinated works, supports making these blocks safer and better for residents, including families with children.

5.3. The procurement route chosen for this scheme will ensure that there is meaningful competition that will increase the likelihood of obtaining value for money bids from contractors.

6. Recommendations

6.1. The Director of Resources and Housing is requested to:

- i. in accordance with Contract Procedure Rule 3.1.8, approve the invitation of tenders via the Efficiency North framework for the delivery of repair and improvement works to four high rise blocks – the Appletons and Saville Green.
- ii. Note that the evaluation of the tenders will be on a price / quality ratio of 70% price and 30% quality. The questions and weightings that make up the quality tender evaluation criteria are being prepared and approval will be sought in line with CPR 15.1 to invite tenders on this basis.

7. Background documents

7.1. Appendix 1 Equality, diversity, cohesion and integration impact assessment.