

Council Housing Growth Programme: Approval to enter into Pre-Construction Services Delivery Agreement to deliver new housing at Hough Top Court, Pudsey

Date: 8th March 2023

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

Brief summary

In February 2021 the Council Housing Growth team engaged Willmott Dixon Construction Ltd via the SCAPE framework to carry out an initial feasibility exercise to determine the extent for potential residential development on the site at Hough Top Court, Pudsey.

Approvals were granted in February 2021 and July 2022 to cover costs of £73,719 associated with initial feasibility of the site.

In September 2022, Executive Board approved the inclusion of the site into the council housing growth programme as a key decision.

Approval is now being sought to enter into an NEC4 Professional Services Contract with Willmott Dixon Construction Ltd via the Scape framework for a total value of £619,988 to complete Pre-construction activities.

Recommendations

The Director of City Development is recommended to:

- a) Approve entering into an NEC4 Professional Services Contract (PSC) with Willmott Dixon Construction Limited (WDCL) to deliver services of Pre-construction, Design and other Professional Services to complete RIBA Stages 2 – 4 via the SCAPE framework for the Hough Top project, to the value of £619,988

What is this report about?

- 1 There is a need to develop good quality, sustainable, affordable housing across the city and the Council Housing Growth Programme is contributing to the Leeds Affordable Housing Growth Partnership Action Plan 2022-25 which sets out an affordable housing pipeline that targets delivery of c 800 new affordable homes per annum over the next 3 years.
- 2 In February 2021 the Council Housing Growth team engaged Willmott Dixon Construction Limited (WDCL) via the SCAPE framework to carry out an initial feasibility exercise (RIBA 1) on the site

at Hough Top. The original feasibility considered a range of options including delivery as a mixed tenure scheme. The study was approved after consultation and approval by the Director of Resources and Housing.

- 3 After considering options for the site, a revised feasibility study was undertaken in May 2022, for delivery as a wholly rented scheme. A number of surveys have been completed and initial design assessment shows that the site is suitable for residential development to meet the identified housing needs for the local area.
- 4 The surveys have helped our understanding of the future requirements of the site in relation to utility connections although the detailed requirements and costs will not be clarified until formal quotes are received and orders placed, in the next stage.
- 5 With Council approval, WDCL submitted a pre-application to the Local Planning Authority for comments and advice and these have provided useful and positive advice which suggest that a future application, subject to consultation, should be able to satisfy the Local Planning Authority requirements. Subject to approval, the pre-construction phase will enable the project team to develop the design to ensure that comments and requirements made by consultees are taken on board.
- 6 Executive Board approved the inclusion of this site into the council housing growth programme as a key decision on 21st September 2022 and noted that subsequent procurement and contract approvals will be approved by the Director of City Development under the Council's existing approved scheme of delegation.
- 7 This report is now seeking approval to progress the Hough Top Court council housing growth project into the preconstruction phase to enable robust proposals to be developed in RIBA Stages 2-4 which will include securing planning approval. To progress the scheme efficiently it may also be necessary to commit to early works agreements or to enter into standard agreements with utility companies which are required to deliver the scheme, subject to Council legal and surveyors' due diligence.
- 8 Subject to securing satisfactory design proposals and commercial position, further approval will be sought to enter a construction contract to deliver the homes on site.
- 9 The Council Housing Growth team and our technical advisers and consultants, Perfect Circle have reviewed both the technical and financial submissions for the Hough Top scheme and are satisfied that both reflect the Council's requirements and that the pre-construction costs provide appropriate market pricing.

What impact will this proposal have?

- 10 There are limited opportunities to develop council housing in the outer west area of the city, and no other additional sites have been identified for inclusion in the council housing growth programme other than those included in the Executive Board report in September 2022. The delivery of new affordable housing on this site will contribute to the critical shortage of affordable housing in the city.
- 11 This proposal will also bring a currently unused brownfield site back into use, providing high quality housing that supports the Council's inclusive growth and climate emergency agendas, together with wider benefit to the community in respect of improved access to higher quality greenspace.

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

Health and Wellbeing

Inclusive Growth

Zero Carbon

- 12 The scheme directly supports all three of the Council's Three Pillars, which are at the centre of the Best City Ambition, through:

- Addressing the challenges of housing quality and affordability, tackling fuel poverty and creating vibrant places where residents have close access to services and amenities;
- Addressing challenges of housing quality and affordability against the trends of rising housing costs and the concentration of older, poor-quality, housing in low income communities; and
- Supporting progress towards our ambitious net zero carbon target, focusing on: improving energy efficiency so that in 2030, Leeds will have made rapid progress towards carbon neutrality, reducing impact on the planet.

The scheme will support the Council's Best City Ambition through the provision of high quality, affordable, energy efficient housing, which also supports the health and wellbeing of individuals, families and communities in the Pudsey Ward and across the city, as well as supporting tenants at risk of fuel poverty.

Development of the scheme will involve a Team Leads approach, with a focus on: working in partnership; sharing ideas and learnings and being ambitious about the environmental impact.

The scheme will also directly contribute to the achievement of a number of key performance indicators the Council will use to measure success including:

- a) Growth in new homes in Leeds
- b) Number of affordable homes delivered; and
- c) Improved energy and thermal efficiency performance of homes

13 All homes will be highly energy and thermally efficient contributing to other aspirations and objectives relating to climate emergency, sustainability and fuel poverty. Further work is being undertaken to determine which low carbon solution is the most suitable, the assessment of this will be a balance of capital investment costs, running costs for the resident and overall carbon impact.

What consultation and engagement has taken place?

Wards affected: **Pudsey Ward**

Have ward members been consulted? Yes No

14 Local Ward Members have been consulted regarding proposals and are supportive of the proposals to deliver new housing on this site. The Lead Member for Infrastructure and Climate has also been consulted on the proposals to deliver affordable housing on this site and is keen to see the development progress. Ward Members are keen to ensure that homes are developed in line with the Council's sustainability ambitions in terms of carbon output and fuel poverty.

15 The following teams have been consulted and they support the recommendation:

- Housing (Chief Officer Housing, Head of Housing Management)
- Procurement and Commercial Services (PACS)
- Legal
- Finance

16 Throughout the initial stages of this project there has been ongoing consultation with Procurement and Legal colleagues within Procurement & Commercial Services. The SCAPE framework has been approved by PACS and as such the delivery of a project via this process is supported.

17 The site is not listed for disposal and the delivery of council housing on this site is supported by colleagues in Land & Property. The site has been in void management within the General Fund

in recent years and following Executive Board's approval to utilise the site to deliver affordable housing in July 2022, the site will now be appropriated to the HRA and a separate report will follow which seeks approval for this via the apportionment process.

- 18 The Chief Officer of Housing is supportive of new social housing in this area of the city due to the critical shortage of council housing in this area. There are not any other sites indicated for affordable housing development in the outer west Leeds area.
- 19 The proposals for the site, including development potential and delivery route were presented to the Affordable Housing Delivery Board in January 2022 and the Board are supportive of the site being utilised for affordable housing.
- 20 Corporate Estate Management Board supported the inclusion of Hough Top Court into the Council Housing Growth Programme in May 2022.

What are the resource implications?

- 21 The Housing Growth Capital Programme totals £324m and incorporates sufficient funding to meet the costs of delivering the scheme contained in this report. Any scheme will be required to meet viability requirements, whereby the estimated rental income is sufficient to repay the borrowing costs over a 40-year period. The current market rental values within the area would suggest that this likely to be achieved. Any borrowing requirement is assessed at a council level rather than at a project level. As such the interest and loan repayment for this scheme will be calculated using the prudential borrowing model.
- 22 WDCL have been engaged to produce a robust feasibility study and subsequent addendum outlining the potential development proposals for the site. To take these proposals forward, it is now intended that an NEC4 Professional Services Contract be awarded to the sum of £619,988, to develop the scheme up to the completion of RIBA 4. At this point, should the proposals be satisfactory, a separate decision will be sought to enter into an NEC4 ECC Contract.
- 23 Appropriate and sufficient resources have been identified within the Council Housing Growth Team to deliver this project.
- 24 A separate decision report is being put in place to procure Perfect Circle JV Ltd (Perfect Circle) via the Scape Consultancy Framework (Lot 1: Built Environment) for Project Management, Technical Advisory and Quantity Surveying services for the Hough Top Court scheme (RIBA Stages 1 – 4).

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

- 25 A key objective of the preconstruction period is to better understand the site, including any risks that it presents. The mitigation and allocation of these risks will be managed and considered during the pre-construction process. The project is most likely to be delivered via an NEC contract, which requires Client risks to be set out within the contract and any other residual items being transferred to the contractor. As part of the approval to award the build contract, the report will set out for consideration any risks which are proposed to remain with the Authority as well as the costs associated with transferring the remaining risks to the Contractor.
- 26 The proposed procurement route is to directly appoint a contractor at the outset to develop designs and proposals. The costs of the scheme are subject to scrutiny by our consultants and subject to a market testing exercise at RIBA stage 4, ensuring that the price reflects the final scope of the scheme and that costs reflect the market competition at the time.
- 27 The project team recognises that the current market for residential development has experienced significant levels of inflation due to wider issues and continued demand within the sector. The current predictions are that these inflationary pressures will begin to stabilise and then result in a readjustment of prices over the next 12-18 months. The proposed approach for this project

therefore enables the Council to take a view about value for money at a point when the market should have gone through this adjustment process.

- 28 The project team and our consultants will work with WDCL to ensure that a cost-effective budget can be developed for the scheme and to monitor the cost movements in the market. At the same time, the Council is working with partners delivering similar schemes across the region to benchmark costs so that a rounded view can be taken about the scheme before any decision is made at the contract award stage.

What are the legal implications?

- 29 The key decision to approve the Hough Top Court site into the council housing growth programme was taken by Executive Board in September 2022. The recommendations set out in this report are a direct consequence of this Key Decision and therefore, this proposal constitutes a Significant Operational Decision which is not subject to call in.
- 30 The use of the SCAPE framework has been approved by the Procurement and Commercial Services legal team. The procurement process has been conducted in line with the Council's Contract Procedure Rules. The SCAPE4 framework was approved spring 2019. This framework has recently been reprocured by SCAPE5 and colleagues in Procurement & Commercial Services have reviewed the revised terms and approval to use SCAPE5 was granted in July 2022.
- 31 The new framework focuses on sustainability and regeneration, and as such includes a lifecycle agreement. This ensures that performance in relation to sustainability is monitored for five years post contract. The revised framework also offers more clarity, flexibility and client input on risk and KPI's and continues the focus on social value and training and employment opportunities. All works contracts are now also to be delivered under NEC4.
- 32 Willmott Dixon Construction Limited were successfully reappointed following a competitive procurement exercise to the fifth generation of the SCAPE framework in August 2021 with approval of schemes with a value range between £7.5-75 million on Lot 3. The Council has worked successfully with Willmott Dixon with two completed projects and two others in construction at present and has a strategic management arrangement in place with them to ensure continuous performance monitoring and risk, action and issue escalation as required
- 33 As a result of lessons learned from previous projects, where scheme costs and programme have been impacted due to the delay in utilities being on site resulting from lengthy lead in times, the PCSA also includes provision for orders to be placed with statutory authorities. This will enable formal engagement with these providers in advance of the build contract, thus ensuring that the onsite programme can be achieved. There is sufficient lead in with these providers to withdraw any orders should the build contract not be progressed. It is understood that any monies paid for works that do not come into fruition with these providers will be refunded.
- 34 There is a requirement to confirm to officers in both Legal Services and Land & Property, the extent of any ancillary agreements which are essential to deliver the scheme (for example utility section agreements and wayleaves) and which will require approval, so that Legal can plan resources effectively. The full detail will be confirmed in the next stage once formal quotes have been received, and a further administrative decision to proceed will be taken by the Head of Council Housing Growth in consultation with the Chief Officer Asset Management & Regeneration.
- 35 The information contained in Appendix B attached to this report relates to the financial or business affairs of particular persons, or organisations, and of the Council. This information is not publicly available from the statutory registers of information kept in respect of certain companies and charities. It is considered that since this information was obtained through one-to-one

negotiations between parties, it is not in the public interest to disclose this information now. Also, it is considered that the release of such information would or would be likely to prejudice the Council's commercial interests in relation to other similar transactions in that prospective parties involved in other similar transactions could use this information to influence the level of consideration which may prove acceptable to the Council. It is therefore considered that this element of the report should be treated as exempt under Rule 10.4.3 of the Access to Information Procedure Rules.

Options, timescales and measuring success

What other options were considered?

- 36 This site has previously been considered to deliver a mixed tenure scheme; delivering both council owned homes and privately owned properties and to realise a capital receipt for the Council. This option was discounted due to the overwhelming demand for new council housing and the lack of alternative sites for development in this part of the city. A decision was taken at Executive Board in September 2022 to bring the site into the council housing growth programme to deliver council housing through a mixture of family housing and apartments and Ward Members were supportive of further surveys being undertaken to support the feasibility assessment of the site.
- 37 Another option that has been considered is to sell the site under a ringfenced disposal to Registered Housing Providers who would be tasked with delivering an above policy or potentially 100% affordable housing development site.
- 38 In terms of route to delivery, this project could be procured through a competitive tender process. Whilst this would ensure competition, it would also have an impact on the programme and there is no certainty that any compliant bids received would be within the budget envelope. This route would also mean that the designing of the scheme to RIBA 3 or 4 would need to be undertaken as a separate exercise, either through an externally sourced design team or via NPS, our strategic partner. It is likely that this method would also result in some design risk remaining with the Authority. Furthermore, due to changes in which Right to Buy receipts can be spent, specifically relating to the purchasing of off the shelf, or buying back former council owned properties there is a need to deliver new build accommodation at pace.

How will success be measured?

- 39 Success will be measured by the number of new homes of the right type that are delivered on the site.

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

- 40 The site has been cleared and the demolition of the former buildings concluded in March 2022. It is intended that the pre-construction period will formally commence in March 2023, with a view to submitting a planning application in autumn 2023. It is anticipated that the building contract will be awarded following planning approval early in 2024 and the works start on site in summer 2024. The build period is likely to be around 18 months.

Appendices

- Appendix A - Equality, Diversity, Cohesion and Integration Screening
- Appendix B – PSC cost breakdown (Exempt)

Background papers

- None.