



Report of Council Housing Growth Team
Report to The Director of Resources & Housing
Date: 2nd June 2020
Subject: Approval of a contract variation and extension to the Design Services Agreement for General Needs Housing: Bundle One.- 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 and 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:	

Summary

1. Main issues

- 1.1 The Council House Growth Programme (CHGP) aims to deliver a new generation of new build council housing for Leeds to meet housing needs for our residents. The target is to deliver circa 300 new units of social housing per year for the next five years.
- 1.2 This report seeks approval to administer a contract variation the Design Services Agreement for General Needs Housing: Tarnside Drive and Mardale Crescent The variation will take the form of an interim payment of £112,469.37 ahead of the original Design Services Agreement (DSA) payment term in order to support Wates Construction and their supply chain through the COVID-19 pandemic.
- 1.3 This report seeks approval to administer a contract extension to the Design Services Agreement from 19th June 2020 to the date of 24th November 2020.
- 1.4 This report seeks to alter the planning submission date from 27th January 2020 to 20th July 2020

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

- 2.1 Housing is one of the Best City priorities as set out in the Best Council Plan, and the CHGP will directly support the following priorities by delivering additional social housing stock.
- Housing of the right quality, type, tenure and affordability in the right places.
 - Minimising homelessness through a greater focus on prevention.
- 2.2 The Programme will also directly contribute to ensuring that “everyone in Leeds Lives 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.

2 Resource Implications

- 3.1 An Authority to Award report was submitted and approved on 27th September 2019 that outlines the resource implications for the project as a whole.
- 3.2 The only resource implication associated with this decision is that we will be bringing part of the payment to Wates Construction forward by approximately six weeks.
- 3.3 Extending the term of the DSA and planning submission date will not increase costs payable.

Recommendations

It is recommended that the Director of Resources and Housing:

- Approves the proposed contract variation of the Design Services Agreement for General Needs Housing: Bundle One to allow for an interim payment of £112,469.37 for works already completed under the Design Services Agreement in response to supporting Wates Construction and their supply chain through the COVID-19 pandemic.
- Approves the contract extension of the DSA from 19th June 2020 to 24th November 2020.
- Approves the alteration of the planning submission date from 27th January 2020 to 20th July 2020.

1. Purpose of this report

- 1.1 This report seeks authority to implement a contract variation on the Design Services Agreement for General Needs Housing Bundle One to allow for an interim payment which will see payment be made for works already completed under the agreement. This is in order for us to support Wates Construction and their supply chain through the COVID-19 pandemic.
- 1.2 This report seeks authority to extend the DSA term from 19th June 2020 to 24th November 2020.
- 1.3 This report seeks to alter the planning submission date from 27th January 2020 to 20th July 2020

2. Background information

- 2.1. Wates Construction Limited were appointed in October 2019 following a competitive tender process to design and build the General Needs Housing: Bundle One scheme.
- 2.2. They have been working collaboratively with the Council Housing Growth Team (CHGT) since under the DSA to develop their designs, building up to a submission into planning. This is expected to happen in July 2020.
- 2.3. Designs are progressing well and it is expected that an NEC Engineering and Construction contract will be entered into in December 2020, with construction work commencing in January 2020.

3. Main issues

- 3.1. The payment terms of the Design Services Agreement (DSA), state that the value of the contract will be paid upon planning and Wates Construction agreed to these payment terms when they signed the DSA.
- 3.2. Even though the designs for the scheme are progressing well, the recent COVID-19 pandemic has delayed the programme slightly, and though work is able to continue on the scheme, it is at a slower pace than usual due to lessened workforce and the shift from office based working and face to face meetings to home working and digital meetings.
- 3.3. Wates Construction and their supply chain have now been working 'at risk' since the tender was published in March 2019. Due to the COVID-19 crisis and the associated Government Procurement Policy Note (PPN), Wates Construction have requested an interim payment in order to support them through any hardship created through the current situation.
- 3.4. The CHGT are keen to continue to support Wates Construction and their supply chain throughout the current situation and see finalisation of designs, however in order to do this under the current circumstances the supply chain require payment. Therefore we are proposing that an additional payment is allowed for before the payment received upon planning. This payment will be made up of works that have already been completed under the DSA and totals £112,469.37.
- 3.5. The payment totals 66% of the full DSA amount, the remaining 44% of this will be paid in line with the original payment terms, upon planning. It has been confirmed by Wates Construction that approximately 75% of the payment made will be cascaded down to their supply chain, which is made up of a number of Leeds based small businesses.
- 3.6. Due to the delays caused by COVID-19 pandemic, the DSA term requires extending as it was due to end on the 19th July 2020. The new DSA term will now cover the planning submission date, which will be altered from 27th January 2020 to 20th July 2020 and end once the NEC Construction Contract is due to be signed in November.

4. Corporate considerations

4.1. Consultation and engagement

4.2. Ward members were updated in April regarding the progress of the scheme. The update mentioned that the CHGT were considering the possibility of making a payment to Wates Construction under the government PPN that was issued in order to support suppliers during the COVID-19 pandemic.

4.3. Equality and diversity / cohesion and integration

4.2.1 An Equality, Diversity, Cohesion and Integration screening has been undertaken for the CHGP and has determined that the proposals have a positive impact in terms of Equality and Diversity and that a full assessment is not required. 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 screening document is attached.

4.2.2 This project will contribute to the council's Equality Improvement Compassionate City Priority of 'living safely and well, living at home and valuing communities' specifically the indicators on tackling fuel poverty and reducing inequalities.

4.4. Council policies and the Best Council Plan

4.3.1 Please see section 2 above for Best Council Plan implications.

Climate Emergency

4.3.2 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. It includes:

- High Insulation levels (60% increase than current building regulations)
- High Performing Windows to minimise heat loss and maximise natural light
- Energy Efficient hot water and heating systems
- Installation of Solar Panels providing free electricity
- Water saving devices

4.3.3 Energy costs for Leeds Standard homes are over **£500 a year lower** when compared to averages in England and Wales. The average household in England and Wales produces an assessed 6 tonnes of carbon with Leeds Standard homes assessed at 1 tonne.

4.3.4 In addition to this, 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.

4.3.5 The council will seek to develop a scheme that results in a 10% net gain in biodiversity for this site. Contributions include:

- Protection and retention of as many trees / hedges / shrubs and planting as possible and enforcing a 3 for 1 replacement new tree requirement.
- Encouraging Wildlife such as gaps in fencing for hedgehogs, creation of habitat piles, inclusion of bat and bird boxes / insect houses
- Low maintenance soft landscaping and inclusion of allotments / fruit trees / herb gardens

4.5. Resources, procurement and value for money

4.4.1 Implementing the contract variation will not incur any extra cost for the Council, the DSA amount will remain the same, but will be paid in two instalments rather than one.

4.4.2 Implementing a contract extension and altering the planning submission date will not cost the Council any extra money.

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

4.5.1 This report details a subsequent decision of a previous Key Decision and is therefore a Significant Operational Decision which is not subject to call in.

4.7. Risk management

4.6.1 The CHGP is being delivered using the council's agreed project management methodology and a programme risk log will be maintained and risks managed, monitored and escalated through the governance process as necessary.

4.6.2 The scheme specific risks currently identified for this decision include:

- Risk of challenge** – There is a slight risk of procurement challenge due to the change in the payment terms of the DSA. However, the CHGT believe that due to the circumstances, the PPN issued by the government and the case put forward by Wates the risk of challenge is low and strong justification for the contract variation exists in the event of a procurement challenge.
- Lack of incentive to complete the agreement to the revised programme** – an argument could be made that as Wates will be receiving payment early, the incentive to complete would diminish. As there will still be a balance outstanding, to be paid upon planning as stipulated in the original DSA terms, incentive to complete the contract and the non-exemplar schemes in a timely manner will remain.

5. Conclusions

5.1. Approval is required to allow a contract variation of payment terms for Wates Construction to be processed to allow for a payment of works already completed under the DSA following delays due to the COVID-19 situation.

- 5.2. The CHGT are keen to support Wates Construction and their supply chain during the current situation. Allowing a contract variation to allow a one-off payment will do this.
- 5.3. The incentive to complete the DSA at the projected rate will still be present as the original DSA payment terms will still apply to the remaining £57,061.63 of the DSA amount.
- 5.4. Approval is also required to extend the DSA term until 24th November 2020.
- 5.5. Approval to alter the planning submission date from 27th January 2020 to 24th November 2020

6. Recommendations

- 6.1. It is recommended that the Director of Resources and Housing approves the proposed contract variation for General Needs Housing: Bundle One to allow for an interim payment of £112,469.37 for works already completed under the Design Services Agreement in response to supporting Wates Construction and their supply chain through the COVID-19 pandemic
- 6.2. Approve the contract extension of the DSA from 19th June 2020 to 24th November 2020.
- 6.3. Approval to alter the planning submission date from 27th January 2020 to 20th July 2020

7. Background documents¹

- 7.1. 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.