

Council Housing Growth Programme: Design Cost report for Authority to Spend and Approval to enter into an NEC3 Engineering and Construction contract to deliver General Needs and Extra Care Housing at Throstle Recreation Ground and Former Middleton Skills Centre sites at Middleton, Leeds.

Date: 23<sup>rd</sup> July 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

- This report concerns the proposed construction contract to deliver 176 new homes under the council housing growth programme at the Throstle Recreation Ground and former Middleton Skills Centre sites in the Middleton Park ward.
- The Director of City Development previously approved a decision to enter into an Enabling Works Delivery Agreement (EWDA) (NEC3 Short Contract) with Wates Construction Ltd to enable the completion of early design, procurement and construction activities for the proposed scheme on 25<sup>th</sup> May 2021.
- The purpose of this report is to seek approval to enter into an NEC3 Engineering and Construction contract (NEC3 ECC) with Wates Construction Ltd and authority to spend for the remainder of the contract value of £39,571,644 for the construction of 100 general needs houses made up of 2,3 and 4 bedroom properties, 16 x 1 bed M43 bungalows (designed for adults with Physical and Sensory impairments) and 60 Extra Care apartments and associated communal facilities for older people needing care and support.
- This scheme supports the Council's ambitions to provide extra care housing for older people with care and support needs across the city and the use of a number of council owned sites to support this programme, which was approved by Executive Board in July 2017.
- In November 2018, Executive Board approved a report which set out the Council's ambition to construct 300 new build properties per year following the abolition the HRA borrowing cap. The delivery of 176 new homes under the construction contract will directly contribute to our target of delivering 1,500 new homes by March 2025.

## Recommendations

- a) The Director of City Development is requested to authorise:-

- a. entering into an NEC3 Engineering and Construction Contract (NEC3 ECC) Option A with Wates Construction Ltd for the construction of 176 new build council homes for the remaining contract sum of £39,571,644 (excluding the enabling works previously approved).
- b. the total scheme expenditure identified in the cover note at confidential Appendix A from capital scheme numbers 33103/THR and 33103/TGF to deliver 100 general needs houses made up of 2,3 and 4 bedroom properties, 16 x 1 bed M43 bungalows (designed for adults with Physical and Sensory impairments) and 60 Extra Care apartments and associated communal facilities at the former Middleton Skills Centre sites and Throstle Recreation Ground at Middleton, Leeds.

### **Why is the proposal being put forward?**

- 1 The proposal will 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 and support the Leeds vision for extra care accommodation which aims to deliver 1,000 new homes for older people with care and support needs by 2028 to meet the growing demand for this accommodation type and meet population forecasts.
- 2 The extra care 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: Throstle Recreation Ground being one of the sites for direct delivery.
- 3 The scheme at Throstle Recreation Ground and Middleton Skills Centre is high in value and complexity. It includes bespoke requirements for specialist housing elements, significant green space and other infrastructure works. The Council determined that early contractor design engagement would be necessary with a suitably experienced contractor partner in order to achieve successful delivery.
- 4 On 21st October 2019, approval was granted by the Director of Resources and Housing for Wates Construction Ltd to undertake a feasibility study for the scheme via the Scape Major Works UK public sector procurement framework. Wates secured the preferred partner status on this framework through a competitive tendering exercise and they are required to submit fees, preliminary and design costs in accordance with these tendered rates as part of the tender process for the Scape Framework.
- 5 The Council subsequently entered into a Pre-Construction Services Delivery Agreement (PCSDA) with Wates on 27<sup>th</sup> April 2020 to further develop the Throstle Recreation Ground and former Middleton Skills Centre scheme and they submitted their final price and design for the site on 21<sup>st</sup> June 2021 which have now been evaluated and are being recommended for acceptance.
- 6 The Scape framework also offers a consultancy framework which is provided by Perfect Circle, a company jointly owned by Pick Everard, Gleeds and AECOM. Having considered available options, the Council decided to appoint Perfect Circle as the Council's Technical Consultants for the duration of this project and they have completed a comprehensive tender report which is enclosed at confidential Appendix A.
- 7 The tender report provides a detailed commentary of the Wates submission and notes that 81% of the subcontractor work packages on this project have been market tested through the receipt of 3 or more subcontractor quotations. Perfect Circle believe this level of market testing is a fair and accurate representation of the general market and that this provides, where possible, that best value has been provided to the Council throughout the pre-contract commercial process.

- 8 Whilst the Council recognises that the bespoke nature of the scheme elements means it is not easily comparable to other schemes in terms of cost/unit metrics, the Council Housing Growth team is satisfied that the scheme represents value for money and fully meets the Council's requirements for high quality, transformative, affordable housing which will meet the needs of residents and the city in respect of the specialist and general housing identified in this report.
- 9 As noted above, the Council approved enabling works on the Throstle Recreation Ground Site, under a separate decision report which started on site on Monday 7<sup>th</sup> June 2021 and were expected to take approximately 6 weeks. Approval is now being sought to enter the main Works contract in order to deliver the scheme. The target timescales for the project are below:

Activity	Date
Construction Period	26 <sup>th</sup> July 2021 to 21 <sup>st</sup> August 2023

### What impact will this proposal have?

**Wards affected: Middleton Park**

Have ward members been consulted?       Yes       No

- 10 In addition to the range of housing provision identified previously, the scheme will also support the Council's aspirations around climate change; through the delivery of a district heating system that will provide heating and hot water to all properties, and bio-diversity through the provision of sustainable urban drainage and improvements to the remaining public open space to be retained as part of the Throstle Recreation Ground.
- 11 The scheme was supported by Panel Members at the South and West Plans Panel on 1<sup>st</sup> April 2021, and was then referred to the Secretary of State prior to approval due to the move away from the approved SAP in terms of where the greenspace is located on the site. The scheme was granted full planning approval on 13<sup>th</sup> May 2021. All information in relation to the pre-commencement conditions has been submitted by Wates Construction Ltd.
- 12 The extra care element will have a significant positive impact on residents as this will increase the Council's ability to meet the needs of some of its older and more vulnerable residents. Implementing the Better Lives Programme is key to delivering the Council's 'Best Council Plan' 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.
- 13 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 additionally 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.
- 14 The provision of these high-quality developments will deliver much needed affordable housing to meet identified needs in the city and help to achieve our target of 1,500 new council homes by March 2025.
- 15 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 and cohesion and integration as part of the wider Council Housing Growth Programme (CHGP). The EDCI screening document was updated for the Executive Board in December 2018 and the EDCI for this particular scheme has been appended at Appendix B.

## What consultation and engagement has taken place?

- 5 The scheme proposals have been the subject of extensive discussion with local elected members who have been regularly briefed throughout the design and planning process. They raised several issues including concerns regarding the size/ massing of the extra care building and traffic calming through the development, both of which were resolved prior to planning approval.
- 6 As part of the scheme development public consultation was undertaken prior to the planning submission with local residents. Due to COVID-19 this was undertaken via leaflet drop including information on the scheme, feedback form and freepost envelope. This was distributed to nearly 1,500 homes local to the site. Information was also shared on social media sites and to local businesses/ organisations. Further letter drops were undertaken to properties surrounding the site to inform residents that a planning submission had been made and to inform residents regarding the start of enabling works.
- 7 The relevant executive members with responsibility for the council housing growth programme have also been briefed. Both the Deputy Leader and Executive Member for Communities, Cllr D Coupar (pre-AGM 20<sup>th</sup> May 2021), and the Executive Member for Infrastructure and Climate, Cllr H Hayden (post-AGM) have been briefed and are fully supportive of the scheme.
- 8 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 contract programme. A joint communication plan will be in place between LCC and Wates Construction Ltd during the construction phase.

## What are the resource implications?

- 9 Total funding injected and available for the Council House Growth Programme as at Full Council 24<sup>th</sup> February is now £332.4m as shown in the Table below.

### Council House Growth Programme restated as at June 2021

Injections as per Full Council as at June 2021	TOTAL £000's	TO MARCH 2020 £000's	FORECAST		
			2021/22 £000's	2022/23 £000's	2023/24 £000's
New Build & Extra Care	265,361.4	57,745.5	54,631.9	62,783.1	90200.9
Council Repurchase and Empty Homes	57,807.2	22,163.5	12,257.1	23,386.6	
Registered Providers & Other	9,193.8	8,189.3	1,004.5	0.0	0.0
<b>TOTALS</b>	<b>332,362.4</b>	<b>88,098.3</b>	<b>67,893.5</b>	<b>86,169.7</b>	<b>90,200.9</b>
Current Authority to spend as at June 2021	TOTAL £000's	TO MARCH 2020 £000's	Actual		
			2021/22 £000's	2022/23 £000's	2023/24 £000's
Current ATSto June 2021	98,326.7	86,847.8	11,478.9		
<b>TOTALS</b>	<b>98,326.7</b>	<b>86,847.8</b>	<b>11,478.9</b>	<b>0.0</b>	<b>0.0</b>

- 10 The Extra Care and General Needs Housing schemes will be funded via HRA Borrowing 70% and blended with retained Right to Buy receipts 30%. From 1<sup>st</sup> of April 2021 government rules allow the utilisation of up to 40% of receipts an additional 10% on previous years. The scheme meets the rent setting principles that were outlined in a report to Executive Board on 26<sup>th</sup> June 2019.
- 11 The scheme meets the viability tests agreed by Executive Board and the total borrowing requirement for all scheme elements will be repaid within 30 years and the schemes will be let using affordable rents at 75%-80% of the market values for the area.

- 12 Internal resources are in place to support the delivery of the project. Perfect Circle will provide NEC Project Manager and Site Supervisor roles along with Technical Advisor and QS support.

### **What are the legal implications?**

- 13 The procurement process has been conducted in line with the Council's Contract and Procedure Rules. Approval was sought from the Director of Resources and Housing to waive CPR 3.1.5 which would enable the Council Housing Growth team to look outside of the usual arrangement through the YORbuild2 framework. Approval to procure a framework contractor through a direct award procedure via the Scape Major Works UK framework was given by the Director of Resources and Housing in 21<sup>st</sup> October 2019.
- 14 The original key decision to support the delivery of the Extra Care Housing Programme was taken by Executive Board on 17<sup>th</sup> July 2017. Executive Board also took a key decision on 19<sup>th</sup> December 2018 to confirm the inclusion of the Throstle Recreation Ground site to be utilised to deliver extra care Housing. Executive Board took a further key decision on 26<sup>th</sup> June 2019 to include the remainder of Throstle Recreation Ground and the former Middleton Skills Centre site in the Council Housing Growth programme for the delivery of general needs housing.
- 15 The recommendations set out in this report are a direct consequence of previous Key Decisions and therefore, this proposal constitutes a Significant Operational Decision which is not subject to call in.

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

- 16 The CHGP is being delivered using the Council's agreed project management methodology and a programme risk log will be maintained and risk managed, monitored and escalated through the governance process as appropriate.
- 17 The scheme specific risks identified for this project include:
  - **Unidentified ground conditions** – all required ground investigations have been undertaken to mitigate but there is a remaining risk that unidentified ground conditions may be encountered on site.
  - **Material delay/ cost increase** – due to Brexit and Covid there is a risk of material shortage/ costs increases especially any materials from abroad.
  - **COVID** – Costs have been included within the contract to ensure a COVID safe workplace, but there is a risk of delay if any further lockdowns are announced.
  - **Existing Services** – part of the site has previously been for housing and existing services may have been disconnected but not at the site boundary so there is potential for the cables to still be live within the site. The works also include the relocation of existing sub-station.
  - **Existing Substation move** – potential to cause delay to scheme based on lead times encountered to organise the move.
  - **Road Closures** – there is approximately 8nr road closures required across the lifespan of the scheme. This will need careful management and liaison with LCC Highways to ensure acceptable and to minimise disruption to local residents.
- 18 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 three Key Pillars?**

Inclusive Growth

Health and Wellbeing

Climate Emergency

19 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

20 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. The following KPI's/ Social Value targets below are an example of what will be required to be delivered under the contract-

- Local Labour with 20 miles – 40%
- Local spend within 20 miles – 40% (within 40 miles – 75%)
- SME Engagement – 85%
- SME spend - 85%
- No. of staff hours spent on local school and college visits – 60 hrs
- No. of site visits for school children or local residents – 12 visits
- No. of weeks spent on meaningful work placements or pre-employment courses – 18 weeks
- Employment taster days in the real estate/ construction industry – 12 days

21 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.

22 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. Taken collectively, the specification proposed will deliver exemplar new social housing in Leeds.

23 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.

- 24 The Throstle Rec scheme includes a district heating system powered by air source heat pumps and gas fired condensing boilers which will provide heating and hot water to all 176 properties. The inclusion of the district heating system, alongside meeting the Leeds Standard, is expected to provide a saving to the resident on the annual cost of heating and hot water and also provides an annual saving of approx. 50,000kg CO2/annum.
- 25 The Throstle Rec scheme also meets the soon to be implemented planning policy of providing a 10% net gain in biodiversity on site. This has been achieved in part through the inclusion of SUDS and associated planting, additional tree planting and inclusion of wildflower meadows.
- 26 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**

### **a) What other options were considered?**

- 27 The Council Housing Growth programme procurement strategy utilises a range of options in delivering schemes including:
- a. Procurements through Council approved frameworks (YORbuild2).
  - b. Undertaking bespoke procurements to secure specialist designers with expertise in Council Housing and the requirements for good urban design and energy efficiency.

The YORbuild2 procurement framework has been the preferred option to deliver the programme as this provides the Council with a group of pre-qualified and experienced contractors who can meet our requirements. Under YORbuild2 we have used the two stage tender process, appointing contractors either through running a mini-competition or via the direct award process. A number of our current schemes have used this approach.

Having considered the specific needs of the Throstle Recreation Ground and former Middleton Skills Centre scheme, the Council identified that the best option would be to appoint a single contractor through direct call-off from a pre-qualified framework. This would provide a contractor with the appropriate market experience (particularly with the extra care element) and improve collaboration in addition to improving risk management, design development and reducing timescales.

Having considered our procurement options, it was decided that the best framework available to provide a single experienced contractor via direct appointment would be the Scape Major Works UK framework which has a single contractor, Wates Construction Ltd. Scape provides a fully compliant procurement route and includes the following features sought by the Council:

- Active management
- Targets and KPIs
- Proactive performance audit and review processes
- A strong emphasis on delivering social value (including utilising local supply chains)
- Reduced timescales

- Cost certainty.

**b) How will success be measured?**

- 28 The programme directly contributes to the achievement of a number of the key performance indicators which 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

**c) What is the timetable for implementation?**

- 29 The timetable for implementation is a contract start date of 26<sup>th</sup> July 2021, a site access date of 26<sup>th</sup> July 2021 and a completion date of 21<sup>st</sup> August 2023.

**Appendices**

- 30 Appendix A – Tender Evaluation Report (confidential)
- 31 Appendix B – Equality, Diversity, Cohesion and Integration Screening

**Background papers**

- 32 Council Housing Growth Programme Report to Executive Board 17<sup>th</sup> July 2017  
<https://democracy.leeds.gov.uk/ieDecisionDetails.aspx?ID=44652>
- 33 Council Housing Growth Programme Report to Executive Board 19<sup>th</sup> December 2018  
<https://democracy.leeds.gov.uk/ieDecisionDetails.aspx?ID=48263>
- 34 Council Housing Growth Programme Report to Executive Board 26<sup>th</sup> June 2019.  
<https://democracy.leeds.gov.uk/ieDecisionDetails.aspx?ID=49825>