

# Authority to spend and procure a contractor for housing high rise improvement works – Lovell Park Grange, Heights, and Towers and Moor Grange Court

Date: 17 December 2021

Report of: Head of Strategy & Investment

Report to: Director of Communities, Housing and Environment

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 improvement project to four buildings outlined in this report are part of the Council's ongoing strategy to undertake repair and improvement works to high rise council housing buildings in Leeds, including to improve energy efficiency as part of the climate emergency agenda.
- This report provides information on the project and seeks approval to progress it, including authority to spend from the Housing capital programme, and approval of the procurement of an external contractor to deliver these works. It should be noted that external funding is being sought for this project, and one other, from the Government's Social Housing Decarbonisation Fund. If the council is successful, the decision report to accept the funding and inject the grant into the Housing Capital Programme will be a resulting decision.
- The project will contribute to the Best Council Plan outcomes of tackling fuel poverty and the climate emergency by improving energy performance in homes and supports the outcome of everyone living in good quality, affordable homes.

## Recommendations

The Director of Communities, Housing and Environment is requested to

- a) Approve this project and authority to spend of £13.6m from the Housing capital programme in 2022/23 to undertake repair and improvement works to four housing high rise buildings - Lovell Park Grange, Heights, and Towers, and Moor Grange Court; and
- b) Approve the procurement of an external contractor for the works through an OJEU compliant external framework.

## Why is the proposal being put forward?

- 1 This project will improve the building fabric and energy efficiency of four residential high-rise building. The project will improve the condition of the building's external envelope, which requires re-roofing, concrete repairs, it aims to reduce resident's fuel costs by installing thermal wall insulation, alongside improving the appearance of the building façade and entrance. Additional works of new signage, replacement timber windows (Lovells only) and upgrade of balconies and walkways (Moor Grange Court only) will also be included.
- 2 Following a competitive procurement, an external contractor will be appointed who will finalise the designs for the project in line with an agreed post-contract award gateway process. NPS Leeds, are providing technical consultancy services to the project including to support the project achieving new national housing retrofit standards.
- 3 The total budget of this project is estimated at £13.9m, (including NPS technical consultancy fees). The tender evaluation process will determine a fixed price for the contractor works and shall be the subject of a separate decision report seeking approval to award a contract.
- 4 Tenders will be invited based on a single stage design and build tender with an NEC4 Engineering and Construction Contract (ECC) Option A contract, to enable a fixed price for the works.
- 5 The recommended procurement route is through an existing external procurement framework. Other procurement options that were considered are as follows:
  - a) Option 1 – Delivery by Internal Service Provider, Leeds Building Services (LBS):  
Discounted – LBS was consulted as required by Contracts Procedure Rule 3.1.4 with regards to delivery of the scope of works. LBS have declined this work as it is not aligned to their core activity, therefore a procurement is required.
  - b) Option 2 – Procure LCC contract via a restricted above threshold tender route:  
Discounted - This route could provide an opportunity to test the market through a competitive exercise using a bespoke specification, pricing document, robust shortlisting, and an evaluation process to determine the best value for money solution. This would include initially advertising to the open market via YORtender and carry out a pre-qualification process (PAS91) with bidders being evaluated through a price / quality evaluation methodology. This route would require an estimated 4 months more than option 3; therefore, on this occasion it is not recommended.
  - c) Option 3 – Procure LCC contract with the use of an external framework provider:  
**Recommended** - The recommended procurement option is to procure a contractor using an existing external compliant framework. Following expressions of interest (EOI) issued to multiple framework providers (YORBuild 2, Efficiency North and Fusion 21), Fusion 21 resulted in 2 out of 11 interested contractors; this competitive approach is the preferred procurement route. The framework has undergone a rigorous procurement exercise assessing the suitability and cost effectiveness of specialist contractors with substantial experience in delivering complex projects. The framework has been vetted and approved by the Council's legal and procurement teams.

LCC have issued 2 EOI's via YORBuild 2; 1 in May and 1 in November. The May EOI resulted in 1 interested contractor however the November EOI resulted in no interested contractors from any of the 8 contractors on the framework due to the timescales of the contract period and limited resources (supply chain/labour).

LCC have issued an EOI via Efficiency North which resulted in 2 interested contractors however we are more confident in achieving a higher tender response with Fusion 21.

## What impact will this proposal have?

**Wards affected: Little London and Woodhouse, and Kirkstall**

Have ward members been consulted?  Yes  No

- 6 Lovell Park Grange, Lovell Park Heights and Lovell Park Towers in Little London are three 17 storey high-rise buildings comprising of 297 flats. Moor Grange Court in Kirkstall, ten storey and 60 flats. Lovell Park buildings are a mix of one, two and three bedrooms and Moor Grange court has a mix of one and two bedrooms.
- 7 These buildings require concrete repairs and re-roofing. Energy efficiency, the SAP (Standard Assessment Procedure) ratings for the flats are currently rated E, F or G, these are all below the city's average for housing stock and require improvement.
- 8 This project will directly benefit resident. In the Lovells, improvement works include external concrete repairs, external wall insulation, new roofing, decoration to the ground floor entrance and lift lobby area, and any ventilation improvements as needed. At Moor Grange Court works are similar but will include additional works of walkways and balcony repairs.
- 9 The project will improve safety of the buildings, reduce carbon emissions, and improve energy efficiency, which will improve thermal comfort and residents, dependent on usage it will reduce heating costs.
- 10 Bidders will also be submitting their commitments to achieve additional social value as part of the tender.
- 11 An Equality, Diversity, Cohesion and Integration (EDCI) impact assessment has been undertaken for this project and is attached as Appendix 1. There are not expected to be any negative impacts in relation to the planned works.

## What consultation and engagement has taken place?

- 12 Residents were consulted about the works and planned timescale in October 2021. Further engagement with residents will take place and local consultation workshops will be planned as appropriate within government guidelines in relation to the COVID pandemic. A technical officer is allocated to the project to manage communication and address any resident queries or concerns. Full resident engagement will commence once an approach has been agreed with the contractor. As part of the competitive procurement, the evaluation criteria will include assessments of a contractor's approach to resident communication and engagement.
- 13 There are forty-one leaseholders in total across the four buildings. Formal leaseholder consultation has been undertaken for the Lovells buildings and separately for Moor Grange Court, given the slight differences in the proposed works. There were no issues raised or responses received from Leaseholders. Due to the extensive nature of the works, the potential cost to leaseholders may be high but could be significantly mitigated if external funding is secured.
- 14 Initial consultation has been undertaken with ward councillors for both sites in Little London and Kirkstall; all are fully supportive of the planned works and further detailed consultation will occur throughout the project's planned delivery. The Executive member for Environment and Housing has also been consulted on this project and is supportive. Planning permissions have also been submitted.
- 15 This report has been developed by the project team who have been involved throughout the process. Advice has been secured from Procurement, Commercial and Legal Services, who have reviewed the proposals and support the planned decisions.

## What are the resource implications?

- 16 Technical support has included a range of activity, including benchmarking through whole dwelling assessments and air permeability surveys in line with new housing PAS2035 retrofit standards and will form part of the main contractor works that make up an overall budget of £13.9m.
- 17 The procurement will be carried out in an open and transparent manner in line with Council Contract Procedure Rules and as required by the Public Contract regulations 2015 to identify best value.
- 18 The evaluation of competitive tenders will be based on price and quality, these will be separated (in accordance with CPR 15.2 a), this will involve an initial pass/fail threshold for quality, subsequently the contractor will be awarded to lowest viable and compliant tender submission. The questions, thresholds, and weightings that make up the tender evaluation criteria are being finalised and will require approval in line with CPR 15.1 before tenders are invited.
- 19 The contract will be managed by the Housing Strategy & Investment team and a contract management plan will be developed in line with Contract Procedure Rule 3.1.16.
- 20 The project had Authority to Spend of £0.3m approved in June 2021 (see background paper) and Authority to Spend the remaining £13.6m is being sought as part of this report.
- 21 The project fully funded with £13.9m of Housing Revenue Account (HRA) funding allocated in the financial years 2022/23 and 2023/24.
- 22 External funding is being sought for this project of £5,811,499 from Government's Social Housing Decarbonisation Fund. If the application is successful, this will significantly support the project's costs and alleviate pressure on the capital programme budget.
- 23 The capital funding and cash flow table is below

Previous Authority to Spend on this scheme	TOTAL £000's	TO MAR 2021 £000's	FORECAST					
			2021/22 £000's	2022/23 £000's	2023/24 £000's	2024/25 £000's	2025 on £000's	
CONSTRUCTION (3)	300			300				
OTHER FEES / COSTS (7)	0							
<b>TOTALS</b>	<b>300</b>	<b>0</b>	<b>0</b>	<b>300</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Authority to Spend required for this Approval	TOTAL £000's	TO MAR 2021 £000's	FORECAST					
			2021/22 £000's	2022/23 £000's	2023/24 £000's	2024/25 £000's	2025 on £000's	
CONSTRUCTION (3)	13,600			7,850	5,750			
OTHER FEES / COSTS (7)	0							
<b>TOTALS</b>	<b>13,600</b>	<b>0</b>	<b>0</b>	<b>7,850</b>	<b>5,750</b>	<b>0</b>	<b>0</b>	<b>0</b>
Total overall Funding (As per latest Capital Programme)	TOTAL £000's	TO MAR 2021 £000's	FORECAST					
			2021/22 £000's	2022/23 £000's	2023/24 £000's	2024/25 £000's	2025 on £000's	
Housing Revenue Account	13,900			8,150	5,750			
Government Grant	0							
<b>Total Funding</b>	<b>13,900</b>	<b>0</b>	<b>0</b>	<b>8,150</b>	<b>5,750</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Balance / Shortfall =</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## What are the legal implications?

- 24 The decision set out in this report is a key decision, and subject to call-in.

- 25 A resulting decision following the procurement activity will be the significant operational decision to award the contract, with the fixed price and contractor for the works. If external SHDF funding is received the injection of this into the housing capital programme, approval will be sought through a separate decision.
- 26 A Data Protection Impact Assessment has been undertaken. The contractor will be a data processor, and appropriate council information and governance requirements will be included in the contract and will be part of the contract management activity.

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

- 27 A risk register for the project is in place and will continue to be managed to monitor, mitigate, and identify any new risks as they arise. Once a contractor is in place the council will work with them to review risks regularly. Notable key risks include:
- 28 Health & Safety – The health and safety of residents, staff and its contractors are the council's priority. In undertaking this project site visits or activity where entry to a resident's property is required, will be carried out in line with government guidance and site-specific risk assessments relating to COVID-19.
- 29 Timescales for delivery – The project team is working to deliver against The Social Housing Decarbonisation Fund's timescales, which are challenging. Timescales would be reviewed if the council's funding application for this project is not successful, for example to enable longer for delivery on site.
- 30 Over budget – The risk of the project exceeding the allocated budget has been managed by the production of robust costings taking in to account the current construction market conditions.
- 31 Market challenges and contractor interest – The construction market is currently experiencing a highly busy period, this means contractors are experiencing limited resourcing capacity to tender for works, leading to low contractor interest on projects. The risk this poses is few or no tender submissions are received. This is being managed through undertaking an EOI process to gauge market interest, and thorough supplier engagement in the form of clarifications, bidders' days and continuous communication throughout the tender process will be undertaken to maximise the number of bids submitted where possible.
- 32 Procurement challenge – This is being managed through ensuring the procurement process is being conducted in line with internal and wider governmental rules and regulations. A fair, transparent and robust competitive tender process will be followed to ensure the risk of procurement challenge is mitigated.
- 33 The project team will incorporate previous lessons learnt from other projects, including putting in place a clear communications strategy to support access to properties and to keep residents and wider stakeholders updated on progress.

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

Inclusive Growth

Health and Wellbeing

Climate Emergency

- 34 This project supports tackling the Climate Emergency, a Climate Emergency Impact Assessment has been carried out which recognises that the project supports this ambition by improved energy efficiency and reducing carbon emissions within the council's housing stock.
- 35 The average annual carbon emission saving per home will be 883 kg CO<sub>2</sub>e, average annual reduction of carbon emissions across four buildings of 315 tonnes CO<sub>2</sub>e.
- 36 On completion, the energy efficiency of all flats will improve by a minimum one SAP band.

Key benefits are providing:

- Increased thermal heat retention via new external wall insulation.
- Improved structural integrity of the building.
- Improved resident heating and ventilation.
- Improved wellbeing and feeling of safety via refurbished entrances (and balconies).

37 The project will support Inclusive Growth through the social value commitments from the contractor. These will be monitored through the Social Value Portal.

38 This project supports Health and Wellbeing, through its benefits to residents of an improved living environment, increased resident's wellbeing and reducing heating costs and fuel poverty..

## **Options, timescales and measuring success**

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

39 There are no alternative options as the project is required to address Health and Safety issue and essential maintenance to improve the fabric and thermal performance of the buildings.

### **How will success be measured?**

40 This project has a benefits plan which is reviewed regularly at key stages of the project.

41 Key benefits will include improved resident satisfaction with their heating and insulation, better value for money on fuel costs , and improved thermal comfort levels. These will be measured by PAS2035 regulatory survey questionnaire post installation works, and through the housing STAR survey every two years.

42 The Social Value Portal will be used by the Council and the contractor to measure and monitor the impact of the additional social value measures implemented on this contract.

### **What is the timetable for implementation?**

43 Indicative timescales include tender documents issued in January 2022, contract award April 2022, and mobilisation on site in May 2022, project completion, January 2023. Timescales will be reviewed if the council's SHDF application is unsuccessful as the completion deadline will no longer apply.

## **Appendices**

44 Appendix 1 - Equality, Diversity, Cohesion and Integration (EDCI) impact assessment

## **Background papers**

45 2021/22 Capital Investment Programme – Housing Revenue Account ([D54165](#))