

# Approval of additional funding to incur costs at the RIBA Stage 4 development under a Pre-Construction Services Agreement (PSCA) for the Kirklands Autism Project

Date: 25<sup>th</sup> April 2023

Report of: Kirklands autism bungalows project team

Report to: Director Adults & Health

Will the decision be open for call in?  Yes  No

Does the report contain confidential or exempt information?  Yes  No

## Brief summary

A report was sent in October 2022 to the Director of Adults and Health entitled Approval of Procurement Strategy requesting permission to appoint Kier Construction Ltd T/A Kier Construction North and Scotland using Lot 1 of the YORbuild3 Medium Works Framework via a direct call off procedure and incur costs associated with the RIBA Stage 4 development under an NEC4 Professional Service contract (NEC4 PSC) for the Kirklands Autism Project. The estimated cost of the NEC4 PSC was anticipated between £120,000 and £150,000 based on similar schemes.

However, following work with Kier Construction Ltd T/A Kier Construction North and Scotland it has been established that the cost of the NEC4 PSC is £306,882.29 because of unprecedented market conditions. It is therefore requested that further funding of £156,882.29 be made available to bridge this gap, and to proceed with RIBA Stage 4 to develop a tender price for the construction of the works, and for a Design and Cost report be prepared and be submitted to Executive Board.

The West Yorkshire Integrated Care Board (Leeds Place) has confirmed and agreed to this shared increase in development cost.

## Recommendations

- a) Approve the release of additional funding of £156,882.29 enabling the Council to enter an NEC4 PSC with Kier Construction Ltd T/A Kier Construction North and Scotland to complete the RIBA Stage 4 design for the Kirklands Autism Project. The value of the contract is £306,882.29.
- b) Note that a further Design and Cost Report will follow in mid-2023 to seek Director approval to award a Construction contract and incur costs related to it currently estimated at £6m. The Design and Cost Report will form a Key Decision and will therefore be subject to call-in procedure.

## What is this report about?

- 1 The purpose of this report is to seek approval for additional funding of £156,882.29 to enter an NEC4 PSC with Kier Construction Ltd T/A Kier Construction North and Scotland to complete the RIBA Stage 4 design for a high quality, six dwelling medium-term stay, development with staff facilities, for adults with severe learning disabilities and severe autism who display behaviours which challenge the service. The facility will be built on the site of the former Kirkland House care home on Queensway, Yeadon in north-west Leeds.
- 2 The cost of the NEC4 PSC is £306,882.29, however, it was originally estimated at between £120,000 and £150,000 based on previous schemes undertaken by the Council. However, these schemes were developed at a time when the market was relatively stable. The cost has increased due to unprecedented market conditions within the construction industry today. The revised figure will cover overheads and profits, and concept design costs.
- 3 The direct appointment of Kier Construction Ltd T/A Kier Construction North and Scotland facilitates early engagement and will enable the Council to develop the scheme in partnership, ensuring that the building is robust and buildable, whilst enabling the contractor to introduce innovation and reduce outturn costs where agreeable.

## What impact will this proposal have?

- 4 There is currently no provision in Leeds to accommodate those individuals who are in the Transforming Care Programme (TCP) and have the most complex needs in relation to their severe learning disabilities, severe autism and who display behaviours which severely challenge services.
- 5 Leeds needs this community residential scheme to enable patients to be discharged back into their community setting and to meet the aspirations of the National Service Model for this group set out in "Building the Right Support." The scheme also supports the aims of the Best Council Plan in relation to Housing and Health & Wellbeing.
- 6 The proposed homes will help to prevent future hospital admissions and Leeds residents from being placed in residential institutions, out of area and away from their families and communities.

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

Health and Wellbeing

Inclusive Growth

Zero Carbon

- 7 The proposed scheme directly contributes to one of the Best Council Plan 2020-25 outcomes of enabling disabled residents to remain active and independent.

## What consultation and engagement has taken place?

Wards affected: Guiseley and Rawdon

Have ward members been consulted?

Yes

No

- 8 Regular briefings on the proposed scheme have been provided to the Executive Member for Health, Wellbeing & Adults and to the local ward members who are fully supportive of the scheme.
- 9 The social workers working with the TCP cohort of people, have been consulted extensively ensuring effective co-production to ensure the proposed environment will meet individual needs.

### **What are the resource implications?**

- 10 The construction of the scheme is currently estimated at £6m based upon today's volatile market and material costs. However, it is expected that this scheme be funded using the Invest to Save programme, as long term, the cost of borrowing for the new development will be considerably less than is currently being expended by out of authority care, which will deliver ongoing financial benefits to the Council and the wider Integrated Care System.
- 11 The current revenue cost of care provision for the potential users of this service is extremely high. The costs for users over the age of 18 will be met through the adults Integrated Oversight Budget. As the registration will allow for individuals over 16, the Children's and Families budget will fund any people under 18 years of age. Individual care packages, be it through out of area residential or in-patient care, can range from £300,000 to £900,000 per person, per year.
- 12 An outline Revenue Business Case shared and agreed with West Yorkshire Integrated Care Board (Leeds Place) indicates that the Integrated Oversight Budget will save between £300,000 and £650,000 per annum across all six individuals who will live in the service. This is after the annual debt repayment has been factored in.
- 13 A bid is being made for a capital grant with an anticipated value of £1,000,000 from the NHS England TCP capital programme. If successful, this will cover the costs of one highly specialised and robust home, which is intended to be a long-term home for an identified individual who is currently in a secure hospital setting and presents extreme behavioural challenges. This bid has been encouraged to go ahead by the NHS England Housing Senior Manager of the Learning Disabilities and Autism Programme, who has taken the principle of the development of the residential care home to the national programme board and given a briefing to the Regional Chief Nurse to assure her that the proposed discharge plan is the least restrictive option for this individual.
- 14 Following the market analysis exercise, it was noted that should the Council proceed down the mini-competition route, there would be a considerable risk of not receiving a compliant bid for the project. Recent large value schemes have proceeded down the direct call-off route following unsatisfactory outcomes to competitive tenders and have been delivered successfully on time and on, or under budget.
- 15 Given the current market conditions in the construction industry, coupled with the complex specialist nature of the required outputs, the Project Team and Procurement and Commercial Services Advisors were of the view that a direct call off and subsequent appointment through the YORbuild3 Medium Works framework would be the most appropriate route to ensure the successful and timely delivery of this scheme, with the benefit of early contractor involvement. This approach has proven successful on other recent procurements and supports the need to have early engagement with a contractor on the designs, due to the specialist nature of the scheme.
- 16 This was approved by the Director of Adults and Health in October 2022 and was followed by preparation work undertaken by PACS (Procurement and Commercial Services), NPS (Norfolk

Property Services) and the project team in late 2022 and early 2023. Initial meetings were held with Kier Construction Ltd T/A Kier Construction North and Scotland, and the procurement process was launched on the YORtender portal.

- 17 Upon receipt of Kier's documents, it was found that the cost to carry out RIBA Stage 4 was over double the estimate from previous schemes and the returned tender documentation from Kier Construction Ltd T/A Kier Construction North and Scotland was reviewed and analysed by PACS and NPS in April 2023.
- 18 A meeting was held between representatives of the Kirklands project team, PACS, NPS and Kier Construction Ltd T/A Kier North and Scotland to examine if any cost or time economies could be made to the tender. Kier explained why the cost was higher than expected due to a combination of market factors and the reason of front loading some activities to not delay the project at construction phase. There were no indications of Kier having misunderstood the brief, nor quoting for work that had already been undertaken in previous RIBA stages. NPS confirmed that considering the explanations provided by Kier, that the tender provided value for money.
- 19 Kier have reviewed costs following this meeting and have been able to reduce the cost by £10,000 by reducing staff time to match the resources allocated to the Newmarket House project and obtaining additional quotes for surveys. Kier also have offered to be as open and transparent as possible by going open book with the Council.
- 20 The original £150,000 funding was due to come from Adults & Health reserves with splits agreed with West Yorkshire Integrated Care Board (Leeds Place) to be on an equal basis. Based on revised design costs from Kier, this will now be £306,882.29 to be split between both strategic partners, as agreed, again from Adults & Health reserves in the first instance.

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

- 21 The project is to be delivered by City Development's Projects and Programmes team in collaboration with the Commissioning team in Adults & Health through a structured project management approach. This involves the use of a risk and opportunity register as a tool for managing identified risks in terms of their proximity and impact including costs.
- 22 Once identified risks are accepted, reduced, or managed by the implementation of counter measures designed to mitigate against the risk and its potential impact. Members of the Kirklands Autism Project Board and Project Team are assigned responsibility for each identified risk. The Project Board includes representatives from Adults & Health Commissioning, Corporate Finance, PACS and West Yorkshire Integrated Care Board (Leeds Place). The board feeds into the wider Asset Management Board in Adults & Health, in which further checks, balances and support can be provided.

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

- 23 The direct appointment of Kier Construction Ltd T/A Kier Construction North and Scotland through Lot 1 of the YORbuild3 Medium Works framework is a compliant procurement route in line with CPR (Contracts Procedure Rule) 3.1.8 as there is no internal service provider or exclusive supplier contract for the delivery of the works. This report is a Significant Operational Decision which is not subject to call-in. There are no grounds for keeping the contents confidential under the Access to Information Rules.

24 At the end of RIBA Stage 4, Kier Construction Ltd T/A Kier Construction North and Scotland will tender a price to develop the scheme together with the contractor's design. Subject to the acceptance of the Stage Two tender submission, a Design and Cost report will be submitted enabling the council to enter a construction contract with an estimated value of £6m. The approval of the Design and Cost Report will be a Key Decision and subject to call-in.

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

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

25 Following the meeting with Kier Construction Ltd T/A Kier Construction North and Scotland, NPS, PACS and the project team, two other options were considered by the project board, namely, to use NPS to carry out the design work alongside Kier Construction Ltd T/A Kier Construction North and Scotland, and to procure the construction element of the project. By using NPS to carry out the design, work would need the agreement of Kier Construction Ltd T/A Kier Construction North and Scotland and there was no indication they would wish to proceed with this. It was also felt that procuring the scheme would lead to significant delays to the project and may not even garner any further interest in the scheme, as found during the market sounding carried out in 2022. Therefore, both options were rejected in favour of continuing with the initial proposal.

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

26 The scheme would give Leeds its first homes in the city to accommodate individuals with severe learning disabilities and autism who display behaviours which challenge, with the most complex needs in the Transforming Care Programme cohort.

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

27 Following the completion of the NEC4 PSC and RIBA Stage 4, a tender price for the construction of the works will be finalised. Subject to a satisfactory Stage Two tender submission, it is anticipated that the Council will then enter a construction contract with a start on site in the autumn 2023 with completion in summer 2024.

28 The project is being delivered by the Projects and Programmes Team within City Development in collaboration with key staff from Adults and Health, and the procurement process will be implemented the Procurement and Contract Service (PACS) within Communities, Environment and Housing.

## **Appendices**

- N/A

## **Background papers**

- N/A