

Design and Cost Report, The Highways, Proposed Demolition and Contractor Procurement Strategy

Date: 3 October 2022

Report of: Asset Management and Regeneration

Report to: The Director of Communities, Housing and the Environment

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Brief summary

Executive Board at meetings in July 2019 and July 2021 declared the Highways residential tower blocks and the adjacent maisonettes respectively surplus to requirements and, authorised that the buildings should be demolished, and the cleared site redeveloped for new Council housing. To undertake the demolition works, there is a need to procure a contractor to undertake the proposed demolition works. The report seeks authority to procure a demolition contractor via a mini competition from Lot 6 of the Efficiency North Asbestos and Demolition Framework and, seeks Authority to Spend from the Housing Revenue Account Capital Scheme Number 32034/C for such works.

Recommendations

- a) To authorise the procurement of a contractor via a single tender from Lot 6, High Rise Demolition Works of the Efficiency North Asbestos and Demolition Framework, to undertake the proposed demolition of the two Highways residential tower blocks and adjacent maisonettes in the Killingbeck area of east Leeds.
- b) To authorise Authority to Spend of £3.4m from the Housing Revenue Account Capital Scheme Number 32034/CH3 for the proposed demolition of the two Highways residential tower blocks and adjacent maisonettes in the Killingbeck area of east Leeds.

What is this report about?

- 1 Following resident consultation and completion of an options appraisal which concluded that demolition of the Highways tower blocks and redevelopment of the site for new build housing was the preferred option, Executive Board in July 2019 declared the properties at 1-61 and 62-121 Highways Killingbeck surplus to requirements and, authorised that the buildings on the site should be demolished creating a cleared site for development of new, modern Council housing.

- 2 The Highways tower blocks are adjacent to a small block of 12no. maisonettes which were not included in the scope of the original options appraisal. The maisonettes are of a concrete construction and were built in 1962 as part of the REEMA system build programme. Whilst some improvement works have been undertaken on the maisonettes, it was felt there was little scope to achieve further improvements in the suitability of the maisonettes as family homes, with no major investment planned for the building before 2030. Against this background and given that the rehousing of the residents from the Highways tower blocks was nearing completion and, that an initial feasibility study around site capacity had concluded that a comprehensive redevelopment of the Highways site could achieve a new high density development that would enhance stock levels with a significant number of new homes, Executive Board at a meeting in July 2021 agreed to authorise the properties at 122-133 Highways (the maisonettes) be declared surplus to requirements, that the building be demolished and that the site redeveloped for new Council housing.
- 3 The Highways tower blocks are now vacant. Officers are working with the residents of the maisonettes to support their relocation with the offer of a suitable package of rehousing options and a comprehensive compensation package in line with that offered in similar circumstances. Sufficient progress has been made at the date of report preparation to be confident that by the time the contract for the demolition works is scheduled to be let (envisaged to be mid-March 2023) that vacant possession of the maisonettes will have been secured, such that they can be included in the demolition contract with the adjacent Highways tower blocks.
- 4 In accordance with Contract Procedure Rules 3.1.4 and 9.2, the Internal Service Provider, Leeds Building Services has been approached to undertake the proposed demolition works and has declined the opportunity given the specialist nature of the demolition service required and resource availability given the current programme of works being progressed.
- 5 Following discussions with Procurement Officers and having considered a number of procurement options for the appointment of the contractor to undertake the proposed demolition works, including a direct call off from a framework established in accordance with Public Contract's Regulations 2015, it is proposed that the most appropriate route for the procurement of a contractor with experience of demolishing tower blocks is to run a mini competition using Lot 6, High Rise Demolition Works of the Efficiency North, Asbestos and Demolition Framework. The Invitation to Tender to companies in Lot 6 will set out the evaluation criteria to be used to determine the preferred contractor, detailing the questions, scoring mechanism, weighting and timescale for the submission of tenders. The Director of Communities, Housing and Environment should note that a market sounding exercise has been undertaken to obtain the views of potential contractors on Lot 6 of the Efficiency North framework, in order to both gauge potential contractor interest in the proposed works and to assist the Council in developing the tender documentation. Six contractors confirmed an interest in tendering for the proposed demolition work.
- 6 This report seeks approval to the proposed procurement strategy to be pursued for the appointment of a contractor to undertake the demolition of the tower blocks, maisonettes and associated outbuildings on the site and seeks Authority to Spend £3.4m on the proposed demolition works from Capital Scheme Number 32034/CH3. It should be noted that total funding provision in the Capital Scheme is £5.2m as Authority to Spend of £1.8m has previously been approved.
- 7 The proposed works will make a strong contribution to the Best Council Plan outcomes of everyone living in good quality, affordable homes, within clean and well cared for spaces and, will promote sustainable and inclusive growth by providing employment opportunities both

during the demolition of the buildings and the subsequent redevelopment of the site for new modern housing.

What impact will this proposal have?

- 8 The proposed demolition work has the greatest impact on the existing residents of the maisonette block who will be displaced as a consequence of the proposed demolition of the building. The residents as detailed in the July 2021 report to Executive Board were consulted on the proposal to demolish the maisonette block and it was noted that the outcome was that the majority of the residents were willing to support the redevelopment proposals for the site.
- 9 The proposed demolition of the tower blocks, adjacent maisonettes and associated outbuildings will potentially result in disruption and disturbance to the residents living on Diadem Drive, as the demolition works are expected to take around 12 months to complete on site.

How does this proposal impact the three pillars of the Best City Ambition?

Health and Wellbeing Inclusive Growth Zero Carbon

- 10 Given the known investment needs of the maisonettes, for a number of residents a new home will have a positive impact on their health and wellbeing by moving into a property more suited to changed needs.
- 11 The proposed demolition works will support Inclusive Growth through the provision of direct employment and training opportunities.
- 12 During the demolition works on site, the contractor will be required to minimise and report total carbon dioxide emissions from the demolition process i.e., setting targets for site energy consumption and where relevant litres of fuel used as well as potable water consumption arising from the use of plant, equipment, and site accommodation. Targets for minimising transportation movements and impacts resulting from the delivery of materials to or from site, including demolition waste to disposal, processing or recovery centres will also be set.

What consultation and engagement has taken place?

Wards affected: Killingbeck and Seacroft

Have ward members been consulted? Yes No

- 13 The Executive Member for the Environment and Housing has been consulted and is supportive of the recommendations contained in the report.
- 14 The Ward Members have been consulted on the proposals contained in this report and are supportive of the recommendations contained in the report.
- 15 The residents of maisonette block have been consulted at meetings on 17 May 2021 and 6 August 2021.
- 16 Procurement officers have been consulted and are supportive of the recommendations contained in the report

What are the resource implications?

- 17 The estimate for the proposed demolition of the tower blocks, maisonettes and associated outbuildings totals £5.2m (rounded) exclusive of VAT, but inclusive of pre and post contract fees, demolition contingency/risk allowance, tender price inflation to the mid-point of the

proposed demolition works and client contingency all as detailed in the pre-tender demolition estimate prepared by NPS Leeds and rehoming costs incurred by the Council.

- 18 It is anticipated that the majority of the proposed expenditure to be incurred by the Council will be in the financial year 2023/24, reflecting the anticipated demolition period as shown in the high-level demolition programme detailed in paragraph 29 below.
- 19 The Director of Communities, Housing and Environment should note that Authority to Spend for £1.8m (rounded) has previously been authorised for the demolition works and, as such, this report seeks Authority to Spend for £3.4m from Capital Scheme No. 32034/CH3 for the proposed works. This will initially be funded by a realignment of capital schemes from the existing approved capital programme and temporary use of the Major Repairs Reserve. By cash flowing the cost of the proposed demolition works using HRA reserves, this will negate the need to borrow to fund the demolition works.

20 Capital Funding and Cashflow

Previous total Authority to Spend on this scheme	TOTAL £000's	TO MARCH 2022 £000's	FORECAST				
			2022/23 £000's	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026 on £000's
LAND (1)	142.1	142.1					
CONSTRUCTION (3)	1863.0	69.3	73.3	1720.4			
FURN & EQPT (5)	0.0	0.0					
INTERNAL DESIGN FEES (6)	16.2	16.2					
OTHER FEES / COSTS (7)	2143.1	2143.1					
TOTALS	4164.4	2370.7	73.3	1720.4	0.0	0.0	0.0
Authority to Spend required for this Approval	TOTAL £000's	TO MARCH 2022 £000's	FORECAST				
			2022/23 £000's	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026 on £000's
LAND (1)	0.0	0.0					
CONSTRUCTION (3)	3206.3	0.0	276.7	2579.6	350.0		
FURN & EQPT (5)	0.0	0.0					
INTERNAL DESIGN FEES (6)	0.0	0.0					
OTHER FEES / COSTS (7)	200.0	0.0	200.0				
TOTALS	3406.3	0.0	476.7	2579.6	350.0	0.0	0.0
Total overall Funding (As per latest Capital Programme)	TOTAL £000's	TO MARCH 2022 £000's	FORECAST				
			2022/23 £000's	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026 on £000's
Revenue Contribution	7570.7	2370.7	550.0	4300.0	350.0		
Total Funding	7570.7	2370.7	550.0	4300.0	350.0	0.0	0.0
Balance / Shortfall =	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

- 21 There is a risk that demolition contractors may have no interest in the proposed demolition of the Highways and adjacent maisonettes. To mitigate this risk, a market sounding exercise has been undertaken of contractors on Lot 6 of the Efficiency North Framework resulting in six contractors confirming an interest in tendering for the works, each demonstrating relevant experience.
- 22 There is a risk that either the tender for the proposed works will exceed the budget available or that additional costs arise post contract which cannot be contained within the project budget. In the current volatile construction market this risk cannot be completely mitigated. It should be

noted that the pre-tender estimate for the proposed demolition works has been derived from industry obtained data taken from a recently tendered scheme for the demolition of 2no. high-rise LPS blocks, whilst a risk/contingency allowance commensurate with the risks identified and, an allowance for tender price inflation to the mid-point of the works on site has been made in the project budget.

- 23 There is a risk that vacant possession of the 12no. maisonettes may not be achieved prior to the award of the demolition contract in mid-March 2023. This risk cannot be completely mitigated, however, Housing Leeds has a successful track record in effectively and sensitively managing significant rehousing programmes including on the adjacent Highways tower blocks. It should be noted that at the time of report preparation, ten residents have been offered alternative housing, whilst two tenants have yet to accept the offer of alternative accommodation. Whilst discussions are ongoing with the two tenants who have yet to accept alternative accommodation, should such discussions fail to achieve an acceptable outcome, legal action may ultimately have to be taken to secure vacant possession, The Director of Communities, Housing and Environment should note if vacant possession of the maisonettes is not secured to coincide with the letting of the demolition contract, the demolition of the adjacent Highways tower blocks can still proceed, though the method of demolition and the duration of works on site will change with cost and programme implications to the Council

What are the legal implications?

- 24 The proposals contained in the report constitute a Key Decision which is subject to Call In.
- 25 It should be noted that the decision to award the contract to the successful tenderer for the proposed demolition works following a competitive tender exercise will be treated as a Significant Operational Decision.
- 26 A temporary/permanent Stopping Up Order will need to be secured for both the internal service road serving the tower blocks and the 2no. footpaths crossing the site.
- 27 Initial demolition notices have been served on the residents of the maisonettes. The serving of a final demolition notice will stop the right to buy the maisonettes. Any prospective 'right to buy' purchases which may be underway but have not completed will not proceed. No new right to buy application on the maisonettes will be accepted. If an existing claim for the right to buy is in place, the claim ceases to be effective on the notice coming into force.

Options, timescales and measuring success

What other options were considered?

- 28 No other options were considered given Executive Board's decisions in July 2019 and July 2021 to proceed with the demolition of the Highways tower blocks and the maisonettes respectively, to create a cleared site for the development of new energy efficient Council housing that will meet the needs of local people in the future.
- 29 Several established frameworks and Dynamic Purchasing Arrangements were options considered for the procurement of a demolition contractor for the works. Efficiency North is a City Council approved framework and, the market sounding exercise of the framework has demonstrated that adequate experienced demolition contractors are interested in tendering for the works and is, therefore, the recommended procurement route for the proposed works.

How will success be measured?

- 30 Success will be measured by the safe demolition of the Highways tower blocks and the adjacent maisonettes within the approved budget and the timescale detailed in paragraph 29 below, sufficient that the development of new Council housing can commence.

What is the timetable and who will be responsible for implementation?

31 The indicative high level strategic demolition programme is as follows.

- Prepare tender documents; October 2022
- Issue tender documents; 24 October 2022
- Tender return; 16 December 2022
- Appoint preferred contractor; 24 March 2023
- Start on site; 8 May 2023
- Completion; May/June 2024

Appendices

- ECDI

Background papers

- None