



Report of Council Housing Growth Team
Report to The Director of Resources & Housing
Date: 31st March 2021
Subject: Council Housing Growth Programme: Approval to Award the Construction Contract and Authority to Spend to deliver new council homes at Tarnside Drive (including Mardale Crescent).

Are specific electoral wards affected?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If yes, name(s) of ward(s): Killingbeck and Seacroft	
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: Appendix A 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	

Summary

1. Main issues

- This development forms part of the General Needs Housing Bundle 1 scheme and will consist of 41 units at Tarnside Drive (including Mardale Crescent).
- The development is being delivered as part of the Council Housing Growth Programme following a two stage competitive procurement process via the YORbuild2 framework agreement.
- During the procurement process, contractors were required to respond to the output specification by proposing designs and method statements. All tenders were evaluated on 60% quality and 40% price criteria.
- The successful contractor, Wates Construction Ltd, entered into a Design Services Agreement with the Council on 22nd October 2019.

An NEC4 Engineering and Construction Contract will be awarded for this scheme.

- The Stage Two tender price for the Tarnside Drive (including Mardale Crescent) site is **£9,191,098.48**. Wates Construction Ltd has developed the price and design for the site and on 19th March 2021, they submitted a Stage 2 tender for the scheme via YORtender. The tender has been evaluated and meets the Council's requirements for the scheme. We are recommending acceptance of the tender submission and are seeking approval to enter into the contract subject to details being finalised (see Appendix A).

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 the CHGP 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.
 - c. Tackling fuel poverty.
- 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:
 - d. Growth in new homes in Leeds;
 - e. Number of affordable homes delivered;
 - f. Improved energy and thermal efficiency performance of houses; and
 - g. Number of households in fuel poverty
- As well as enabling the Council 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.
- Social value requirements are included as part of the YORbuild2 framework requirements. In response to Quality Question 7.1, Wates 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.
- A summary of the preferred bidder's key commitments in relation to employment and skills is set out below:-
 - h. 8 x school/college site visits
 - i. 5 x school/college workshops
 - j. 7 x work experience placements under 18 years
 - k. 7 x work experience placements over 18 years
 - l. Apprentices (existing) – 150 person weeks
 - m. 4 x new apprentices (project initiated)
 - n. 1 x project initiated higher level skills
 - o. 12 x progression into local employment opportunities.

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

3. Resource Implications

- The meeting of Full Council on the 27th February 2019 approved an injection of £90.9m into the CHGP. On 26th February 2020 Full Council approved a further capital injection of £116m into the CHGP, taking the overall funding injected and available for the CHGP to £337.1m.

Recommendations

It is recommended that the Director of Resources & Housing grants approval to enter into an NEC4 Engineering and Construction Contract (NEC4 ECC) Option A with Wates Construction Ltd for the construction of 41 new council homes at Tarnside Drive (including Mardale Crescent) for the sum of **£9,191,098.48**; enabling a contract start date for 5th May 2021, a site access date of 18th May 2021 and a completion date of 6th September 2022; and approval to spend.

1. Purpose of this report

- 1.1 The purpose of this report is to seek approval to award Wates Construction Ltd an NEC4 Engineering and Construction Contract to design and build 41 new council homes at Tarnside Drive (including Mardale Crescent) along with the approval to spend.

2. Background information

- 2.1 This decision is required to deliver the Council House Growth Programme (CHGP) which aims to deliver a new generation of new build housing for Leeds to meet housing needs for our residents. The target is to deliver circa 300 new units of social housing per annum for the next five years.
- 2.2 Background information is contained within the reports submitted to Executive Board as follows:
 - Following the Executive Board report of November 2018, a decision was taken to delegate the authority to procure and award a contract for each housing scheme to the Director of Resources & Housing. The Tarnside Drive (including Mardale Crescent) site was identified as part of the council house new build programme with the estimated capacity to deliver up to 41 new homes in the Killingbeck and Seacroft area of the city.
 - Approval under CPR 3.1.8 to procure a framework contractor using a two stage competitive process via the YORbuild2 framework was given by the Director of Resources & Housing via DDN on 20th March 2019.
 - Once confirmed as the Council's Stage 1 Appointee, Wates Construction Ltd and their appointed architect Halliday Clark worked in partnership with the Council (including representatives from Housing Management and Housing Leeds Property and Contracts) and NPS (technical advisors and quantity surveyor). This was achieved via a process of regular design and progress meetings, along with gateway meetings, to develop a design and arrive at an agreed cost for the scheme.

- The CHG Team worked with Neil Diamond of Housing Leeds to ensure that the new properties would enhance and integrate with the existing housing stock.
- On 19th March 2021 the Council invited Wates Construction Ltd to submit a Stage Two tender for the Tarnside Drive (including Mardale Crescent) scheme.
- Planning approval has been secured to deliver the following mix of units:

Tarnside Drive

Property Type	Proposed Number of Homes
1 bedroom 2-3 person bungalow	2
1 bedroom flex bungalow M4(3)	1
2 bedroom 4 person house	16
3 bedroom 5 person house	16
Total	35

Mardale Crescent

Property Type	Proposed Number of Homes
1 bedroom 2-3 person bungalow	1
1 bedroom flex bungalow M4(3)	1
2 bedroom 4 person bungalow	4
Total	6

The scheme mix complies with the planning policy regarding accessible homes and has been grouped together to enhance the sense of community.

3. Main issues

- 3.1 An output specification was developed by the Housing Growth Team with the input of NPS and Housing Leeds and formed part of the Stage One tender documentation. This set out the quality requirements to be met by the appointed DSA Contractor reflecting the established Leeds Standard to which all new council housing will be built.
- 3.2 The successful contractor, Wates Construction Ltd, entered into a Design Services Agreement (DSA) with Leeds City Council on 22nd October 2019. This required Wates Construction Ltd to design to RIBA stage 4 and Gateway 4.
- 3.3 Due to challenging site conditions there has been a significant regeneration cost for this scheme. This is due to a sloping site, contamination, a shallow coal seam and relic foundations from previous dwelling houses. To provide cost certainty for this scheme, the Council has agreed a lump sum solution with Wates Construction Ltd to ensure that a fixed price is paid regardless of how extensive issues may prove to be once on site.
- 3.4 Approval to enter into an Early Works Agreement with Wates Construction Ltd for the value of £171,029.04 was given by the Head of Council Housing Growth on 19th

January 2021. This agreement commenced on 20th January 2021 and has a completion date of 29th March 2021.

- 3.5 Wates Construction Ltd submitted a Stage Two tender in line with the two stage procurement process. These have been assessed by the evaluation team which consists of the Council Housing Growth Team and NPS's Senior Architect and QS. Officers from Employment and Skills have assessed Wates Construction Ltd.'s Employment and Skills Plan.
- 3.6 The Council Housing Growth team and NPS have reviewed both the technical and financial submissions for the scheme and are satisfied that they reflect the Council's requirements and therefore we are seeking approval to enter into a contract subject to details being finalised.
- 3.7 A works contract (NEC4 Engineering & Construction contract Option A) will be awarded to Wates Construction Ltd based on the price and design submitted with their Stage Two tender for the Tarnside Drive (including Mardale Crescent) scheme. The contractor will then be responsible for the delivery of the scheme in line with the planning approval.
- 3.8 The indicative timescales for the project are below.

Activity	Date
Construction Period	5 th May 2021 to 6 th September 2022
All New Homes Occupied	September 2022

4. Corporate considerations

4.1 Consultation and engagement

- 4.1.1 The Council House Growth Programme has an established process for consulting and engaging with key stakeholders in relation to individual schemes and which will be applied to all new build schemes delivered under the programme. As such, the CHGP has engaged the relevant elected Members for the impacted ward and also the Deputy Leader and Executive Member for Communities, all of whom are fully supportive. Members were fully briefed on the commercial discussions, planning submission, scheme designs and programme on 20th August 2020. Some members raised concerns regarding the security of the new development, particularly concerning the use of motorcycles which had been causing a nuisance to residents in the area. Following consultations with Parks and Countryside, the design was amended to include vehicle barriers to prevent motorcycles from crossing pedestrian areas.
- 4.1.2 On 12th February 2021, Members were provided with an update regarding consultations with tenants and residents bordering the site to gain agreement for the new site boundaries and garden fencing to be installed. This included Party Wall Agreements for privately owned properties. Further briefings for Members will be issued late March or early April 2021.
- 4.1.3 A public consultation for the scheme was held on 17th January 2020. This was attended by members of the CHG Team as well as key personnel from Wates. The

consultation was attended by 7 residents who provided positive feedback regarding the design of the housing scheme and its impact on the existing properties.

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

4.1.5 The Council Housing Growth Team and Wates Construction Ltd will continue to engage with Members by facilitating 'meet the contractor' sessions and providing regular updates during the construction programme.

4.2 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.

4.3 Council policies and the Best Council Plan

4.3.1 Please see Section 2 (page 2) above for the 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:

- A 'Fabric first' approach, meaning we will achieve high insulation levels (60% increase over current building regulations).
- High Performing Windows to minimise heat loss and maximise natural light
- Energy Efficient hot water and heating systems
- 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. Energy efficiency standards are to comply with the 'Basic Requirements' of the 'Good Practice Standard' and the Contractor will provide SAP certificates and calculations for each dwelling.

4.4 Resources, procurement and value for money

- 4.4.1 See summary section for resource implications. See Section 3 above for procurement approach.
- 4.4.2 NPS has been commissioned to provide post contract services to deliver the scheme which includes cost control and contract management during the build programme.
- 4.4.3 A Contract Management Plan has been produced by the Housing Growth Team outlining the arrangement for managing the delivery of the contract.
- 4.4.4 NPS have carried out an assessment of the Stage Two tender and have confirmed that the Stage Two tender price submitted by Wates Construction Ltd for the Tarnside Drive (including Mardale Crescent) scheme is arithmetically correct and having undertaken the necessary checks are satisfied that the costs reflect the specification.
- 4.4.5 NPS have assessed the design and survey fees agreed with the contractor and confirm they are competitive.
- 4.4.6 The fees, preliminary and design costs have been priced by the contractor as part of the tender process and must not exceed these tendered rates. Value for money and other costs will be evidenced using benchmarking and subcontractor tender analysis.

4.5 Legal implications, access to information, and call-in

- 4.5.1 This report details a subsequent decision of a previous Key Decision for the second phase of the general needs new build housing programme, which was approved by Executive Board in November 2018 and is, therefore, a Significant Operational Decision which is not subject to call in.
- 4.5.2 The procurement process has been conducted in line with the Council's Contract and Procedure Rules.
- 4.5.3 The legal and contractual obligations of the Council and Bidders has been managed through the YORbuild2 framework.

4.6 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 NPS will be commissioned to provide all technical post contract services, including cost control and contract management in relation to the NEC4 contract and this will include regular risk review workshops during construction period.
- 4.6.3 Included within the total scheme costs is a Leeds City Council contingency for any unknown risk that may occur during the construction phase. This contingency is

linked to the costed risk register which will be reviewed on a regular basis during the construction phase.

4.6.4 The scheme specific risks currently identified for this project include:

- The site has several contamination hot spots, a shallow coal seam and relic foundations from previous houses. This has been mitigated by opting for a lump sum solution to provide greater cost certainty. The Council will pay a fixed price to the contractor irrespective of how extensive the site issues are found to be.
- There is a risk in accepting the fixed price offer in the event that site issues are not as extensive as anticipated. However, based on our knowledge of the site conditions this risk is very low. The risk would be a much greater were we to not accept the lump sum deal.
- There is a risk that COVID-19 could have cost implications due to the potential impact on supply chains and the increased costs related to on-site management due to social distancing and hygiene requirements. In order to mitigate this risk, the Council has agreed to pay the contractor the sum of £250k in monthly instalments. In return the contractor will cover any further COVID-19 management costs up to a cap of £420k.

5. Conclusions

5.1 A procurement exercise has been undertaken by the Council Housing Growth team on behalf of Housing Leeds, to procure a contractor via the YORbuild2 framework utilising a Two Stage competitive process.

5.2 On 30th September 2019, the Director of Resources & Housing approved the appointment of Wates Construction Ltd following the Stage One tender evaluation for the Tarnside Drive (including Mardale Crescent) scheme. Wates Construction Ltd have developed the design and price for Tarnside Drive (including Mardale Crescent) throughout the Stage Two process in partnership with the Council and NPS. They have submitted a Stage Two tender for the scheme which the Council has evaluated and accepted subject to details being finalised.

5.3 A works contract (NEC4 ECC Option A) will be entered into with Wates Construction Ltd based on the price and design submitted by Wates Construction Ltd in their Two Stage tender.

6. Recommendations

6.1 It is recommended that the Director of Resources & Housing grants approval to enter into an NEC4 Engineering and Construction Contract (NEC4 ECC) Option A with Wates Construction Ltd for the construction of 41 new council homes at Tarnside Drive (including Mardale Crescent) for the sum of £9,191,098.48; enabling a contract start date for 5th May 2021, a site access date of 18th May 2021 and a completion date of 6th September 2022; and approval to spend.

7. Background documents¹

7.1 Council Housing Growth Programme Report to Executive Board November 2018.

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.

<https://democracy.leeds.gov.uk/ieDecisionDetails.aspx?ID=48156>

8. Appendices

8.1 Appendix A – Tender Report (confidential)

8.2 Appendix B – Equality, Diversity, Cohesion and Integration Screening.