

Subject: Procurement of a Design and Build Contract to deliver new build Extra Care and general needs housing schemes at Cartmell Drive South, Temple Newsam and Middlecross, Armley – evaluation outcome and contract award

Date: 4th June 2021

Report of: Council Housing Growth Team

Report to: Director of City Development

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Appendices A and B to this report have 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 the public interest in maintaining the content of the appendix as being exempt from publication outweighs the public interest in disclosing the information, as doing so would prejudice the Council's commercial position and that of third parties should it be disclosed at this stage

What is this report about?

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

- In July 2017, Executive Board approved a report which set out the Council's ambitions for providing extra care housing for older people with care and support needs across the city and approved the use of a number of council owned sites to support this programme.
- The Leeds vision for extra care housing is to seek to deliver more than 1,000 homes by 2028 to meet the growing demand for this accommodation type and meet population forecasts. The programme is being delivered in two phases, the first element being procured with an external partner organisation and the second made up of three council owned sites on which direct delivery would be undertaken.
- In June 2019, the Director of Resources and Housing approved a competitive dialogue procurement procedure in order to deliver two of the three Council schemes. This consisted of an extra care scheme for older people with care and support needs at the Cartmell Drive South site in the Temple Newsam ward (Scheme 1) within a larger general needs housing development on that site, together with another Extra Care scheme at Middlecross, Armley (Scheme 2).
- The two Extra Care schemes will support the delivery of the overall programme targets with up to 120 new homes for older people, whilst the general needs housing will contribute to the Best Council plan target of increasing the number of affordable homes in the city.
- The Council Housing growth team have now completed the final stage of the competitive dialogue procurement and identified a preferred bidder following a full evaluation process

and this report requests approval to issue an Appointment Letter and to enter into an NEC4 Professional Services Contract (PSC) with the winning bidder ENGIE Regeneration and to pay their tender fees in line with the invitation to submit final tender documentation submitted as part of this competitive procurement exercise.

Recommendations

The Director of City Development is recommended to

- a) Note the outcome of the evaluation process and approve the Project team recommendation to appoint ENGIE Regeneration as its preferred bidder to deliver the Cartmell Drive and Middlecross schemes;
- b) Approve entering into an NEC4 Professional Services Contract (PSC) with Engie Regeneration to further develop their proposals for the Middlecross scheme, subject to a separate report being submitted to confirm costs and timescales;
- c) Note that 12 months of further gas monitoring and site investigations at Cartmell Drive, Halton Moor (scheme 1) before that scheme can proceed; and
- d) Approve the payment of ENGIE Regeneration's tender fees in the amount of £25,000 (twenty five thousand pounds) as part of this contract award.

Why is the proposal being put forward?

- 1 The Director of Resources and Housing approved a competitive dialogue procurement procedure to deliver extra care housing schemes for older people with care and support at Cartmell Drive South, Halton Moor within a larger general needs housing development on that site, and at Middlecross, Armley on 26th June 2019. The Council set out its indicative requirements for both sites as part of the Invitation to Tender with the indicative breakdown of unit type and numbers seen in Tables 1 and 2 below.

Table 1 – Cartmell Drive, Halton Moor – indicative scheme mix

Scheme	Extra Care housing scheme	
	Unit Type	Number of units
Cartmell Drive South, Temple Newsam	1 bed flexi apartments (3 person) 60m2	52
	2 bed apartments (3 person) 68m2	13
	Extra Care - Total number of units	65
	General Needs housing units comprise of the following	
	Unit Type	Number of units
	1 bed apartments (2 person) 50m2	6
	2 bed apartments (4 person) 70m2	6
	3 bed wheelchair accessible bungalow M4(3) (5 person) 105m2	2
	2 bed bungalow (4 person) 70m2	6
	2 bed houses (4 person) 79m2	46
	3 bed houses (5 person) 93m2	30
	4 bed houses (7 person) 115m2	2
	General Needs – Total number of units	98

Table 2 – Middlecross, Armley – indicative scheme mix

Scheme	Extra Care housing scheme	
	Unit Type	Number of units
Former Middlecross Day Centre, Armley	1 bed flexi apartments 60m2	50
	2 bed apartments 68m2	13
	Extra Care - Total number of units	63

- 2 Bidders were required to submit designs, method statements and pricing as part of the procurement, with tenders evaluated against the criteria approved for the project of 65% quality and 35% price. Two compliant tenders were received on the 5th March 2021 at final submission stage and have been subject to a detailed quality and price evaluation which has now been completed.
- 3 Following this full evaluation process, which involved a project team consisting of consultees from across the Council and our technical consultants, NPS, the outcome is that ENGIE Regeneration’s bid has scored the highest overall and they are being recommended for appointment as the Council’s preferred bidder based on the following assessment in Table 3

Table 3 – Summary overall score for winning bidder

Rank	Organisation	Quality score (Max: 650 points)	Price Score (Max: 350 points)	Total Score (Max: 1,000 points)
1	ENGIE Regeneration	533	350	883

- 4 The detailed quality scores for both bidders are set out in confidential **Appendix A**, and a full pricing report provided by our technical consultants NPS is provided at confidential **Appendix B**.

What impact will this proposal have?

Wards affected: Temple Newsam and Armley

Have ward members been consulted? Yes No

- 5 The new extra care housing being provided as part of this programme will have a significant positive impact on the residents of the schemes and in the Council’s ability to meet the needs of some of its oldest and most vulnerable residents. Implementing the Better Lives Programme is key to delivering the Council’s ‘Best Council Plan 2015-2020’ supporting the realignment of services to be more responsive to older people’s needs, giving them greater choice and control over their care and reducing the impact on longer-term care services.
- 6 The extra care housing programme was promoted as a means to provide a modern, alternative model of housing with care and support to meet the needs of these residents, but which should offer the opportunity to realise revenue savings against the equivalent cost of providing residential care (local authority and independent sector provision), even if all care recipients had high care and support needs.
- 7 The provision of these high quality developments will deliver much needed affordable housing to meet identified needs in the city and help us to achieve our target of 1,500 new council homes by March 2025.
- 8 The estimated total contract value of up to £50 million gives the Council and our successful contractor partner the opportunity to invest significantly in social value outputs and we have tasked them with ensuring that where possible work is created within and around the Leeds

Borders to support the Leeds' Pound. The contractor has also agreed to meet targets for Employment & Skills which includes Jobs for Apprenticeships and other training opportunities as part of the tender process and these will be formalised into the contract appointments in due course.

- 9 An Equality, Diversity, Cohesion and Integration (EDCI) screening was completed in 2017 which looked at the potential impact of the delivery of up to 200 new Extra Care homes on equality, diversity, cohesion and integration as part of the wider Council Housing Growth Programme (CHGP).
- 10 The proposals reflect differences in need in relation to existing and predicted supply of Extra Care housing across the city's neighbourhoods and seek to facilitate an increase in supply to meet current and predicted localised gaps in provision.
- 11 This EDCI screening document was further updated for the Executive Board in December 2018. This has been further reviewed and updated and is attached for reference at **Appendix C**.

What consultation and engagement has taken place?

- 12 Consultation was undertaken with the residents of the Council's first directly operated extra care scheme, Wharfedale View, Yeadon in 2018 to gauge the effectiveness of the Extra Care scheme and help develop further schemes within the city. The consultation covered health and social care services and other indicators of quality of life, satisfaction and quality of care. Key findings from the consultation found that:
 - 59% of residents who completed the survey felt their self-perceived quality of life could not be better or was very good;
 - 65% said they were feeling optimistic about the future all of the time or often and 55% said they were feeling good about themselves; and
 - 88% of participants said they were often or sometime interested in new things since moving into Wharfedale View.
- 13 Ward members for both Armley and Temple Newsam wards have been regularly updated on the scheme and key dates throughout the procurement and all members continue to be supportive of the schemes.
- 14 A full stakeholder management and communications plan will be discussed and agreed with ENGIE Regeneration following contract award. The Council will hold regular meetings with key stakeholders to keep them up to date with the scheme as well as email briefings to Ward Members.
- 15 A future briefing will be offered to relevant Ward Members to review ENGIE Regenerations' design proposals for both schemes prior to planning submission stage, in line with the agreed ward member engagement strategy.

What are the resource implications?

- 16 Full Council on the 26th February 2020 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, of which £75.8m was spent to date as at the end of financial period 4 2020/21.
- 17 The scheme will be funded via a combination of retained Right to Buy receipts or Homes England Grant, blended with HRA borrowing.
- 18 Internal resources are in place and ready to proceed to the next stage. A multidisciplinary project team was established in 2019. Technical Advisor and Quantity Surveyor consultancy support is being provided by NPS Leeds. These resources are included in the project budget.
- 19 The council will apply a gateway approach to managing the project, with approvals taking place at key milestones. These gateways will provide assurance that the contractor has met the requirements specified for each stage prior to moving on to the next stage.

20 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 the next stage. A Contract Management Plan will be produced in due course for the scheme.

What are the legal implications?

- 21 The original key decision to support the delivery of the Extra Care Housing programme was taken by Executive Board on 17th July 2017. Executive Board also took a key decision on 19th December 2018 to confirm the inclusion of the Cartmell Drive, Halton Moor site to be utilised to deliver extra care housing and noted that the Middlecross, Armley site would also be part of this programme. The procurement approach for delivering these schemes was confirmed by a subsequent Significant Operational Decision taken by the Director of Resources and Housing on 26th June 2019.
- 22 Executive Board took a key decision on 21st November 2018 to include the site at Cartmell Drive South, Halton Moor for the delivery of general needs housing as part of a wider programme bid to deliver new council housing.
- 23 The recommendations set out in this report are also being taken as a direct consequence of the previous Key Decisions and are therefore further Significant Operational Decisions which are not subject to call-in.
- 24 Appendices A and B to this report have 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 the public interest in maintaining the content of the appendix as being exempt from publication outweighs the public interest in disclosing the information, as doing so would prejudice the Council's commercial position and that of third parties should it be disclosed at this stage

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

- 25 The council housing growth programme is being delivered using the council's agreed project management methodology and a project risk log will be maintained and risks managed, monitored and escalated through the governance process as necessary.
- 26 The scheme specific risks currently identified for this project include:
- **Ground conditions make a scheme(s) unviable** – The Cartmell Drive South initial site assessment categorises the site as “red” with a high gas regime identified which requires additional monitoring. Further details are set out below.
 - **Failure of procurement process** – The competitive dialogue process resulted in the submission of compliant bids and the evaluation process has been completed. The outcome of the evaluation will be notified to bidder shortly. The project team do not envisage any issues arising from the procurement process with all processes and regulations meticulously ensuring fairness and transparency throughout the procurement with all documentation and dialogue sessions evidenced.
 - **Planning applications are refused and / or require changes, delaying the programme and resulting in increased costs** – the site proposals and designs for the Cartmell Drive scheme have been developed through dialogue involving the Council's in-house design team with representatives
 - **Challenging site conditions leading to programme delays / high site abnormal costs / issues** – the project team will continue to work with its technical consultants and the contractor and its design team to undertake any necessary surveys and investigations and to seek to take any necessary steps to remediate sites and to mitigate

through design the cost of schemes but this remains challenging due to the significant infrastructure and contamination issues faced on most sites in the programme;

- **Schemes are not built to Council requirements and/or defects occur** – the Council has developed an output specification for extra care housing schemes and continues to refine and update its requirements using the experience gained from developing other similar schemes. The bidders involved in the procurement process have got relevant and recent experience of designing and building complex social housing schemes including extra care housing to ensure current good building and industry practice is observed. Internal and external technical advice will be utilised combined with necessary building control and insurance requirements to provide protection against or rectification to address any defects.

- 27 As noted above, there is particular uncertainty in the ground conditions at Cartmell Drive and the council received new advice last year from external consultants that an additional 12 months of gas monitoring is required to fully characterise the gas regime on this challenging former landfill site. As a result of this, the below ground design work and costs will be worked through once the gas monitoring is complete and was not part of the tender process, as agreed with both bidders as part of the procurement process.
- 28 It was also agreed, that once the preferred bidder was appointed that they would take responsibility for the further gas monitoring exercise and it will be ENGIE Regenerations' responsibility to lead on commissioning further gas monitoring, ground investigations and surveys at the Cartmell Drive site. Further investigations will be undertaken for up to 12 months with regular progress meetings involving the Council Contaminated Land team to determine the severity of the ground conditions and to produce a remediation process.
- 29 Once the monitoring, investigations and surveys are complete, the council will review the scheme's viability and has reserved the right to reduce the number of general needs units on the site if necessary, as the Council's primary priority for the site is to deliver the extra care scheme.
- 30 It is proposed that the gas monitoring and related survey and investigation work for the Cartmell Drive site forms part of a separate Pre-Construction Services Design Agreement and a further authority to award report will be submitted for approval once the details are confirmed.

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

Inclusive Growth

Health and Wellbeing

Climate Emergency

- 31 Housing has been identified as one of the Best City priorities and this programme will directly support the following priorities:
- a) Housing of the right quality, type, tenure and affordability in the right places;
 - b) Minimising homelessness through a greater focus on prevention;
 - c) Providing the right housing options to support older and vulnerable residents to remain active and independent, and;
 - d) Tackling fuel poverty
- 32 As well as enabling the Council to build to meet its housing needs, the programme will also contribute to delivering against our social value charter aspirations via the creation of employment, skills and apprenticeship opportunities within the City.
- 33 Making Leeds an Age-Friendly city has been as one of the Council's Best City Priorities as set out on the Best Council Plan for some time. The Council promotes opportunities for older people to be healthy, active, included and respected, which these Extra Care housing schemes will support.
- 34 The Council developed the Leeds Standard and specification to set out its requirements in respect of all new homes in Leeds a few years ago. The specification primarily focusses on cutting carbon, improving air quality and tackling fuel poverty, and central to this is the well-

being of tenants. It plays a key role in ensuring excellence in delivery through design quality, space standards and energy efficiency standards.

- 35 Examples of building specific elements that will support the road to low carbon include the following:
- a) All dwellings are built taking a 'fabric first' approach – meaning we achieve extremely high insulation levels which in turn reduce energy demand (recent schemes U values up to 60% better than current Building Regulations requirements);
 - b) High performance glazing and sizing of windows to minimise heat loss and maximise natural light;
 - c) Use of alternative energy efficient hot water and heating systems and where applicable the development of min-district heating schemes to serve larger scale developments;
 - d) Installation of solar panels – providing some free electricity when appropriate;
 - e) Inclusion of water saving devices such as water meters, over bath showers, dual flush toilets, aerated taps, low capacity baths and water butts.
- 36 This approach helps us achieve the ambition to reduce carbon by achieving a very high performance levels and build standards whilst at the same time ensuring our properties are designed in such a way as to ensure they will meet the housing needs of existing and future generations.
- 37 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.
- 38 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.

Options, timescales and measuring success

What other options were considered?

- 39 The procurement approach for delivering these schemes was originally considered and approved at Executive Board on 17th July 2017. The main options considered to enable the Council to deliver extra care across the city, were identified from a series of procurement workshops as follows:
- A new stand-alone full OJEU procurement;
 - Use of an existing framework e.g. YORbuild 2 or DPP3 (Homes and Communities Agency Delivery Partner Panel); North Yorkshire County Council (NYCC) Extra Care Framework
 - NPS sponsored Social Infrastructure Development Framework; and
 - New form of Joint Venture or separate legal entity.
- 40 Over time, the position on sites changed meaning that the extra care schemes could no longer be delivered as a single package and in two cases would also comprise a mixed development involving the delivery of some general needs housing as part of a wider development.
- 41 As a result, the procurement options were reviewed again and two rounds of market testing were undertaken to explore options for delivery resulting in consideration of the following options in June 2019:
- Utilising the Council approved framework – YORbuild2;
 - Utilising another external framework;
 - OJEU Procurement – Restricted; and
 - OJEU Procurement – Competitive Dialogue.
- 42 The Project Team recommended the Competitive Dialogue Procedure as the preferred procurement route due to the complexity and scale of this project and because

- it provided the ability to enter into meaningful dialogue and negotiation to ensure bids of the highest quality were submitted; and
- it enabled the council to provide feedback and the opportunity for contractors to improve through different iterations to develop a scheme that delivers best value.

How will success be measured?

43 The programme will also 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

What is the timetable for implementation?

44 Subject to Director approval of the recommendations in this report, the immediate next steps will be to

- a) Issue letters to bidders confirming the outcome of the evaluation process – June 2021
- b) Wait for the standstill period to elapse with the winning bidder – June 2021
- c) Issue appointment letter to Engie Regeneration and then commence initial meetings to confirm costs and timescales for Middlecross, Armley and the gas monitoring regime for Cartmell Drive – July 2021
- d) Seek Director approval to award the necessary contracts – July 2021

45 There are a number of contracts proposed for managing the next stage of delivery for these schemes.

- a) Firstly, an NEC Professional Services Contract for the design of Middlecross (scheme 2) from RIBA Stage 1 to 4 and the Gas Monitoring works for the Cartmell Drive (scheme 1) , this will include all survey works to understand the extent of remediation works needed and the formulation of a remediation strategy.
- b) Following the completion of the gas monitoring works, estimated to take place over a 12 month period, a second NEC Professional Services Contract will then be awarded for the design of Cartmell Drive (scheme 1) from RIBA 1 to 4 and the undertaking of remediation following results of the gas monitoring.
- c) Once the designs for Middlecross have reached RIBA stage 4 (Developed Design), an NEC Engineering and Construction Contract will be awarded, which will be in place throughout the construction period and oversee all aspects of the construction stage of the project.
- d) Following the completion of the design for Cartmell Drive, up to RIBA stage 4 and completion of remediation works on site, an NEC Engineering and Construction Contract will be awarded for the construction stage of the project. It is anticipated that this will run 2-3 years behind the Middlecross site.

46 Prior to the NEC4 Professional Services Contract award, a further financial check will be carried out to re-confirm that the preferred organisation is not a risk to the authority.

Appendices

47 The quality scores for both bidders are enclosed at confidential **Appendix A**.

48 A full pricing report provided by our technical consultants NPS is enclosed at confidential **Appendix B**.

49 The updated EDCI screening document is enclosed at **Appendix C**.

Background papers

50 Executive Board reports considered on 17th July 2017, 19th December 2018 and Director approval dated June 2019.