

Council Housing Growth Programme: Delivery of housing on Tarnside and Mardale, Seacroft – Approval of the Final Account with Wates Construction Limited and Total Scheme Costs

Date: 22nd January 2024

Report of: Council Housing Growth Team

Report to: Chief Officer Asset Management & Regeneration

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

- 1 On 1st April 2021 the Director of Resources and Housing approved the award of an NEC4 Engineering and Construction contract (NEC4 ECC) with Wates Construction Ltd and authority to spend for a net contract value of £9,191,098.48 to provide for the construction of 41 General Needs homes made up of 2 & 3-bedroom houses and 1 & 2-bedroom bungalows on sites at Tarnside and Mardale in Seacroft.
- 2 Now that the construction phase has been completed, the purpose of this report is to seek approval for agreement on the final account with Wates Construction Ltd.
- 3 Approval is also sought to capture the variations made to Total Scheme Costs during the construction phase.

Recommendations

The Chief Officer Asset Management & Regeneration is recommended to:

- a) Approve the terms of the Final Account within Confidential Appendix 1 of this report for the NEC 4 contract in relation to the delivery of new council housing on sites located on Tarnside and Mardale, Seacroft.
- b) To grant the adjusted authorisation to spend due to the variations to Total Scheme Costs as detailed within the Confidential Appendix 1.

What is this report about?

- 1 On 26th April 2021, following approval from the Director of Resources and Housing, the Council Housing Growth Team entered a NEC4 Engineering and Construction contract with Wates

Construction Ltd (Wates) to deliver the new build council housing scheme on sites located on Tarnside and Mardale, Seacroft. Wates were previously appointed via the YorBuild framework and following a Design Services Agreement (DSA) to develop the design and cost for the scheme and achieve planning approval.

- 2 The development of these 41 new council homes was successfully completed in March 2023 with Wates remaining responsible for defects until the end of the Defect Liability Period in Spring 2024.
- 3 The Tarnside and Mardale development successfully met several Council Housing Programme objectives, such as helping to increase the supply of new highly energy efficient affordable homes for applicants on the Leeds Housing Register and was recognised in the LABC Building Excellence Awards 2023 as the winner in the category of 'Best Large Social Housing Development' for Yorkshire.
- 4 The project also accomplished many positive outcomes for the wider community with Wates' charitable arm, the Wates Family Enterprise Trust, awarding funding to various local community groups for local good causes such as food banks and residential weekend trips for children, as well as the purchasing of kits and equipment for junior sports teams.
- 5 The names of two new streets – Red Kite Court and Sunflower Close – within the development were chosen by Seacroft Grange Primary School, Parklands Primary School and the Seacroft Community on Top (SCOT) group whilst substantial investment was also made in new equipment, surfacing and seating at the Seacroft Gardens play area from commuted sums generated from the development.
- 6 The scheme has been developed during a very challenging 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. Despite that the overall cost of the contract has increased less than 5%, with the highest cost impact are outlined below:
 - a) The performance of utility providers had an impact on the delivery of the construction programme which resulted in delays.
 - b) Weather events- during the construction period, there were several months where the weather conditions have exceeded the 10yr average, especially in relation to rainfall.
 - c) Additional Highway works – enhancements identified by the Highways department which were needed to achieve the required adoption standards.
- 7 The Council (LCC) appointed NPS as Technical Consultants for the project, this appointment included the NEC Contract Management roles. All the compensation events requesting additional costs on 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. This process has resulted in NPS securing reductions in a number of submitted cost areas or pushing back on or refusing a number of other claim items.
- 8 Following completion and handover of the final homes in March 2023, NPS have reviewed the Final Account and are recommending that LCC accept the settlement in Confidential Appendix 1 – Tarnside & Mardale Final Account Cost Report.
- 9 Delegation of authority gives the Director of City Development or Chief Officer of Asset Management & Regeneration to agree funding changes within the Housing Growth Programme which require no further injection of funding.

What impact will this proposal have?

- 10 The agreement of the Final Account will mean that all cost items relating to the project will be finalised and will provide LCC with cost certainty on the final budgetary position.

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

What consultation and engagement has taken place?

Wards affected: Killingbeck and Seacroft

Have ward members been consulted?

Yes

No

Ward members were regularly updated on the project and attended bi-monthly site walkarounds to review progress with the construction and also received monthly contractor resident newsletters.

What are the resource implications?

11 Total funding injected and available for the Council Housing Growth Programme as of January 2024 is £345.7m. The variations to this project are still within the Housing Growth Capital Programme budget and Housing Finance have confirmed that these can be met from currently unallocated in the programme parent pot. The additional funding required for the project will be met 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 Following completion of the development in March 2023 quarterly meetings have been established with the contractor to review progress relating to outstanding defects, as per the agreed defect liability process, which will be in place for the first 12 months, following handover. The Defect Liability Period is due to end in Spring 2024.
- 13 Wates have made good progress finalising the adoption of the new drainage infrastructure to allow Yorkshire Water to take on future maintenance. Positive meetings have taken place between both parties with confirmation now being provided that the works associated with the Mardale site are acceptable. Similar confirmation is expected regarding Tarnside shortly. After which, Highways can then issue practical completion to adopt the new roads and footpaths.
- 14 NPS will hold a retention until the end of the Defect Liability Period in Spring 2024 and monies will not be released to the contractor until they are satisfied that all remaining matters have been resolved.

What are the legal implications?

- 15 The recommendations set out in this report are a direct consequence of a previous Key Decision (taken by Executive Board in November 2018) which approved the investment in new sites for the delivery of social housing which included the Tarnside and Mardale project.
- 16 Wates, entered into a Design Services Agreement (DSA) with Leeds City Council on 22nd October 2019.
- 17 A signification operational decision was later taken by the Director of Resources and Housing on 1st April 2021 for authority to spend and approval to enter into a NEC 4 Engineering and Construction Contract to deliver General Needs Housing on the sites, for a contract value of £9,191,098.48.
- 18 Exempt Information – The information contained in Confidential Appendix 1 attached to this report related 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?

19 The alternative option would be to not accept the final account which could result in the matter being referred to an independent arbitrator for a decision and LCC incurring additional costs.

How will success be measured?

20 The programme directly contributes to the achievement of a number of the key performance indicators which the Council will use to measure success including:

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

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

21 The final properties were handed over to LCC in March 2023. The Defect Liability Period is due to complete in Spring 2024, once all outstanding defects have been resolved and both Yorkshire Water and the Highways department have agreed to take on responsibility for the maintenance of the new drainage and highway infrastructure constructed for the development. At that point, all outstanding retention monies can be paid to Wates.

Appendices

- Appendix 1– Confidential Appendix Tarnside and Mardale Final Account Cost Report.

Background papers

None.