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**Report of:** Council Housing Growth Team

**Report to:** Director of Resources and Housing

**Date:** 27<sup>th</sup> September 2019

**Subject:** Approval to:

- Issue a Stage 1 Appointment Letter for the delivery of General Needs Housing Bundle One; and
- Enter into a Design Services Agreement (DSA) to deliver General Needs Housing at Tarnside Drive and Mardale Crescent

Are specific electoral wards affected?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If yes, name(s) of ward(s): Killingbeck & Seacroft, Gipton & Harehills	
Has consultation been carried out?	<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
Will the decision be open for call-in?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If relevant, access to information procedure rule number:	
<b>Appendix numbers: 1, 2, 3 &amp; 5</b>	
<b>Appendices 1, 2, 3 &amp; 5</b> to this report have been marked as confidential under Access to Information Procedure Rules 10.4 (3) on the basis that they contain 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.	

## Summary

### 1. Main issues

- On the 20<sup>th</sup> March 2019 the Council Housing Growth Programme (CHGP), on behalf of Leeds City Council (LCC), sought and obtained approval from the Director of Resources and Housing to commence a procurement to identify a contractor for General Needs Bundle 1, which will deliver 134 new homes across 3 schemes. Tender documentation was issued to seven contractors via the YORbuild2 Framework and four tender submissions were received.

- LCC has conducted a procurement exercise and CHGP have now identified a preferred bidder and this report sets out recommendations and requests approval to issue a Stage 1 Appointment Letter to appoint Wates Construction Limited (“Wates”) to deliver General Needs Housing Bundle 1.
- This report also sets out recommendations and requests approval to enter into a Design Services Agreement (DSA) with Wates to further develop the exemplar scheme of this bundle (Tarnside Drive and Mardale Crescent), during stage 2 of the tender process.
- The CHGP will work with Wates during stage 2 to further develop their designs and costs, and submit a planning application. Following planning approval, a further delegated decision notification (DDN) will seek Director approval to spend and authority to award the NEC build contract for Tarnside Drive and Mardale Crescent, the first of the three schemes in this bundle.
- Further DDNs will be produced in due course to obtain Director approval to enter into DSAs and build contracts for the second and third schemes at Amberton Terrace and Seacroft Crescent.

## **2. Best Council Plan Implications** (click [here](#) for the latest version of the Best Council Plan)

- Housing is one of the Best City priorities as set out in the Best Council Plan, and this programme will directly support the following priorities by delivering additional social housing stock:
  - a. Housing of the right quality, type, tenure and affordability in the right places
  - b. Minimising homelessness through a greater focus on prevention
- The programme will also directly contribute to ensuring that “everyone in Leeds Live(s) in good quality, affordable homes, in clean and well cared for places” which is one of the target outcomes set out in the Best Council Plan.

## **3. Resource Implications**

- The development at Tarnside Drive and Mardale Crescent will be funded from capital scheme 33103/TAR/000, via a combination of either retained Right to Buy receipts or Homes England Grant, blended with HRA borrowing.
- Funding for all three schemes in Bundle 1, including this scheme, was approved by Executive Board in November 2018.

## **Recommendations**

It is recommended that the Director of Resources and Housing grants approval to:

- Issue a Stage 1 Appointment Letter to appoint Wates Construction Limited (“Wates”) to deliver General Needs Housing Bundle 1; and
- Enter into a Design Services Agreement (DSA) in the sum of £276,372.34 with Wates to further develop their proposals for the Tarnside Drive and Mardale Crescent scheme as part of the second stage of the tender process. The expectation is that the DSA will be signed in October 2019 and, based on the

contractor's programme submitted with their stage 1 bid, will last for a period of 38 weeks, with confirmation of the contract start and end dates and any extension of the contract term to be delegated to the Head of the Council Housing Growth Programme for approval. This initial sum will cover the DSA contract stage with construction costs to be provided in a subsequent report regarding the construction contract award.

- It is also recommended that the Director of Resources and Housing notes that **Appendices 1, 2, 3 and 5** should be designated as exempt from publication.

## 1. Purpose of this report

- 1.1 The purpose of this report is to set out the approach that the CHGP has taken to identify a preferred bidder for this project, and to seek approval to appoint Wates Construction Limited to deliver General Needs Housing Bundle One, and to enter into a DSA contract to enable them to further develop their design proposals for the scheme at Tarnside Drive and Mardale Crescent.

## 2. Background information

- 2.1 The housing schemes being delivered in General Needs Housing Bundle One were approved by Executive Board in November 2018. Combined the three schemes will deliver 134 units, including 20 apartments, 98 family dwellings and 16 bungalows. All properties will be built to a minimum of M4(2) standards with additional retained elements from lifetime homes.
- 2.2 All of the council's new build homes will be delivered to the Leeds Standard specification, which ensures excellence in delivery through design quality, space standards and supports the wellbeing of tenants through good use of space and energy efficient designs which in turn reduce running costs. They will also be built in such a way to facilitate future adaptations should they be required to meet the changing needs of our tenants.

### Pre-Procurement Stage

- 2.3 An updated output specification was developed by CHGP in readiness for the procurement exercise. This set out the council's requirements and standards for the new homes.
- 2.4 An expression of interest was issued through the YORbuild2 Framework on the 18th February 2019 and 7 contractors responded stating their interest in tendering.
- 2.5 On the 20th March 2019 the Director of Resources and Housing gave approval under CPR 3.1.8 to procure a framework contractor using a two stage competitive process via YORbuild2, and approved the evaluation methodology and criteria in line with CPR 15.1. The Invitation to Tender for the Stage 1 procurement was issued on 22nd March 2019.

### Stage 1 Procurement Process

- 2.6 Four tender clarification sessions were then held to provide potential bidders with an opportunity to ask questions about the schemes and output specification, and to discuss the development of their designs on a one to one basis with officers from the project team, procurement, planning and Highways. 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 commercially sensitive individual responses were circulated following each session.

- 2.7 The tender period closed on 14th June 2019, and four stage 1 tender submissions were received.

### 3. Main issues

- 3.1 The council resolved a number of tender clarifications and rejected a number of tender qualifications proposed by bidders in readiness for the evaluation process commencing.
- 3.2 The evaluation panel then assessed the compliant bid(s) against the criteria and the evaluation methodology set out in the Instructions to Tender. The price and quality elements of the bids were evaluated by applying a 60% quality, 40% price weighting.

#### Pricing Scoring

- 3.3 Bidders were asked to submit a price to design and build 42 units on the Exemplar scheme, Tarnside Drive and Mardale Crescent. The above ground unit costs are fixed (unless a change is issued by LCC or subject to agreement in the event of unforeseeable and exceptional circumstances). The price evaluation was undertaken by a Quantity Surveyor (QS) from NPS Leeds Ltd ("NPS") with support from the project team.

#### Quality Scoring

- 3.4 The quality element of the submissions included responses to a series of questions set out in the Instructions to Tender, along with a high level design for the scheme.
- 3.5 The standard YORbuild2 framework headers for the quality criteria were used (listed below), and minimum thresholds applied to all quality questions - if a bidder scored 4 or less (of 10), the council reserved the right to disqualify the bid.

Question No.	Heading and Questions	Marks
1	The Supplier's proposed team	0.125
2	The Supplier's resources and supply chain	0.275
3	The notified completion date	0.075
4	The notified estimate for the Works	0.050
5	Potential to deliver added value	0.375
6	The Supplier's initial assessment of contract risks and proposals to mitigate these.	0.050
0.7	Employment and Skills	0.050
<b>Total</b>		<b>1.00</b>

- 3.6 The core quality evaluation panel comprised technical and project officers from LCC Resources & Housing. This core panel was joined and supported by guest

scorers and consultees for specific scoring criteria where appropriate. A separate Design Evaluation Panel comprising Planning and Highways officers reviewed bidders' designs only. Consultees, guest scorers and design panel members included officers from Housing Management, Property & Contracts, Parks & Countryside, Employment & Skills, Highways and Planning. Local tenants were also consulted on elements of the tenders through the Tenant Procurement Group.

- 3.7 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 consultee feedback.

### Evaluation Outcome

- 3.8 **Confidential Appendix 1** (LCC Tender Evaluation Report) details the rationale for deeming a number of the bids received to be non-compliant.
- 3.9 A summary of the evaluation scores for the successful bid is set out in Table 1 below, with a more detailed breakdown included in the Evaluation Matrix enclosed at **Confidential Appendix 2**.

**Table 1**

Rank	Organisation	Quality score 60%	Price Score 40%	Total Score
1.	Wates Construction Limited	60%	40%	100%

- 3.10 The total tender figure submitted by Wates Construction Limited was £7,554,043.43. NPS have confirmed that the tender price is arithmetically correct and full details of the price evaluation are set out in the NPS Stage 1 Tender Report (Pricing) which accompanies this report as **Confidential Appendix 3**.
- 3.11 The evaluation and due diligence undertaken by the CHGP has not identified any significant risks in terms of awarding the contract to Wates Construction Limited, who have the required capacity, resource and experience within this operational field of work deemed necessary to deliver the contract in line with the council's requirements.

### Next Steps / Stage 2

- 3.12 The next step is for the unsuccessful bidders to be informed of the outcome of the procurement exercise in accordance with established standstill procedures.
- 3.13 Prior to the NEC contract award, a further financial check will be carried out to re-confirm that the preferred organisation is not a risk to the authority.
- 3.14 The council will then issue the Stage 1 Appointment Letter (for the whole of the bundle) and enter into a Design Services Agreement (DSA) with Wates Construction Limited for the Tarnside Drive and Mardale Crescent development. The DSA will set out the terms for the design and price development period up to award of the NEC build contract for this scheme.
- 3.15 During this stage of the procurement process the council and the contractor will work in partnership to develop and revise their stage one designs in readiness for submitting their planning application. This will include consultation with ward members and other key stakeholders on the proposals.

- 3.16 As set out above, the price for the above ground works was fixed in stage 1. However costs will continue to be firmed up during stage two as the final scheme designs are refined ready for planning, and under-ground costs are better understood. The construction programme will also be firmed up with the contractor during stage 2. Based on current estimates, the construction phase is expected to commence around June 2020.
- 3.17 Once planning approval has been granted and the detailed design and stage 2 costs have been agreed by the council, a further DDR seeking Director approval to award the NEC4 Engineering and Construction contract (Option A) will follow.
- 3.18 The council will apply a gateway approach to managing the procurement process and the project, with approvals taking place at key milestones. The key gateways in this stage of the procurement are the submission of planning applications and the award of the construction contract. These gateways will provide LCC with assurance that the contractor has met the requirements specified for each stage prior to moving on to the next stage.
- 3.19 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. In the event that final agreement cannot be reached with Wates Construction Limited on their design proposals, the council retains the right to terminate the agreement and go back out to the market should it wish to do so.
- 3.20 As with previous CHGP schemes, NPS will be providing post contract services including cost control and contract management for these schemes. NPS will also provide a Technical Advisor to support the project during stage 2. An LCC Construction Monitor will support the onsite management of the scheme/s during construction. A Contract Management Plan will be produced in due course for each scheme.

#### **4. Corporate considerations**

##### **4.1 Consultation and engagement**

- 4.1.1 As part of developing the proposals for these schemes the CHGP has engaged the relevant Elected Members for the impacted wards, and also the Deputy Leader and Executive Member for Communities, all of whom are fully supportive. The most recent briefings were provided in May 2019. A future briefing will be offered to review Wates's designs for the Tarnside Drive and Mardale Crescent scheme and discuss how Ward Members would like to be engaged during design development.
- 4.1.2 The CHGP has also engaged a wide range of relevant council teams and officers including seeking input and guidance from planning, highways, urban design, Housing Leeds, and housing finance.
- 4.1.3 The Tenant Procurement Group (TPG) were engaged as consultees during the evaluation process to comment on specific elements of the tender. Their feedback was considered by the evaluation panel and integrated into the scores and accompanying commentary where appropriate.
- 4.1.4 The CHGP will continue to keep ward members apprised of progress via regular briefing meetings or notes as appropriate, at key stages, for example:
  - i. Design Development (prior to planning submission)
  - ii. Contract Award
  - iii. Construction Phase – Local members will be informed ahead of start on site date and briefed on progress regularly throughout construction.

4.1.4 Pre-planning meetings will be held with officers from Planning, Highways and building control prior to the submission of the planning application, and a local, public consultation event will also be arranged prior to submission.

4.1.5 Regular updates on progress across the whole programme are presented at Council Housing Growth Programme Board, and to Executive Board as appropriate.

## 4.2 Equality and diversity / cohesion and integration

4.2.1 An Equality, Diversity, Cohesion and Integration (EDCI) screening was completed for the second phase of the council housing new build programme and accompanied the November 2018 Executive Board report.

4.2.2 An updated version of this has been developed in relation to the three specific schemes included in Bundle 1 and a copy of the screening document is attached for reference at **Appendix 4**.

4.2.3 These proposals will contribute to delivering an increase in supply of high quality, genuinely affordable homes to meet current and predicted localised gaps in affordable housing provision across the city's neighbourhoods.

## 4.3 Council policies and the Best Council Plan

4.3.1 Housing has been identified as one of the Best City priorities and this programme will directly support the following priorities

- i. Housing of the right quality, type, tenure and affordability in the right places;
- ii. Minimising homelessness through a greater focus on prevention;
- iii. Tackling fuel poverty

4.3.2 The project will also directly contribute to the achievement of a number of the key performance indicators the council will use to measure success including:

- i. Growth in new homes in Leeds;
- ii. Number of affordable homes delivered;
- iii. Improved energy and thermal efficiency performance of houses; and
- iv. Number of households in fuel poverty

4.3.3 As well as enabling the council to build to meet its housing needs, such a significant development programme will also contribute to delivering against our social value charter aspirations via the creation of employment, skills and apprenticeship opportunities within the City.

4.3.4 Social value requirements are included as part of the YORbuild2 requirements. In their response to Quality Question 7.1, the successful bidder confirmed that they would be able to meet the YORbuild2 employment and skills requirements for a scheme of this size and provided a methodology for meeting them.

4.3.5 A summary of the preferred bidder's key commitments in relation to employment and skills is set out below:-

- 5 School/college workshops

- 14 work experience placements
- Apprentices (existing) – 150 person weeks
- 4 new Apprentices (project initiated)
- 12 local employment opportunities

Progress towards these targets will be reviewed at monthly client meetings.

#### **4.4 Climate Emergency**

- 4.4.1 Leeds City Council declared a climate emergency in March 2019.
- 4.4.2 All of the homes being delivered via the CHGP will be built to the Leeds Standard specification which focusses on cutting carbon, improving air quality and tackling fuel poverty and which will play a key role in ensuring excellence in delivery through design quality, space standards and energy efficiency standards. It sets out challenging targets for our contractors to meet in terms of carbon emissions for these new homes.
- 4.4.3 Energy costs for Leeds Standard homes are estimated to be over £500 a year lower than averages for England and Wales, and the carbon footprint is also significantly lower (the average household in England and Wales produces an assessed 6 tonnes of carbon with Leeds Standard homes assessed at 1 tonne).
- 4.4.4 More detailed proposals for the bundle 1 schemes will follow in later reports. However, some examples of building specific elements that will support the road to low carbon include the following:
- homes to be built taking a ‘fabric first’ approach – meaning we will achieve extremely high insulation levels, which in turn reduce energy demand
  - high performance glazing and sizing of windows to minimise heat loss and maximise natural light
  - use of energy efficient hot water and inclusion of water saving devices such as water meters, dual flush toilets and water butts
  - homes to be built to Nationally Described Space Standards to prevent oversizing; and
  - homes to be designed and built with a view to minimising running costs for the occupants, and with consideration to ease and cost of maintenance, service and lifecycle replacements.
- 4.4.5 As the programme moves forward, it will continue to explore how it can further contribute to delivering against the council’s aspirations around carbon reduction and this will include, as well as implementing energy efficiency measures, considering what opportunities exist for energy generation within our schemes.
- 4.4.6 The council is committed to ensuring that our new housing is delivered in sustainable locations, and the process of assessing potential sites for their suitability for new council housing includes due regard to considerations such as availability and proximity to public transportation, and cycling and pedestrian infrastructure, as well as access to other services and amenities and employment hubs in the local area. This is to help reduce dependency on car travel, and ensure tenants have a range of affordable transport options, as well as encouraging and

contributing to a reduction in carbon. All major schemes are required to submit transport assessments as part of the planning process, and if improvements are required, such as enhancements to bus stops, these will also be delivered and funded as part of the schemes.

- 4.4.7 Our new build schemes also contribute to, and support, biodiversity.

#### 4.5 **Resources, procurement and value for money**

- 4.5.1 The tenders have been evaluated in accordance with the evaluation criteria set out in the tender documents and therefore, provided the design services are still required and affordable, the preferred contractor should be appointed. Thus, in making the final decision, the Director of Resources and Housing should be satisfied that the DSA represents best value for the council.
- 4.5.2 The total funding injected and available for the Council Housing Growth Programme as at September 2019 is £221m.
- 4.5.3 The tender estimate (per the successful bidder's stage 1 submission) for the design and build of Tarnside Drive and Mardale Crescent is **£7,554,043.43**. Scheme costs will continue to be refined and firmed up during the second stage of the tender process, as designs are finalised and further surveys are undertaken.
- 4.5.4 Authority to Spend (ATS) will be sought for each scheme towards the end of stage 2 for each scheme, on the completion of the designs, therefore allowing greater cost certainty.
- 4.5.5 An updated view of total scheme costs (to include the contractor costs, consultancy, surveys, planning contributions and LCC on costs) will be included in a further DDN requesting approval to spend and to award the NEC construction contract. An indicative view of the total scheme costs including all of the above, and based on the stage 1 tender submission estimate is included in **Confidential Appendix 5**.
- 4.5.6 NPS will support the council in assessing the design proposals and associated costs in stage 2. The NEC4 Engineering and Construction contract (Option A) will only be entered into once the designs and stage 2 costs have been agreed by the council.
- 4.5.7 Funding for the schemes will be a combination of either retained Right to Buy (RtB) receipts or Homes England Grant, blended with HRA borrowing. The council will determine the optimum funding mix for the scheme subject to confirmation of what grant rates are available from Homes England and whether these compare favourably to the RtB funding that could otherwise be utilised.
- 4.5.8 Rents will be set in accordance with the Council Housing Growth Programme rent setting principles which were approved by Executive Board in June 2019 (link included at paragraph 7.1), with affordability to be defined by reference to the local average income for the city. The capital outlay and borrowing costs associated with building these new homes will be recouped via revenue generation and will not impact our other housing stock or result in rent increases elsewhere.

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

#### 4.6 Legal implications, access to information, and call-in

- 4.6.1 The recommendations set out in this report are a direct consequence of a previous Key Decision (taken by Executive Board in November 2018). This Key Decision approved the use of the subject sites for the delivery of new general needs council housing; approved the proposed investment and supported any bids for funding required; and delegated the decision regarding final funding mix and authority to procure & award contract for each scheme to the Director of Resources and Housing.
- 4.6.2 Therefore this proposal constitutes a Significant Operational Decision which is not subject to call in. A link to the published report is also in the background documents at 7.1.
- 4.6.3 The legal and contractual obligations of the council and bidders will be managed through the YORbuild2 framework and the DSA. The legal and contractual implications of this project are set out throughout this report particularly in section 4.7 (risk management) below.
- 4.6.4 The council will observe a 10 calendar day standstill period to allow the unsuccessful bidders to view the outcome of the procurement exercise in an open and transparent manner. There is no mandatory standstill period for a call-off contract under a framework, however commercial advice is that the council observes a standstill period to protect against possible post-contractual ineffectiveness claims.
- 4.6.5 The information in **Appendices 1, 2, 3 and 5** of this report has been identified as exempt as the document contains confidential information regarding the bidders who tendered.

#### 4.7 Risk management

- 4.7.1 The Council Housing Growth Programme is delivered using the council's agreed project management methodology and a project risk log will be established for this project and risks managed, monitored and escalated through the established governance process as appropriate
- 4.7.2 Delivery of the proposals set out in this report will contribute to mitigating one of the council's corporate risks around the failure to meet additional housing supply targets and the consequent lack of homes for people in Leeds.
- 4.7.3 In terms of this specific project the greatest risk relates to potential unknown site conditions/abnormal site development costs which could lead to escalating costs in stage 2. A series of surveys and intrusive site investigations were undertaken by LCC prior to tender, and these have been analysed by LCC and NPS and shared with Wates. That notwithstanding there remains a degree of risk until such time as the contractor has undertaken their own site investigations in response to their specific design proposals. LCC will work with Wates in stage 2 to finalise their scheme designs and associated costs, with pricing for any unknown underground conditions or abnormalities to be agreed in this period. The project will reconfirm viability of the scheme in stage 2 as these costs are firmed up.

- 4.7.4 The project's initial risk assessment for the Tarnside Drive & Mardale Crescent scheme identified a number of site and scheme specific risks and these are set out, along with indicative costings, in **Confidential Appendix 5**.
- 4.7.5 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.

## 5. Conclusions

- 5.1 The council has evaluated 3 bids received in response to the Bundle 1 tender exercise and has identified Wates Construction Ltd as the preferred bidder to take forward into stage 2.
- 5.2 The project team and NPS have reviewed the tender sum submitted and have confirmed it is arithmetically correct, and that the costs submitted for the RIBA Stage 2 design (DSA phase) are reasonable.
- 5.3 On successful completion of the DSA phase, and subject to further approval, an NEC4 Engineering and Construction contract (Option A) will be entered into for the Tarnside Drive and Mardale Crescent scheme based on the final designs and costs submitted by the contractor during Stage 2.

## 6 Recommendations

It is recommended that the Director of Resources and Housing grants approval to:

- Issue a Stage 1 Appointment Letter to appoint Wates Construction Limited ("Wates") to deliver General Needs Housing Bundle 1; and
- Enter into a Design Services Agreement (DSA) in the sum of £276,372.34 with Wates to further develop their proposals for the Tarnside Drive and Mardale Crescent scheme as part of the second stage of the tender process. The expectation is that the DSA will be signed in early October 2019 and, based on the contractor's programme submitted with their stage 1 bid, will last for a period of 38 weeks, with confirmation of the contract start and end dates and any extension of the contract term to be delegated to the Head of the Council Housing Growth Programme for approval. This initial sum will cover the DSA contract stage with construction costs to be provided in a subsequent report regarding the construction contract award.
- It is also recommended that the Director of Resources and Housing notes that **Appendices 1, 2, 3 and 5** should be designated as exempt from publication.

## 7 Background documents<sup>1</sup>

- 7.1 Council Housing Growth Programme Report to Executive Board November 2018  
<https://democracy.leeds.gov.uk/ieDecisionDetails.aspx?ID=48156>

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<sup>1</sup> 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**

- i. Appendix 1 – LCC Tender Evaluation Report (CONFIDENTIAL)
- ii. Appendix 2 - Evaluation Matrix (CONFIDENTIAL)
- iii. Appendix 3 – NPS Stage 1 Tender Report (Pricing) (CONFIDENTIAL)
- iv. Appendix 4 – Equality, Diversity, Cohesion and Integration Screening
- v. Appendix 5 - GNB1 Estimated Total Scheme Costs (CONFIDENTIAL)