

Council Housing Growth Programme: Approval to enter into separate NEC4 Engineering and Construction contracts to deliver new council homes at Meynell Approach and Silk Mill Drive

Date: 28th May 2021

Report of: Council Housing Growth Team

Report to: The Director of City Development

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

What is this report about?

Including how it contributes to the city's and council's ambitions

- The purpose of this report is to seek approval to enter into separate NEC4 Engineering and Construction contracts (NEC4 ECC) with United Living (North) Ltd for the construction of 28 new council homes at Meynell Approach, Holbeck and 2 new council homes at Silk Mill Drive, Tinshill.
- The delivery of 30 new homes under the construction contract will directly contribute to the achievement of a number of the key performance indicators the Council will use to measure success including:
 - a. Growth in new homes in Leeds;
 - b. Number of affordable homes delivered;
 - c. Improved energy and thermal efficiency performance of houses; and
 - d. Number of households in fuel poverty
- In addition to enabling the Council to meet its housing targets, 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 (see Appendix C).

Recommendations

- a) It is recommended that the Director of City Development grants approval to enter into separate NEC4 Engineering and Construction contracts (NEC3 ECC) Option A with United Living (North) Ltd for the construction of 30 new build council homes for a total contract price of **£5,540,505.93** (£5,035,468.14 for Meynell Approach and £505,037.79 for Silk Mill Drive); enabling a contract start date for 28th May 2021, a site access date of 5th July 2021 and a completion date of 14th April 2022; and approval to spend.

Why is the proposal being put forward?

- 1 The proposal is required to contribute towards the Council House Growth Programme's (CHGP) target to deliver circa 300 new units of social housing per annum over the next five years.
- 2 United Living (North) Ltd were appointed as the successful contractor in April 2018, and entered into a Design Services Agreements (DSA) with the Council on 21st August 2018 (extended 30th November 2020) for the Meynell Approach scheme for a the sum of £79,594. This required United Living (North) Ltd to design to RIBA level 4 and Gateway Process 4.
- 3 In March 2019, the Silk Mill Drive site was added to the scheme through a contract variation with DSA fees of £15,199.60
- 4 Following the appointment of United Living, designs were developed for the scheme in line with the DSAs. The original proposal using a modular construction method for Meynell Approach, which received planning approval in August 2019, was not progressed as following a cost review, in its current form, it did not demonstrate value for money to the Council.
- 5 A new proposal using a closed panel timber frame was submitted and approved, and on the 30th November 2020, the DSAs were varied and extended for the sums of £94,341.52 for Meynell Approach and £22,170.00 for Silk Mill Drive to develop the closed panel timber frame solution towards planning approval and to a position which would enable LCC to enter a construction contract to deliver the 30 units in line with LCCs requirements.
- 6 The total cost of the DSA and Survey Fees for both schemes is £266,757.26 and are included in the total contract price.
- 7 To prepare the site for development and reduce the build programme, approval to enter into an Early Works and Underwriting Agreement with United Living (North) Ltd for £29,845 was given by the Head of Council Housing Growth on 14th December 2020. This was varied on 17th December 2020 to include the relocation of a Virgin Media cabinet for £51,160.19. The works commenced on 14th December 2020 and had a completion date of 27th February 2021. These costs have been included in the overall contract price.
- 8 Following planning approval for both schemes at the end of 2020, United Living (North) Ltd having developed the designs and undertaken market testing, submitted their Stage Two tender via YORtender on 27th May 2021 in line with the two stage procurement process. The tender has been assessed by the evaluation team which consists of the Council Housing Growth Team and NPS's Senior Architect and QS.
- 9 NPS have confirmed that the Stage Two tender prices submitted by United Living (North) Ltd are arithmetically correct and having undertaken the necessary checks are satisfied that the costs reflect the specification. NPS have also assessed the design and survey fees agreed with the contractor and confirm that they are competitive.
- 10 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.
- 11 The indicative timescales for the project are below:

Activity	Date
Construction Period	June 2021 to April 2022
All New Homes Occupied	December 2021 (Silk Mill Drive)

What impact will this proposal have?**Wards Affected: Beeston & Holbeck and Weetwood**

Have ward members been consulted? Yes No

- 12 The approval of this development will add significant social value through the provision of quality social housing units in addition to employment and skills opportunities during the construction phase.
- 13 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 (see Appendix B).

What consultation and engagement has taken place?

- 14 The Council House Growth Programme has an established process for consulting and engaging with key stakeholders in relation to new build schemes delivered under the programme. As such, the CHGP has engaged the relevant elected members for the impacted wards and also the Deputy Leader and Executive Member for Communities (pre-AGM 20th May 2021), all of whom are fully supportive. The most recent briefings were provided on 17th May 2021 to advise Members that we were looking to enter into an NEC contract and expect a start on site in June 2021.
- 15 Regular updates on the progress of the whole programme are presented at the Council Housing Growth Programme Board.
- 16 The Council Housing Growth Team and United Living (North) Ltd will continue to engage with Members by facilitating 'meet the contractor' sessions and providing regular updates during the contract programme.

What are the resource implications?

- 17 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 Council Housing Growth Programme, taking the overall funding injected and available for the Council House Growth Programme to £337.1m.

What are the legal implications?

- 18 The procurement process has been conducted in line with the Council's Contract and Procedure Rules and 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 and Housing on 4th May 2018.
- 19 The recommendations set out in this report are a direct consequence of a previous Key Decision dated 4th May 2018 and is, therefore, a Significant Operational Decision which is not subject to call in.

What are the key risks and how are they being managed?

- 20 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 appropriate.
- 21 NPS have been commissioned to provide all post contract services to deliver the scheme which includes cost control and contract management in relation to the NEC4 contract and this will include regular risk review workshops during the construction period.
- 22 Included within the total scheme costs is a Leeds City Council contingency for any unknown costs which may occur during the construction phase. This contingency sits outside of the contract price and is linked to the costed risk register which was developed during the design process and last reviewed at the end of Gateway 4, and will continue to be reviewed on a regular basis during the construction phase.

Does this proposal support the council's 3 Key Pillars?

Inclusive Growth

Health and Wellbeing

Climate Emergency

- 23 This proposal supports inclusive growth for the wider community through the employment and skills opportunities generated by the scheme (see Employment & Skills in Appendix C).
- 24 The scheme will promote greater Health and Wellbeing among our residents through the provision of better quality social housing.
- 25 The proposal supports the Council's Climate Emergency strategy by providing housing 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.

Energy costs for Leeds Standard homes are over £500 per 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.

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.

Options, timescales and measuring success

a) What other options were considered?

- 26 The Council Housing Growth programme procurement strategy utilises a range of options in delivering schemes including
- a. separate procurements for each of the sites through Council approved frameworks (YORBuild or Constructionline);
 - b. Bundling of sites and then undertaking a single procurement through Council approved frameworks;
 - c. Developing partnering arrangements through existing Council approved frameworks; and
 - d. Undertaking bespoke procurements to secure specialist designers with expertise in Council Housing and the requirements for good urban design and energy efficiency.
- 27 For the Meynell Approach scheme, the Council Housing Programme Board determined that the scheme should be delivered as a pilot to explore modern methods of construction and/or off site manufacture, such as panelised or modular solutions. Following a review of options and available procurement frameworks and having undertaken market testing, the project team determined that an effective procurement exercise for this type of project could be delivered through the YORbuild2 framework, which was at that time, the Council's only approved framework for the new build construction work.
- 28 It was further determined that due to the small scale of the Silk Mill Drive scheme comprising only 2 homes, that the Council could achieve better value for money by bundling that requirement with the Meynell Approach scheme.

b) How will success be measured?

- 29 Success will be measured by meeting the Key Performance Indicators outlined on page 1 of this report.

c) What is the timetable for implementation?

- 30 The timetable for implementation is a contract start date of 28th May 2021, a site access date of 5th July 2021 and a completion date of 14th April 2022.

Appendices

- 31 Appendix A – Tender Evaluation Report (confidential)
- 32 Appendix B – Equality, Diversity, Cohesion and Integration Screening.
- 33 Appendix C – Employment and Skills

Background papers

- 32 Council Housing Growth Programme Report to Executive Board November 2018.

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