



Report of: Housing Growth Team

Report to: Director of Resources and Housing

Date: 26 April 2018

Subject: Council Housing Growth Programme: Appointment of a Stage 1 DSA (Design Services Agreement) Contractor as part of a two stage procurement 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 1, 2 and 3 to this report has been marked as exempt under Access to Information Procedure Rules 10.4 (3) on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) which, if disclosed to the public, would, or would be likely to prejudice the commercial interests of that person or of the Council. The information is exempt if and for so long as in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. In this case the report author considers that it is in the public interest to maintain the exemption.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Summary of main issues

1. The Meynell Approach project is being delivered as part of the Council Housing Growth Programme. This scheme is piloting modern methods of construction, focusing on offsite manufacture.
2. The schemes are being procured using a two stage competitive process via the YORbuild2 framework. The first stage of the process has been undertaken by the Housing Growth Team on behalf of Resources and Housing. Tenders have been evaluated against price and quality criteria (including bidders' designs). This has resulted in the selection of United Living (North) Limited as the proposed Stage 1 Design Services Agreement (DSA) Contractor. The DSA Contractor will work with the Housing Growth Team, during the Stage 2 of the tender process to develop the designs, submit a planning application and following planning approval will be awarded the building contracts.

3. On 30th April 2018, tender documentation was issued to all contractors on Lot 7 (10+ units New Build Housing) of the YORbuild2 Framework. Three tender submissions were received.
4. Upon review of the tenders, the evaluation panel identified issues which would prevent two of the bidders being appointed, and consequently it was agreed that this two tenders would be disqualified from the process.

Recommendations

It is recommended that the Director of Resources and Housing approves the decision to enter into the written Stage 1 Design Services Agreement (DSA) to the sum of £79,594 with United Living (North) Limited and the continuation of the two stage tender process to further develop the scheme.

1 Purpose of this report

- 1.1 The purpose of this report is to seek approval to appoint a DSA Contractor and for them to proceed to Stage 2 of the procurement process to develop the design and submit a planning applications for the scheme. A separate building contract will be awarded subject to approval via further DDN.

2 Background information

- 2.1 The Council House Growth programme has total funding available of £109.3m. Since the initial injection into the capital programme in 2013/14 the CHGP has gained authority to spend of £69.5m through various Executive Board reports and delegated decisions by the Director of Resources and Housing. The current authority to spend on the new build and acquisition element of the programme is £48.2m. The Meynell Approach site form part of a number of sites being developed under the Council Housing Growth Programme which was approved at Executive Board on 9th January and 17th July 2013. The Meynell Approach project is the seventh new build site to be developed under the Council Housing Growth Programme. Three schemes (Railway Close, The Plantation and Wharfedale View) have been completed, two schemes (Broadleas, The Garnets) are almost complete and are being handed over in phases and one scheme (Whinmoor) is currently on site. The YORbuild1 framework was used for all these procurements and has now been superseded by the YORbuild2 framework. The Beeches and Nevilles scheme is also in procurement and has recently submitted planning applications for these sites.
- 2.2 This scheme is piloting modern methods of construction (MMC) with a focus on offsite manufacture. As a result of this, the tender documentation has been amended to ensure that bidder's proposals are in line with this key driver.
- 2.3 This scheme will deliver 28 units, consisting of both apartments and family dwellings. All properties will be built to M4(2) standards with additional retained elements from lifetime homes. All houses will have private parking and gardens, there will also be a parking provision for each apartment. In addition to this, there will be visitor parking across the site at a rate in accordance with the Street Design Guide.
- 2.4 The property mix for this scheme is detailed below

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

- 2.5 NPS Leeds were commissioned to provide technical advice and cost development services throughout the procurement and contract management services during the construction period. NPS have supported in developing the output specification and tender documentation.

- 2.6 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.
- 2.7 An expression of interest was issued through the Yorbuild2 framework 17th November 2017 and 8 of the ten contractors expressed an interest in tendering. A further market testing exercise was carried out in November 2017 as the scheme is piloting MMC and offsite manufacture. The purpose of this was to test various elements of the tender documentation was with regard to the specification, activity schedule and commercial clauses. Where appropriate the tender documentation was amended and updated.
- 2.8 As four bidders participated in the further market testing exercise, and as this is a pilot project for Leeds, it was determined that it was not appropriate to shortlist the tenderer list further.
- 2.9 Approval under CPR 3.1.8 to procure a framework contractor using a two stage competitive process via the YORbuild2 framework for the two sites was given by the Director of Resources and Housing via DDN on 18 April 2018.
- 2.10 The Director of Resources and Housing approved the evaluation methodology and criteria on 27 April 2018, prior to the procurement commencing, in line with CPR 15.1.
- 2.11 The Invitation to Tender for the Stage 1 procurement was issued to bidders on 30th April 2018.
- 2.12 During tender stage 1, bidders were asked to submit a tender containing a price and quality submission which were evaluated using a 60% quality, 40% quality price. All information relating to this process and the weightings applied to the scoring were detailed in full within the published tender documentation.
- 2.13 Bidders were asked to submit a price for the above ground unit costs for each property type, supported by indicative costs for a number of external works items such as fencing, landscaping etc. The above ground unit costs are fixed and cannot be increased at stage two (unless a change is issued by the Client). This pricing model was implemented to reduce the level of risk pricing in the scheme and to enable the project team to benchmark costs associated with a Modern Methods of Construction development. Now that a preferred design has been identified, the project team have reviewed the site information, and have developed costs associated with the below ground works.
- 2.14 Quality submissions included responses to the questions set out in the Instructions for Tendering including a high level design for the scheme.
- 2.15 An output specification was developed by the project team and provided as part of the tender documents. This sets out the quality requirements to be met by the DSA Contractor reflecting the Leeds Standard to which all new council housing will be built.

- 2.16 Subject to a successful stage 2 of the procurement process, the DSA Contractor will be awarded a building contract, under NEC Option A, for the scheme, subject to approval via DDN.

3 Main issues

Stage 1 Procurement Process

- 3.1 Following the issue of the tender documents, three tender clarification sessions were held for bidders to ask questions about the scheme on a one to one basis. This gave bidders the opportunity to ask questions about the output specification and to discuss the development of their designs with the Planning and Highways Departments. Non-commercially sensitive questions and answers were circulated to all bidders following the sessions to ensure that the Council was operating in an open and transparent way. Where queries were considered as commercially sensitive individual responses were circulated following each session.
- 3.2 Three Stage 1 tender submissions were received on 29th June 2018 and were assessed in line with the evaluation methodology published in the Instructions to Tender.
- 3.3 The core quality evaluation panel comprised of technical and project officers from Resources & Housing and City Development. This core panel was joined and supported by guest scorers and consultees for specific scoring criteria where appropriate. A separate Design Evaluation Panel comprised of Planning and Highways officers reviewed bidders' designs only. Consultees, guest scorers and design panel members included officers from Housing Management, Property & Contracts, Street Cleansing, Parks & Countryside, Employment & Skills, Highways and Planning. Local tenants were also consulted on elements of the tenders through the Tenant Procurement Group.
- 3.4 The Core Panel and Design Evaluation Panel assessed the bidders' quality submissions individually before coming together with procurement support to arrive at a consensus score and consider the consultees' feedback.
- 3.5 Upon review of the tenders, the evaluation panel identified issues which would prevent two of the bidders being appointed. The issues and the recommended actions are set out as confidential appendix 3 to this report. No evaluation scores were recorded for these bidders as the tenders were disqualified.
- 3.6 The price evaluation was undertaken by the Quantity Surveyor (QS) from NPS Leeds Ltd with support from the project team. There was some clarification required resulting in adjustment in the tender price following confirmation of the bidders' acceptance of the corrected figure.
- 3.7 The evaluation matrix is included confidential Appendix 1 detailing the scores of the submissions.
- 3.8 The Core Panel and Design Evaluation Panel assessed the remaining bidder's quality re-submission individually before coming together with procurement

support to arrive at a consensus score. The scoring criteria for quality and weightings are set out below.

- 3.9 The evaluation panel are satisfied that a competitive procurement has been undertaken despite there being only one of the three bidders remaining at the end of the process. The remaining bidder's designs and quality submission meets the Council's requirements and NPS have undertaken an assessment of the pricing submission.

Quality Scoring Criteria

- 3.10 The standard YORbuild2 framework headers for the quality criteria were used. These are listed in the table below. Minimum thresholds applied to all of the quality questions (if a bidder scored 4 or less out of 10, the Council reserves the right to disqualify the bid).

Question No.	Heading and Questions	Marks (out of 1.0)
1	The Supplier's proposed team	0.1
2	The Supplier's resources and supply chain	0.34
3	The notified completion date	0.04
4	The notified estimate for the Works	n/a
5	Potential to deliver added value	0.43
6	The Supplier's initial assessment of contract risks and proposals to mitigate these.	0.05
7	Employment and Skills	0.04
Total		1.0

The total weighted scores are then multiplied by the weighting of 0.6.

- 3.11 Following completion of the evaluation, a summary of the evaluation scores is below. ENGIE and George Houlton submissions were rejected, see section 3.11 above.

Rank	Organisation	Quality score 0.6 / 60%	Price Score 0.4 / 40%	Total Score
1.	United Living (North) Limited	0.6 / 60%	0.4 / 40%	1.0 / 100%
2.	Engie Regeneration Limited	N/A Rejected	N/A Rejected	N/A Rejected
3.	George Houlton	N/A Rejected	N/A Rejected	N/A Rejected

- 3.12 The total tender figure submitted by the successful tenderer, United Living (North) Limited, is £4,112,109.14 and NPS have confirmed that the tender price is arithmetically correct.
- 3.13 The unsuccessful bidders will be informed of the outcome in accordance with the standstill procedures, subject to approval of the recommendation in this report.
- 3.14 The overall evaluation/due diligence process has not identified any significant risks in terms of awarding the contract to the successful bidder. They have the capacity, resource and experience within this operational field of work deemed necessary to deliver the service requirement.
- 3.15 Prior to contract award, a financial check will be carried out to ensure the preferred organisation is not a risk to the authority. Results of this process will be kept on file.

Stage 2 Procurement Process

- 3.16 Subject to the approval to appoint United Living (North) Limited as the Council's DSA Contractor, a Design Services Agreement (DSA) will be awarded to them. The DSA will set the terms for the design and price development period until the work starts on site. The price will be developed to accommodate costs associated with works below ground and as finalised landscaping and highways proposals are agreed. The price associated with the above ground unit cost will not be permitted to increase during this stage, but the Council may permit a limited number of compensation events (which may lead to an increase in price) based on the NEC standard contract should there be any amendments required to the design.
- 3.17 This stage of the procurement process will involve working in partnership with United Living (North) Limited to develop and revise the stage one designs as necessary in order to submit the planning application. The LCC Project Team and the contractor will be responsible for consulting with ward members and other stakeholders on their proposals. Once planning approval has been granted and the detailed design has been developed, an NEC4 Engineering and Construction contract (Option A) will be awarded and the contractor will construct them (subject to approval via a further DDN at award of contract).
- 3.18 The Council will use a gateway approach to managing this stage of the procurement process, with approvals taking place at key milestones. These key stages include the submission of planning applications and the award of the construction contracts and will provide LCC with assurance that the contractor has met its requirements before moving to the next stage. The DSA allows the Council to withhold payment of fees and/or terminate the DSA if the contractor's performance during this period is not satisfactory.
- 3.19 In the event that final agreement cannot be reached with United Living (North) Limited on their design proposals, the Council has the option of terminating the agreement and going back out to the market.

3.20 The indicative timescales for construction are as follows, however it is likely that the scheme completion date will be brought forward and these dates will be firmed up during the second stage of procurement:

- Contract Start – May 2019
- Scheme Completion – March 2020

3.21 As with previous schemes within the Council Housing Growth Programme, NPS will be providing post contract services which include cost control and contract management for these schemes, NPS will also provide a Technical Advisor role during the Stage 2 procurement process. A Leeds City Council Construction Monitor will support the onsite management of the scheme in the construction phase.

3.22 A Contract Management Plan will be produced by the Housing Growth Team to manage the delivery of each of the two schemes.

4 Corporate Considerations

4.1. Consultation and Engagement

4.1.1. A communication plan has been developed for the project which outlines the process for consulting and engaging with key stakeholders. People in neighbouring properties will be consulted appropriately as will other local residents/stakeholders through the life of the project. Opportunities for involving tenants and local tenant groups in the design development and detailed design process are being explored.

4.1.2. A tenant procurement group has been set up and following tender submissions a group of tenants were engaged as consultees to the evaluation panel on specific elements of the tender. The membership of the group included representatives from the project area. Their comments were considered by the evaluation panel and integrated into the scores and accompanying commentary where appropriate.

4.1.3. Regular updates on progress across the whole programme are presented at Council Housing Growth Programme Board.

4.1.4. 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 Development – Site specific briefings will be arranged with the contractor's architect when the DSA is signed 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.

4.1.5. Pre-planning meetings will be held with officers from Planning, Highways and building control prior to the submission of the planning application.

4.1.6. A local consultation event will be arranged prior to submission of the planning applications.

4.2. Equality and Diversity / Cohesion and Integration

4.2.1. An Equality, Diversity, Cohesion and Integration screening was undertaken for the Council House Growth Programme and 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 as Appendix 4.

4.3. Council Policies and Best Council Plan

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, and in contributing to the delivery of one of the Council's Breakthrough Projects, 'Housing Growth and Jobs'.

4.3.2. The construction of new homes will help to create training and employment opportunities within the local community. Social value requirements are included as part of the YORbuild2 requirements. In their response to Quality Question 7.1, bidders confirmed that they could meet the YORbuild2 employment and skills requirements for a scheme of this size and provided a methodology for meeting the requirements. The requirements include the following:

- 2 new apprentices
- Use of existing apprentices for 48 weeks.

These requirements were drafted by a specialist company engaged by YORhub (who administer the YORbuild2 framework) who assess the value and duration of the scheme to identify what can be achieved. In their response to Question 2.2b, bidders explained how they will offer opportunities to the local supply chain. United Living's response to both of these questions will become part of the contract.

4.4. Resources and value for money

4.4.1. The tender that is recommended for acceptance is £4,112,109.14. This is inclusive of the above ground unit costs. Below ground costs are to be developed during the second stage of the procurement. The total scheme cost will be included in the further DDN which will be submitted for approval prior to the award of the construction contract.

4.4.2. The programme and budget is managed through the Housing Growth Team in conjunction with Corporate Resources and Housing Finance Teams.

4.4.3. The Council House Growth programme has total funding available of £109.3m. Since the initial injection into the capital programme in 2013/14 the CHGP has gained authority to spend of £69.5m through various Executive Board reports and delegated decisions by the Director of Resources and Housing. The current

authority to spend on the new build and acquisition element of the programme is £48.2m.

- 4.4.4. NPS on behalf of the Council will review the appointed contractor's design proposals as they develop and validate their costs. An NEC4 Engineering and Construction contract (Option A) for the scheme will only be entered into once the designs have been agreed with the Council.
- 4.4.5. NPS will be commissioned to provide post contract services which will include cost control and contract management during the build programme.

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. This report is a subsequent decision of a previous Key Decision and is therefore a Significant Operational Decision which is not subject to call in.
- 4.6.2. The legal and contractual obligations of the Council and bidders will be managed through the YORbuild2 framework and a DSA produced by the 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.
- 4.6.3. A 10 calendar day standstill period will be carried out in accordance with the procurement regulations to allow the unsuccessful bidder to view the outcome of the procurement exercise in an open and transparent manner.

4.7. Risk Management

- 4.7.1. In April 2017 a workshop was facilitated to identify any risks specifically related to this procurement strategy which were added to the programme risk log. This is reviewed on a monthly basis and any high or very high risks are reported to the Council Housing Growth Programme Board so that the mitigating action can be reviewed. The project team will continue to monitor the identified risks and consider any new risks moving forward through the design development phase, contract award and mobilisation.
- 4.7.2. Risks specific to this procurement route / scheme are as follows:

- 4.7.2.1. 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. These works have not currently been priced by the bidders and as such there is some uncertainty with regard to the potential costs submitted by the contractor. This will be managed by the project team during the second stage of the procurement.

4.7.2.2. This method of construction has not been used by LCC to deliver housing developments previously and there are significant differences in the way in which the works are delivered on site. In order to manage this process the roles and responsibilities of on site and other technical colleagues throughout the construction phase will be agreed in conjunction with the Contractor during the second stage of the procurement.

4.7.2.3. As per 3.5 of this report, two of the bidders have been disqualified from the process due to issues with their quality submissions. There is the potential that these contractors will challenge this disqualification. The details of how this will be managed is detailed in confidential appendix 3 of this report.

5 Conclusions

- 5.1 A procurement exercise has been conducted by the Housing Growth Team and NPS Quantity Surveyor in accordance with the Regulations and the Council's Contracts Procedure Rules using the YORbuild2 framework.
- 5.2 An evaluation of the tender submissions using the published evaluation criteria has resulted in United Living (North) Limited achieving the highest overall score.
- 5.3 The project team have reviewed the tender sum of £4,112,109.14 submitted by United Living (North) Limited is arithmetically correct. The necessary checks have been undertaken and the project team are satisfied that the costs are reasonable for the RIBA Stage 2 design and for the Council's requirements.
- 5.4 A NEC4 Engineering and Construction contract (Option A) for each scheme will be entered into with United Living (North) Limited at the end of the Stage 2 process (subject to approval via a further DDN at award of contract). The building contract will be based on the final designs and costs submitted by United Living (North) Limited during Stage 2 of the tender process.

6 Recommendations

It is recommended that the Director of Resources and Housing approves the decision to enter into the written Stage 1 Design Services Agreement (DSA) to the sum of £76,594 with United Living (North) Limited and the continuation of the two stage tender process to further develop the scheme.

7 Background documents¹

None.

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

8 Appendices

Appendix 1 – Evaluation Matrix (CONFIDENTIAL)

Appendix 2 – NPS Stage 1 Tender Report (Pricing) (CONFIDENTIAL)

Appendix 3 – Tender Evaluation Report (CONFIDENTIAL)

Appendix 4 – Equality, Diversity, Cohesion and Integration Screening