

Report of Housing Growth Team

Report to Director of Resources & Housing

Date: 18th April 2018

Subject: Procurement of a Design and Build Contract via the YORbuild2 framework to deliver new build Council Housing at Meynell Approach (Holbeck)

Are specific electoral Wards affected? If relevant, name(s) of Ward(s): Beeston & Holbeck	<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: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. This report seeks approval for the recommended procurement route to provide new build council housing in the Meynell Approach (Holbeck) area of the city. The site forms part of the Council Housing Growth Programme (CHGP) and will be procured through the YORBuild2 framework using a two stage tender process.
2. The contractor will be procured to design and build the housing through the YORbuild2 framework.
3. This project will pilot the delivery of housing through modern methods of construction, specifically offsite manufacture. As this is a pilot scheme, accurate costs to use as a benchmark are unavailable and consequently, a budget envelope has not been established for this scheme. On receipt of tenders from the market, the project team will carry out a value for money assessment to determine whether it is appropriate and in the interest of the public purse to progress the project in this way. This assessment will include benchmarking costs against similar schemes that have been delivered using traditional construction methods.

Recommendations

1. It is recommended that the Director of Resources and Housing:
 - a. Approves the decision to procure a contractor to design and build new build council housing on the Meynell Approach site through a two stage procurement process using the YORbuild2 framework.

1. Purpose of the report

- 1.1. This report seeks approval for the procurement of a design and build contractor to deliver new build council housing on the Meynell Approach site. A two stage procurement process will be undertaken using the YORbuild2 framework.
- 1.2. In line with the Contract Procedure Rules (CPR) 3.1.8, a decision to undertake procurement should be undertaken at the point the procurement route is chosen. The approval of the Director of Resources and Housing is required to enable procurement to progress in line with the proposals set out within this report.

2. Background Information

- 2.1. The construction industry is exploring new and alternative design solutions to enable housing to be built quicker and in more challenging environments, utilising off site manufacture. In order to test these innovative approaches the Programme Board is seeking to pilot off site manufacture, such as panelised or modular solutions, to deliver this project. Bidders will be asked to demonstrate how their design proposals fulfil this requirement as part of the quality evaluation. As Bidders are able to submit various design solutions, a feasibility estimate has not been identified, due to the lack of benchmarked data available for the various construction methods that may be proposed. On receipt of the stage 1 tenders the project team will make a value for money assessment to determine whether this modern methods of construction approach represents best value for the Council. The prices received will be evaluated and benchmarked against similar projects that have been delivered. The funding streams that will be utilised to deliver this project have been identified and are City Centre Commuted Sums and Right to Buy receipts. Any additional monies required will be taken from the Council House Growth Programme capital programme.
- 2.2. The Meynell Approach project is the eighth new build site to be developed under the Council House Growth Programme (CHGP). Three schemes (Railway Close, The Plantation and Wharfedale View) have been completed, and three schemes, (Broadleas, The Garnets and Whinmoor) are currently on site. The Beeches and Nevilles project is in procurement and is being delivered via the YORBuild2 framework.
- 2.3. An initial capacity study has been done by colleagues in planning to identify the potential number and mix of units on the site, this mix has been agreed by housing management. The capacity study indicates that a minimum of 28 units can be delivered on the site, as set out below:

Property Type	Minimum Number of units	Notes
1 bed apartment	14	M4(2) Accessible and Adaptable Dwelling - General Needs
2 bed house	10	M4(2) Accessible and Adaptable Dwelling - General Needs
3 bed house	4	M4(2) Accessible and Adaptable Dwelling - General Needs
Total	28	

- 2.4. As agreed with colleagues in housing management, the successful contractor is required to deliver a minimum of 28 units, but will be permitted to deliver more if possible. The number of apartments cannot comprise of more than 50% of the total unit number. Each property will have parking and each house will have a private garden, there will also be a communal garden for the apartments. For the purpose of the tender evaluation bidders will be asked to price for 28 units, to ensure that a fair process is carried out.
- 2.5. Excellence and innovation are central to the council house growth programme. New council homes will be delivered to the Leeds Standard, which requires high quality homes to be designed to meet current and future demand and support the wellbeing of tenants through good use of space and energy efficient designs which reduce running costs for tenants.
- 2.6. The Housing Growth New build output specification, which incorporates the Leeds Standard, will be used. This has been developed to reflect lessons learned from earlier schemes and has been updated to reflect changes to design standards. The specification has also been tailored to accommodate modern methods of construction. This specification will form part of the tender package and sets out the standards and quality requirements to be met by the successful contractor. The specification includes a requirement for the successful contractor to deliver grounds maintenance services for the communal grounds during the 12 month defects liability period. This is to avoid any disputes with the contractor which could arise by another party maintaining their landscaping works.
- 2.7. NPS Leeds have been commissioned to provide technical advisory and quantity surveyor services throughout the procurement and contract management services during the construction period. NPS have supported in developing the output specification and tender documentation.

3. Main Issues

3.1. Housing Growth Procurement Strategy

- 3.1.1. As mentioned at 2.1 the Programme Board are supporting the use of Modern Methods of Construction (MMC), with a focus on offsite manufacture, to deliver this development. Bidders will be required to deliver all properties using off site manufacture, however, the project team will consider different forms of offsite manufacture for the different property types required to be built on the site.
- 3.1.2. The YORbuild2 framework provides a procurement route for public sector bodies within the Yorkshire and Humber region. YORbuild2 is the Council's approved framework for the new build construction work. The framework has two specific new build housing lots which contain contractors who have been assessed on their ability and experience to deliver new build housing schemes and who have committed to adding value by delivering employment and skills outputs. Opportunities should be made available to regional contractors and supply chains.

- 3.1.3. Initial feasibility work has been undertaken, but no design work has taken place which will enable the contractor and their design team to be engaged early in the design process.
- 3.1.4. A market sounding exercise was undertaken in November 2017 with contractors from Lot 7 of the framework (10+ units New Build Housing) to gauge interest in the scheme and obtain feedback on the project. Nine of the ten contractors on the lot expressed an interest in tendering for the project. When the further market testing exercise was carried out in January, 4 contractors engaged in the exercise. The interested contractors have a range of experience in delivering housing through MMC, some have their own internal MMC providers, others have worked closely with specialist MMC contractors and others have more limited experience. The market sounding sessions indicated that bidders would be proposing either a modular or panelised system, with the majority of bidders suggesting that a modular solution was most likely to be proposed in the stage 1 procurement exercise.
- 3.1.5. As part of this further market sounding exercise, contractors were asked to review the output specification to determine whether this could be achieved using their offsite manufacture proposals. The contractors confirmed that the output specification was achievable using an offsite manufacture solution. Some minor tweaks were made in relation to the warranties and accreditation that could be offered in relation to the construction solution and the external wall finishes available, such as render, cladding, brick skin and brick slips. Bidders were asked to comment on the potential programme savings as part of the market testing exercise and it was suggested that a number of months could be saved during the construction period due to the majority of the works being delivered in a factory setting. The current programme suggests that there will be a ten month works period however bidders will be evaluated on their ability to meet and beat the construction programme as part of the stage 1 tender exercise.

3.2. Procurement Process

- 3.2.1. The project will be delivered using a two stage tender process.
- 3.2.2. In Stage 1, bidders will be required to submit a cost per unit, inclusive of external works within the curtilage of the dwelling. These costs will be fixed following the evaluation of the stage 1 tender and the preferred contractor will not be able to exceed these costs in the second stage of the tender process (unless the Council changes the scope or surveys carried out at stage 2 reveal site conditions that haven't been priced for). Any changes to the above ground costs will be governed by the relevant clauses in the DSA which follows the compensation event drafting in the NEC4 form of contract which will be used for the project.
- 3.2.3. Bidders will also be required to submit indicative costs for landscaping, highways infrastructure and foundations (based on given assumptions). These costs are indicative figures and are likely to change during the second stage

of the tender process as the ground conditions and design proposals will be interrogated further.

- 3.2.4. The quality element of the tender evaluation will include tenderers' designs. Bidders will be required to submit indicative floor plans, elevation drawings, a site layout plan and method statements for their quality submission.
- 3.2.5. Tenders will be evaluated against price and quality criteria (including their designs as set out in 3.2.3 above). A ratio of 60% quality and 40% price is proposed.
- 3.2.6. The quality evaluation criteria is based on the YORbuild2 standard format, questions have been customised and minimum thresholds will apply to key questions. The Council will reserve the right to disqualify any bid that cannot meet any minimum quality threshold
- 3.2.7. Tenants will be given an opportunity to comment on sections of the bids through the Tenant Procurement Group. This group has been established for Housing Property & Contracts tenders and the membership is being extended to include tenants from the Holbeck area. In accordance with CPR 15.1, the evaluation criteria requires approval from the Director of Resources & Housing and will be shared when appropriate.
- 3.2.8. The tender evaluation will be carried out in accordance with the published criteria, and the scores awarded will determine the results of this process. The tenderer which achieves the highest overall score will be appointed to continue to work through stage two. This contractor will then be awarded a Design Services Agreement (DSA). The DSA will set the terms for the Stage 2 tender period until the contractor is ready to start on site and the construction contract is entered into.
- 3.2.9. Once the DSA is signed, the successful contractor will be able to invoice for design work carried out up to a maximum capped sum. The Council will not pay for design work undertaken by unsuccessful bidders.
- 3.2.10. Accurate below ground costs will be worked up during the second stage of the tender process.
- 3.2.11. In Stage 2, the contractor will develop the design and submit the planning application. The contractor will be responsible for consulting ward members and other stakeholders on their proposal. Once planning approval has been granted and the detailed design has been developed, an NEC4 (Option A) construction contract will be awarded.
- 3.2.12. The Council will use a gateway approach to manage the design development period, with approvals taking place at key milestones. These key stages include planning submission and the award of the construction contract and will provide LCC with assurance that the contractor has met its requirements before moving to the next stage. The DSA will allow the Council to withhold

payment of fees and/or terminate the DSA if the contractor's performance during this period is not satisfactory.

3.2.13. The indicative timescales for the procurement are below, improvements in the delivery timescales will be achieved where possible. The construction period will vary dependent upon the MMC proposed by the contractor.

- Invitation to tender issue- April 2018
- Tender submission date- June 2018
- Contractor appointed- August 2018
- Start on site- May 2019
- Scheme completion- May 2020

3.3. Scheme Costs

3.3.1. An initial feasibility cost estimate has not been developed for this scheme however as outlined at 3.2.2, above ground unit costs will be confirmed following the evaluation of the stage 1 tenders.

3.3.2. As a budget envelope has not been identified at this point it is proposed that the project team seek budget approval following the evaluation of the stage 1 tenders as the above ground unit costs will be identified by this date. The project team will also have an estimate of the costs associated with the site based on information included in bidder submissions and as a significant level of information has been collated through site surveys and will be interrogated and costed by the project team during the stage1 tender period.

3.3.3. As detailed at 2.1, this project is likely to be funded through city centre commuted sums funding, supported by Right to Buy Receipts. Any additional funding will be sourced from the Council House Growth Programme capital funding monies.

3.3.4. Design fees will be paid to the successful contractor under the DSA on receipt of a validated planning submission and the contractor's performance will be managed by the gateway process mentioned above. The fees will be fixed as per the fees submitted by the bidder in their stage 1 tender submission.

4. Corporate Considerations

4.1. Consultation and Engagement

4.1.1. A communication strategy for the Council Housing Growth Programme has been developed which outlines the process for consulting and engaging with key stakeholders in relation to individual schemes and which will be applied to all the new build schemes delivered under the programme. People in neighbouring properties will be consulted appropriately as will other local residents/stakeholders through the life of the project.

4.1.2. To support the delivery of this scheme, the Housing Growth Team will engage with local members at the following points in the scheme development/ procurement process:

- Design Brief- Briefing on the design brief for the site and any constraints
 - Design Development- Site specific briefings will be arranged with the contractor's architect upon appointment of the successful bidder and prior to planning submission
 - Contract Award- Briefings will be held to inform local members about the decision
 - Construction phase- Local members will be informed of the start on site date and briefed on progress regularly throughout the construction phase.
- 4.1.3. Pre-planning meetings will be held with officers from Planning, Highways and building control prior to the submission of the planning application.
- 4.1.4. A local consultation event will be arranged prior to submission of the planning applications.
- 4.1.5. See item 3.2.6 above which sets out how tenants will be engaged in the procurement process. Opportunities for involving tenants and local tenant groups in the design development and detailed design process are being explored.

4.2. Equality and Diversity / Cohesion and Integration

- 4.2.1. An Equality, Diversity, Cohesion and Integration screening has been undertaken for the Council House Growth Programme and has determined that the proposals have a positive impact in terms of Equality and Diversity and that a full assessment is not required.
- 4.2.2. The screening document has been updated for this scheme and sets out how the requirements of certain groups have been considered in the specification. The updated screening document is attached.

4.3. Council Policies and City Priorities

- 4.3.1. The development of new council housing will address priorities within the City Priority Plan to provide additional affordable housing and to support housing growth.

4.4. Resources and Value for Money

- 4.4.1. As detailed at 2.1, funding streams have been identified for this project however a specific budget amount has not been agreed at this point, due to the lack of accurate benchmarking information for this form of construction.
- 4.4.2. The programme and budget is managed through the Housing Growth Team in conjunction with Corporate Resources and Housing Finance Teams.

4.5. Revenue Effects

4.5.1. There are no revenue implications associated with this report.

4.6. Legal Implications, Access to Information and Call In

4.6.1. The legal and contractual obligations of the Council and bidders will be managed through the YORbuild2 framework and a DSA that will be drafted by colleagues in Procurement and Commercial Services. The legal and contractual implications of this project are set out throughout this report particularly in section 4.7 (risk management) below.

4.7. Risk Management

4.7.1. A risk log for the programme is managed by the Council Housing Growth Programme Board.

4.7.2. Risks specific to this procurement route / scheme are as follows:

4.7.2.1. The risk allocation to the contractor is managed under the terms of the NEC4 Engineering Construction (ECC) Contract Option A. Under this contract, the contractor may be entitled to compensation events, in the form of more time or more money, under certain circumstances. There is a risk of compensation events in relation to site conditions. As per the NEC contract structure, if unfavourable ground conditions are discovered during construction that a survey could not have been expected to uncover or if there is an error in the survey data that the Council has commissioned that a reasonably experienced contractor would not have spotted, the Council will be responsible for the cost and any loss of time as a result of this. The Council has minimised this risk by undertaking a comprehensive set of site surveys which will be issued to contractors as part of the stage 1 tender. This will enable Bidder's to consider their design appropriately however Bidder's will not be asked to price this information at stage 1.

4.7.2.2. The key risks which the contractor will be required to explore, own and where appropriate resolve are in relation to the underground services that are or may potentially be on the site. Initial site investigations have been undertaken and their results interpreted by colleagues within LCC however there is an element of risk remaining which the contractor will be required to be responsible for.

4.7.2.3. The YORbuild2 framework does not specifically allow for the assessment of design during the tender process. The project team are proposing to test this aspect under "added value" as this is the bidders' opportunity to demonstrate how they will use market experience and innovation to deliver the scheme. This has been done on a number of YORbuild procurements without any issues being raised but there remains a risk that this is interpreted differently by others so there remains a small risk of challenge.

4.7.2.4. There is a level of uncertainty regarding the use of MMC for this scheme. This is predominantly due to the lack of experience of colleagues in LCC using these methods of construction to deliver housing projects. There are

also some limitations in the market to deliver projects of this nature and as such careful consideration will be required of the technical roles at each stage of the project and the management of subcontractors and advisers. These points will be captured as part of the quality evaluation.

5. Conclusions

- 5.1. The project team is seeking approval from the Director of Resources and Housing to deliver new dwellings at the Meynell Approach site using a two stage tender process. This two stage tender process will be delivered through the YORbuild framework. The use of this framework is compliant with Contract Procedure Rules and is in line with other projects within the Council House New Build Programme. This project is to pilot the use of Modern Methods of Construction, and in particular, off site manufacture, to deliver the units on the site.

6. Recommendations

- 6.1. The Director of Resources & Housing is recommended to:
 - a) Approve the decision to procure a contractor to design and build new build council housing on Meynell Approach site through a two stage procurement process using the YORbuild2 framework.

7. Background Documents

- 7.1. None

8. Appendices

- 8.1. Equality, Diversity, Cohesion and Integration Screening