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Report of Council Housing Growth Team

Report to Director of Resources & Housing

Date: March 2018

Subject: Procurement of a Design and Build Contract via the YORbuild2 framework to deliver new build accommodation at Heights Lane, Armley

Are specific electoral Wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, name(s) of Ward(s):Armley		
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?	<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 Housing Growth Team have an ambitious goal to deliver 358 new units of accommodation throughout Phase 1 of the Council Housing Growth Programme, which is part of a wider programme ambition of delivering 300 new units of accommodation per year.
2. The Council Housing Growth Team have secured Executive Approval in November 2018 for Phase one contributing to the programme wide goal of 300 new units per year. A site has been identified at Heights Lane, Armley to deliver 13 units.
3. This report is seeking approval to procure a contractor to deliver the new homes using a direct appointment selection method through the YORbuild framework. This will allow the Council Housing New Build Team to work collaboratively with Geo Houlton & Sons to deliver 13 high quality homes on the Heights Lane site, Armley.

Recommendations

1. It is recommended that the Director of Resources and Housing:

- 1.1.1. Approve the proposed procurement strategy that will enable the project team to appoint GeoGeo Houlton & Sons through the direct appointment mechanism of the YORbuild 2 (Lot 7) Framework.
- 1.1.2. Approves the decision to enter into a written Stage 1 Design Services Agreement, to the value of £117, 042 (plus additional costs for surveys) with GeoGeo Houlton & Sons following a successful direct appointment exercise through the YORbuild 2 (Lot 7) Framework to develop the Heights Lane Scheme.

1. Purpose of the report

- 1.1. This report seeks approval to appoint GeoGeo Houlton & Sons to deliver new build Council Housing on a design and build basis at Heights Lane, Armley through the Direct Appointment mechanism on the YORbuild 2 framework.
- 1.2. In line with the Contract Procedure Rules (CPR) 3.1.8, a decision to undertake procurement should be made 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 land at Heights Lane, Armley is currently under ownership of Children's Services and will require transferring to Housing control to enable development on this site. The project team are drafting a report to appropriate this land that will be addressed through the LEDA forum.

3. Main Issues

- 3.1. In order to deliver the project within the required timescales, and with consideration to Contract Procedure Rules, the following options were considered
 - 3.1.1. Leeds Building Services Delivery- With consideration to CPR 3.1.4 , the internal service provider (ISP), Leeds Building Services (LBS) are not currently in a position to deliver New Build Council Housing on a design and build basis at this time.
 - 3.1.2. YORbuild2 Framework Lot 7 (Housing Development over 10 units)-fully designed mini competition- A fully designed mini-competition will require the scheme to be fully designed by Leeds' partner, NPS, before running the tender process. We would then approach the market and allow them to submit a tender response based upon the designs. The advantages to adopting this approach is that firmer prices are received from multiple bidders which encourages greater value for money and justification for costs. The disadvantages with respect to this approach is that a considerable amount of time is required to develop the tender documentation as this would need to be fully designed prior to tender issue. Furthermore this approach would result in all risk associated with the design remaining with the Council which could result in discrepancies and a lack of clarity during the construction period.
 - 3.1.3. YORbuild 2 Framework Lot 7 (Housing Development over 10 units)-two stage- The key advantage of adopting a two stage tender approach is that there is an element of competition during the first stage enabling some assessment of price at the outset. However, unless bidders are asked to develop designs significantly and have site ground information, there is no fixed agreement on cost at the end of the first stage and as such there is still little cost certainty with this approach. This process

could require a full suite of site information and tender documents which would require a disproportionate amount of time in relation to this project. This is a generally good option for larger schemes, which improves the level of buildability in a scheme, however, due to the time and cost implications for this small scheme, the costs outweigh the benefits.

3.1.4. YORbuild2 Framework Lot 7 (Housing Development over 10 units)-
Direct Appointment- the YORBuild 2 framework has a direct appointment call off mechanism which is managed on a rotational basis. The key advantages to this approach is that the procurement process can be expedited as contractors can be engaged quickly and designs developed in collaboration, enabling the client to firm up finer details as the project develop as opposed to having those details confirmed at the outset of the procurement. A Direct Appointment approach also allows collaborative working resulting in a quality design, ensuring that the scheme delivered is of the highest quality that the Council Housing Growth Team and Leeds City Council expect and meets the needs of all those involved, most importantly, our tenants. Another key advantage to this approach is that we will be looking at the projected costs for the scheme from the outset, which we will develop with the contractor on an open book basis. This will mitigate some risk as the Council Housing Growth Team have a wealth of past information which will allow comparison of costs. The key disadvantage to this approach is the lack of competition and consequently cost certainty at the outset which is outlined in Risk Item 4.

- 3.2. Following a review of these procurement options the project team are recommending that GeoGeo Houlton & Sons are directly appointed from the YORBuild 2 framework. This enables the project to move forward at the required pace whilst the more detailed areas of the project are confirmed. Once appointed, GeoGeo Houlton & Sons will be expected to carry out all the required site surveys and develop their design in accordance with the ground conditions. It will also be the responsibility of the contractor to ensure that the design complies with planning and highways requirements. In order to manage costs with respect to this arrangement, a single Design Services Agreement would be entered into prior to the construction contract. This gives the Authority the flexibility to end the relationship with the Contractor during the design period should there be any significant concerns regarding the proposals and associated costs. The benefit of this mechanism is that it enables the successful contractor to recover design fees and other costs incurred during the design period.
- 3.3. In order to manage costs during the design development period and to monitor the project during the construction period, the project team are recommending that the Authority's design partner, Norfolk Property Services (NPS) are commissioned to provide a Quantity Surveyor, NEC 4 Project Manager and NEC 4 Site Supervisor role.
- 3.4. Once detailed designs have been developed and costs have been agreed following a Stage 2 tender submission the project team will seek further approval from the Director of Resources & Housing to enter into a separate

NEC4 construction contract to deliver the building works. Based on the current programme it is likely that this will be in winter 2019.

4. Corporate Considerations

4.1. Consultation and Engagement

- 4.1.1. The Executive Member for Communities and local Ward Members will be consulted during the design development process, specifically in relation to project timescales and designs.
- 4.1.2. Planning and Highways colleagues will be involved in the design development process and will give advice and guidance to the Contractor to ensure that the proposals are acceptable to the Council.
- 4.1.3. Local residents in the surrounding area will be consulted on the proposals prior to submission of the planning application.

4.2. Equality and Diversity / Cohesion and Integration

- 4.2.1. An Equality, Diversity, Cohesion and Integration assessment has been undertaken and no negative impact on any aspect as a result of this project has been identified

4.3. Council Policies and City Priorities

- 4.3.1. The development of new council housing at Heights Lane 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. A combination of Right to Buy Money or Homes' England grant monies and Housing Revenue Account (HRA) borrowing will be used to deliver this scheme.

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 YORbuild 2 framework and a Design Services Agreement that will be used to manage the design period.
- 4.6.2. This is a Significant Operational Decision in relation to a Key Decision that has already been taken and is therefore not eligible for call in.

4.7. Risk Management

- 4.7.1. Risks will be managed by the project team through project control documentation, project risks identified will be reported and, where appropriate, escalated to senior officers.

- 4.7.2. A key risk in relation to the site at Heights Lane is that there is considerable number of trees on site which could affect the feasibility of developing the site. In order to mitigate this, full arboricultural and ecology surveys will be commissioned in order to determine the options for development. The outcomes of these surveys will feed into the feasibility study produced.

4.7.3. Another key risk for this scheme is the absence of a competitive tender process due to the utilisation of the Direct Appointment option. It could be seen that value for money has not been achieved due to the lack of competition as a result of the chosen route to market. To mitigate this, we will work in partnership with the contractor to develop costs on an open book basis during the design development period. Additionally, within the Design Services Agreement an affordability threshold has been set for each property type. Failure to meet the affordability threshold entitles the Council to terminate the DSA.

4.7.4. It is a risk that the designs developed and the proposed scheme costs are not satisfactory to the Council. In order to mitigate this, the Council Housing Growth Team will enter into a Design Services Agreement with the contractor prior to entering into an NEC4 construction contract. If the Council are not satisfied with the designs and costs produced the DSA can be terminated and the Council will not be obligated to enter into an NEC 4 Construction Contract.

5. Conclusions

5.1. To conclude, this report outlines the proposed procurement route to deliver new homes as part of the Council Housing Growth programme at Heights Lane, Armley. This development will contribute to the commitment to deliver 300 new council rented homes per year.

6. Recommendations

6.1. The Director of Resources & Housing is recommended to:

6.1.1. Approve the proposed procurement strategy to enable the project team to appoint GeoGeo Houlton & Sons through the direct appointment mechanism of the YORbuild 2 (Lot 7) framework.

6.1.2. Approves the decision to enter into a written Stage 1 Design Services Agreement, to the value of £117, 042 (plus additional costs for surveys) with GeoGeo Houlton & Sons following a successful direct appointment exercise through the YORbuild 2 (Lot 7) Framework to develop the Heights Lane Scheme.

7. Background Documents

7.1. None

8. Appendices

8.1. None.