

# Council Housing Growth Programme (CHGP): Approval to place orders with statutory utilities providers for the diversions of existing utilities and the installation of new utility services at the Hough Top Court site in order to secure infrastructure timescales

Date: 9<sup>th</sup> November 2023

Report of: Council Housing Growth Team

Report to: Chief Officer Asset Management and Regeneration

Will the decision be open for call in?  Yes  No

Does the report contain confidential or exempt information  Yes  No

The information contained in Appendix 1 is confidential as it relates to the financial or business affairs of the Council. It is therefore considered that Appendix 1 of the report should be treated as exempt under Access to Information Procedure Rule 10.4 (3).

## Brief Summary

- This report sets out recommendations and requests approval to place orders with statutory utilities via Willmott Dixon Construction Limited for the diversions of existing utilities and the installation of new utility services at the Hough Top Court site in order to secure infrastructure timescales, to the value of **£438,567.80** inclusive of contractors management fees as set out by the Scape Framework and LCC Contingency. These works reduce the risk of third-party delays during the main contract which could lead to delays and compensation events.
- The Council intends to enter into NEC4 Engineering and Construction contracts (NEC4 ECCs) for the Hough Top Court site with Willmott Dixon Construction Limited following the completion of the NEC4 Professional Services Contract (NEC4 PSC), which will be subject to a separate report.

## Recommendations

The Chief Officer Asset Management and Regeneration is requested to: -

- a) Approve the placing of early orders with statutory utilities providers for the diversions of existing utilities and the installation of new utility services at the Hough Top Court site in order to secure infrastructure timescales, to the value of **£438,567.80** inclusive of contractor's fees and LCC Contingency.

## What is this report about?

- 1 LCC entered into a NEC4 PSC with Willmott Dixon Construction Ltd (WDCL) on 25<sup>th</sup> May 2023. Committing the Council to the expenditure detailed in the contract, subject to a specification compliant scheme being developed by the Contractor. LCC also entered into a NEC4 PSC with Perfect Circle JV Ltd for provision of project management, technical and quantity surveying resource.
- 2 The scheme proposed is a three-story apartment block of 27 properties (15 x 1B2P, 2 x M4(3) 1B2P and 10 x 2B3P), as well as 55 houses (28 x 2B3P, 23 x 3B5P and 4 x 4B7P), plus public open space. WDCL house designs agreed for previous CHG schemes have been modified for the 2 beds to improve ground floor layouts and for some site-specific corner turn properties. All 2B4P houses have been designed to M4(1) of the Building Regulations with all other properties being designed to M4(2).
- 3 LCC instructed WDCL to engage a planning consultant prior to the PSC contract award to submit a pre-planning application to the Local Planning Authority. The feedback from the LPA confirmed that, provided their comments were addressed, a planning application would likely be supported. This feedback has been factored into the development proposals.
- 4 The low carbon solution proposed for the scheme is for individual air source heat pumps (ASHP), this will be further assessed in RIBA/Gateway 4 for balance of capital investment costs, running costs for the resident and overall carbon impact
- 5 An analysis of the pre-planning consultation with the community has been completed and can be viewed on request. Senior Management and Ward Members have been briefed on the outcome and next steps and feedback has been factored into the proposals. A Statement of Community Involvement has been produced and can be viewed on request.
- 6 WDCL have submitted Gateway Three, RIBA 3, and the pack of information can be viewed on request. This is a key checkpoint in the project process, to ensure that time, cost and quality indicators are being met. The Council's technical advisors (Perfect Circle JV Ltd) have reviewed the submission and are satisfied with the level of information submitted. They have advised the project can proceed to the next stage from a technical and cost perspective, to further develop the drawings to RIBA 4.
- 7 Perfect Circle have stated that there are no items that they would recommend be resolved before proceeding to the next stage of the project. To gain a clearer insight into market conditions, WDCL have carried out an initial market testing exercise. Whilst the level of returns varied across different packages, the work packages allowances overall were deemed reasonable by Perfect Circle. A further market testing exercise will take place at RIBA stage 4, to ensure that the price reflects the final scope of the scheme, that costs reflect the market competition at the time and to enable Perfect Circle to recommend proceeding to a full NEC ECC contract.
- 8 Housing Leeds have reviewed and are satisfied with the design proposals. The maintenance arrangements and access for the external ASHP equipment for the apartment block (roof space) are currently under development and review however Perfect Circle believe that the key principles of the proposed solution have been met and queries can be resolved during the planning consultee period (or even potentially validation). The full details of the strategy will be developed in stage 4 and Property Management will be involved early on in the process to agree the technical detail. Gateway 3 approval has been confirmed by the Head of Council Housing Growth and an instruction was given to WDCL to submit the planning application on 30<sup>th</sup> October, in accordance with agreed programme dates.

- 9 To reduce the commercial risk to the council with regard to utility capacity and associated diversion works it has been identified that it would be advantageous for the council to agree for these works to be brought forward within the PSC stage to mitigate against any delays within the construction period. This has been identified following lessons learned from previous CHG schemes where significant delays have been experienced and increased costs have been associated with the diversions of existing utilities and the installation of new utility services.
- 10 The works are as follows:
- 10.1 BT diversion – There are existing overhead BT cables along Hough Top Road that need to be diverted where the proposed two new vehicular access points are to the new development. The diversions must be ordered, and the work carried out before construction of the new roads. Openreach requote has been provided - commentary and backup is awaited from WDCL.
- 10.2 The diversion of the existing HV power cable and provision of new substation - Providing power to the new development requires a new electric sub-station and the diversion of the existing HV supply. The diversion works, provision of the new substation and the demolition of the existing substation is required before the temporary electricity supply for the site set up can be installed.
- 10.3 New water supply and new electricity supply – a new water supply is required for the development and the provider (YW) will not confirm a design, lead-in timescales or delivery dates for the new provision until an order for the new supply is made. The most efficient way of installing the new water supply is to install it at the start of the construction of the new development (to avoid excavating through newly laid roads and pavements, which are partially constructed as the initial item on site). The final design will be confirmed by YW on acceptance of an order.
- 11 The key benefit of placing orders early within the PSC stage is that this reduces the risk of utilities delaying works on site as the orders would have been placed and the infrastructure timescales secured. Until orders for diversions and new service infrastructures are placed the statutory suppliers will not confirm actual costs, lead-in times or installation periods. Therefore, the actual costs and impact to a delivery program cannot be assessed until orders are placed. It is however estimated that if these order are not place now then there will be a c18-20 week delay on the current programme.
- 12 Perfect Circle have noted these quotes are time sensitive as they expire on the 13<sup>th</sup> November however could be extended by one week or so.

### **What impact will this proposal have?**

- 13 The works set out in Appendix 1 consist of placing of early orders with statutory utilities providers for the diversions of existing utilities and the installation of new utility services at the Hough Top Court site in order to secure infrastructure timescales which will ensure that all sites are ready for development on entry into the NEC4 Engineering and Construction contract (NEC4 ECC). The works are necessary to ensure that we meet the critical path outlined in the construction programme. The key benefit of these works is that they will reduce the risk of third-party delays during the main contract and help maintain cost control due to current inflationary pressures.

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

Health and Wellbeing

Inclusive Growth

Zero Carbon

- 14 This work is strongly aligned to the three pillars at the centre of the Leeds Best City Ambition as follows:
- 14.1 Support communities and tackle fuel poverty, improve housing quality and standards.
  - 14.2 Promote sustainable and inclusive economic growth.
  - 14.3 Reduce carbon through the improved insulation of our housing stock.
- 15 This proposal will support inclusive growth for the wider community through the employment and skills opportunities provided by the scheme once we enter into the NEC4 ECC.
- 16 The scheme, on completion, will promote greater Health and Wellbeing for residents through the provision of better quality and energy efficient social housing.
- 17 All homes are being delivered via the CHGP are built to a specification which focusses on cutting carbon, improving air quality, and tackling fuel poverty and which play a key role in ensuring excellence in delivery through design quality, space standards and energy efficiency standards. It sets out challenging targets for our contractors to meet in terms of carbon emissions for these new homes: It includes:
- A 'Fabric first' approach, meaning we will achieve high insulation levels (60% increase over current building regulations).
  - Air source heat pump technology will be used to supply heat and hot water to the homes
- 18 In addition to this, as the programme moves forward, it will continue to explore how it can further contribute to delivering against the Council's aspirations around carbon reduction and this will include, as well as implementing energy efficiency measures, considering what opportunities exist for energy generation within our schemes. Energy efficiency standards are to comply with the 'Basic Requirements' of the 'Good Practice Standard' and the Contractor will provide SAP certificates and calculations for each dwelling.

### What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted?       Yes       No

- 19 As part of the development of proposals site, the Council Housing Growth Team has engaged relevant Elected Members for the impacted wards, all of whom are supportive. The most recent updates were provided in September 2023.
- 20 Perfect Circle have reviewed the package of works for the scheme and have advised that they support the Council proceeding with the proposals listed in Appendix 1 to ensure that the critical path of the programme is met prior to entry into the NEC4 ECCs.

### What are the resource implications?

- 21 The development of the scheme for the Hough Top site is being funded from capital scheme 33103 via Right to Buy receipts blended with HRA borrowing. The project team have also submitted a funding bid to the West Yorkshire Combined Authority, Brownfield Housing Fund. These works costs have already been captured within the project cost plan. Therefore, this report is only seeking approval to bring forward part of this budget spend now prior to the NEC4 ECC commencing and is not requesting any additional funds.

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

- 22 The Council Housing Growth Programme is delivered using the Council's agreed project management methodology and a joint risk log is being established for this project with Willmott Dixon Construction Limited.
- 23 The majority of site investigations have been completed and associated design risks are included within the risk register / priced on a calculated predication based on previous projects. Further surveys continue to be undertaken to better understand ground, these include relic foundations / contamination as a result of previous buildings on site, as well as the asbestos report.
- 24 The Perfect Circle Quantity Survey has reviewed the cost plan and the risk profile including risk ownership to ensure this is reflective of current project stage, market, design, and contractual expectations. The risk register continues to be developed through the life cycle of the project via collaborative risk workshops.
- 25 There is a risk that the scheme may be deemed unviable at a future stage or that the scheme does not achieve planning permission and therefore abortive works, or costs will apply. This risk is deemed to be low as the cost impact will be minimal compared to the benefits which can be achieved. Therefore, the benefit to securing the price, capacity, and when the works will be undertaken within the utility infrastructure outweighs the risk of the abortive fees as set out in the Confidential Appendix.
- 26 The cancellation costs are not absolute as it will depend on what work the statutory authority have undertaken up to that point to determine what the cancellation fee would be. The cancellation charges are included within the commercially sensitive document at Appendix 1. The cost impact relating to this risk is deemed to be minimal based on the low cancellation charges (particularly Yorkshire Water).
- 27 A ten percent LCC risk contingency has been included within the enabling works costs (£39,869.80) to allow for any unforeseen additional works which could be identified once the works are underway. Perfect Circle have confirmed that they support the inclusion of a ten percent contingency.

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

- 28 The recommendations set out in this report are a direct consequence of a previous Key Decision (taken by Executive Board in September 2022) which approved the investment in additional new sites for the delivery of social housing which included the Hough Top scheme. Therefore, the proposal constitutes a Significant Operational Decision which is not subject to call in. The information contained in the confidential appendix is exempt under Access to Information Procedure Rule 10.4 (3) as it relates to the business / financial affairs of the Council.

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

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

- 29 The alternative option is to undertake these works following the award of the NEC4 ECC. This option has been discounted as it would seriously delay the critical path of the main works programme and increases the risk of LCC being liable for significant compensation events if third parties are unable to achieve programme timescales.

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

- 30 Success will be measured by reducing the risk of programme delays and LCC incurring subsequent compensation events after the NEC4 ECC has been awarded.

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

- 31 It is intended that the enabling works will commence in early 2024 with completion by the end May 2024.
- 32 An additional Early Works Package will be submitted and considered for LCC approval later in Stage 4, the purpose of which would be to further de-risk the site prior to contract award (for example for contamination – further reports and surveys are awaited) and to ensure the site is suitable prior to the construction works commencing.

## **Appendices**

- Appendix 1 of this report is Exempt/Confidential under Access to Information Procedure Rule 10.4 (3).

## **Background papers**

None.