

Council Housing Growth Programme: Delivery of housing on Throstle Recreation Ground and the former Middleton Skills Centre site, Middleton – Approval of additional funding to meet total delivery costs

Date: 15th September 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

The information in Appendix 1 of this report has been identified as confidential as it contains commercially sensitive information relating to a construction contract between the Council and Wates Construction Limited.

Brief summary

- The Director of City Development previously approved the award of an NEC3 Engineering and Construction contract (NEC3 ECC) with Wates Construction Ltd and authority to spend for a net contract value of £39,571,644 in July 2021 to provide 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.
- The Director also approved the budget required to meet the anticipated total delivery costs of the project and corresponding authority to spend at that time.
- The purpose of this report is to seek approval for additional funding to meet the updated delivery costs for the scheme and authority to spend as set out in the confidential appendix 1 of this report.
- Since entering into the contract the scheme has encountered a number of challenges and additional costs that have exceeded the original approved budget and the report sets out the major factors which have led to the requirement for additional funding in this case with a full breakdown provided in Confidential Appendix 1. The Council is, with the support and recommendation of its external technical advisers Perfect Circle, now in position to agree a final account sum with Wates.
- To date, 40 family homes have been handed over to Housing Leeds and are occupied. Gascoigne House, the Council's newest extra care housing apartment block of 60 homes and associated communal facilities will be handed over in early October with the project expected to be complete before the end of 2023.

Recommendations

The Director of City Development is recommended to:

- a) Note and approve the updated total delivery costs of the Throstle Recreation Ground, Middleton scheme at confidential Appendix 1;
- b) Approve the authority to spend from the injected Housing Growth Capital Programme scheme number 33103 SAB.

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 c800 new affordable homes per annum over the next 3 years.
- 2 In July 2021, following approval from the Director of City Development, the Council Housing Growth Team entered a NEC 3 Engineering and Construction contract with Wates Construction Ltd (Wates) to deliver the new build council housing scheme at Throstle Rec, Middleton. Wates was appointed via the SCAPE framework and following a Pre-Construction Services Delivery Agreement (PCSDA) to develop the design and cost for the scheme and achieve planning approval.
- 3 During the construction period several significant compensation events have occurred that have in total, exceeded the LCC project contingency set at contract award. Of those events that have occurred, those with the highest cost impact are outlined below, with further details included in the confidential appendix.
 - a) Ground conditions – the extent of ground conditions was in excess than forecast, in addition the scope of works changed to part of the site as a result of flood alleviation/ attenuation requirements.
 - b) Utility providers change to design requirements/ policy has had a significant impact on the delivery programme and required a re-design to elements of the scheme post planning approval.
 - c) Weather events- during the construction period, there have been a number of months where the weather conditions have exceeded the 10yr average for that month, especially in relation to rainfall.
- 4 LCC appointed Perfect Circle as Technical Consultants for the project, this appointment included the NEC Contract Management roles. All the compensation events that have occurred during the project have been rigorously assessed by the NEC Project Manager and appointed Quantity Surveyor and, those that have been paid or are due to be paid to Wates have been judged as fair and reasonable under the NEC contract. The additional funding requested in this report is required to enable LCC to meet its obligations under the NEC contract entered into with Wates Construction.
- 5 The NEC contract was entered into in August 2021 and has been delivered in a period where the economy was recovering from the impact of covid lockdowns and has been subsequently impacted by the Ukraine Russia war and wider market conditions.
- 6 Based on the above information and the additional costs required for the scheme, the scheme projects outturn remains within the viability principles threshold agreed by Executive Board on 21st September 2022.
- 7 In addition to the delivery of the new homes and improvements to the public open space, to date the scheme has delivered circa £220k of social value spend. This includes the delivery of employment and skills TOMs, including exceeding the target of 40% of staff coming from within

20 miles of the site, provision 28 employment taster days and 32 new jobs created including 4 higher level apprenticeships and 2 ex offenders offered employment on the project. The site team have also been involved in several community projects including a gardening club with a local school and undertaking a kitchen makeover and redecoration of the Dazl dance studio. The scheme to date has also spent £31.7m of contract spend within 40 miles of the site, of this 50% has been spent with 10 miles of the site.

What impact will this proposal have?

- 8 The approval of the additional funding will ensure the timely completion of the housing scheme and close out of the final account, ensuring LCC meets all its requirements under the contract.

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

Health and Wellbeing

Inclusive Growth

Zero Carbon

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 Middleton Ward and across the city, as well as supporting tenants at risk of fuel poverty.

The development of the scheme involves a Team Leeds approach, with a focus on; working in partnership; sharing ideas and learnings and being ambitious about the environmental impact.

The scheme also directly contributes to the achievement of a number of key performance indicators the Council uses to measure success including:

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

All homes on the scheme are highly energy and thermally efficient contributing to other aspirations and objectives relating to climate emergency, sustainability and fuel poverty. All homes on the scheme are connected to a district heating system, providing heating and hot water, powered by air source heat pumps and back up commercial gas boilers.

What consultation and engagement has taken place?

Wards affected: Middleton Park

Have ward members been consulted?

Yes

No

- 9 Ward members are regularly updated on the Throstle Rec scheme and receive monthly newsletters detailing progress from the contractor and other updates at key stages.
- 10 The Executive Member for Housing has been consulted and is supportive of the additional funding required.

What are the resource implications?

- 11 Total funding injected and available for the Council Housing Growth Programme as of November 2022 is £324.1m. The additional funding required for the project will be funded via HRA borrowing and blended with retained Right to Buy receipts. The scheme remains within the viability principles that were agreed by Executive Board on 21st September 2022.

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

- 12 As the scheme is nearing completion, with 40 properties handed over to date and the extra care scheme to be handed over in Autumn 2023, given the advanced programme the risk of any further unforeseen costs is considerably reduced.
- 13 Any outstanding compensation events are currently being reviewed by the NEC Project Management team and the costs would all be met within the approvals of this report.

What are the legal implications?

- 14 A key decision to support the delivery of the Extra Care Housing programme was taken by Executive Board on 17th July 2017. Executive Board also took a key decision on 19th 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 26th 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 A total commitment of £324 million has been made to the programme made up of a combination of HRA/borrowing, Right to Buy receipts and Homes England grant funding. The meeting of Full Council on the 26th February 2020 approved a further capital injection of £116m into the Council Housing Growth Programme. This comprises £180m of borrowing, £132m of Right to Buy receipts with the remainder made up of Homes England Grant funding and some reserves. In September 2022 Executive Board agreed both the funding parameters and the viability principles for the Council Housing Growth programme.
- 16 A significant operational decision was taken by the Director of City Development on 27th July 2021 for authority to spend and approval to enter into a NEC 3 Engineering and Construction Contract to deliver General Needs and Extra Care Housing at Throstle Recreation Ground and the former Middleton Skills Centre sites at Middleton, for a contract value of £39,571, 644.
- 17 Approval was previously granted by the Director of Resources and Housing to enter in to a Pre-construction Services Agreement with Wates Construction Ltd on 30th March 2020. A further approval was granted by the Director of City Development to enter into an enabling works delivery agreement (NEC 3 Short Contract) on 14th May 2021.
- 18 Exempt information – The information contained in Appendix1 attached to this report related to the financial or business affairs of particular persons, or organisation 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 Councils 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?

- 19 All the compensation events that have occurred during the project have been rigorously assessed by the externally appointed NEC Project Manager and appointed Quantity Surveyor and, those that have been paid or are due to be paid to Wates have been judged as fair and reasonable under the NEC contract.

20 The main contract was entered in to post covid pandemic, prior to the Ukraine Russia war, which has had a significant impact on supply chain and material prices.

How will success be measured?

21 Success will be measure 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?

22 The construction of the site is in progress, with the remaining site due to be handed over by the end of December 2023. The additional funding will be implemented to enable LCC to meet all obligations under the contract.

Appendices

- Appendix A – Confidential Appendix
- Appendix B – Equality and Diversity Screening

Background papers