

Authority to Procure for the building of new council homes at Wesley Street, Morley as part of the Council Housing Growth Programme

Date: 3 September 2024

Report of: Project Manager, 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

Brief summary

The Council Housing Growth Programme (CHGP) contributes to the Leeds Affordable Housing Growth Partnership Action Plan 2022-25 which has an affordable housing pipeline that targets delivery of around 800 new affordable homes per annum over the next 3 years.

In September 2022, Executive Board approved the inclusion of the Wesley Street (former Siegen Manor care home site) into the CHGP as a Key Decision.

The scheme design is underway with a planning application to be submitted later in 2024. This report seeks approval to procure a contractor to complete the design and build 21 new homes on the site via a mini competition through the Efficiency North lot 2 Housing New Build Framework – 4th generation.

The new homes will be designed to meet the housing needs of our residents.

Recommendations

It is recommended that the Chief Officer of Asset Management & Regeneration:

- a) Grants approval to a procurement strategy and Authority to Procure a contractor via the Efficiency North Housing New Build Framework – Lot 2 through a competitive single stage tender in line with CPR 3.1.7.
- b) Approves the proposed evaluation criteria of a price/quality separated approach in accordance with CPR 15.2(a), as required under CPR 15.1.

What is this report about?

- 1 In line with CPR 3.1.7, this report seeks approval to procure a contractor to build 21 new homes on the Wesley Street site via a mini competition through the Efficiency North Housing New Build Framework.
- 2 A competitive tendering exercise is being proposed with the aim of achieving the best value for money. As part of this approach, efforts are being made to engage interest from smaller contractors and SMEs. The estimated contract value is in the region of £4m. The relatively low value of the scheme is not likely to be of interest to the larger national Tier 1 contractors and there is a high risk of not receiving sufficient tenders if procurement route that targeted Tier 1 contractors. Smaller contractors are likely to have lower overheads and preliminary costs which should deliver lower tendered values. The Efficiency North Housing Framework provides access to more smaller contractors than other routes to market and a range of contractors not yet utilised in the programme, which achieves the long-standing aim to try and widen the contractor pool targeted through procurements.
- 3 On this occasion although YORbuild West Lot 3 (New housing up to 25 units) was considered in line with the provisions of CPR 3.1.6, it was not felt to provide the Council with the best option to drive a competitive approach as there are only three contractors on the lot for the West area and two of these are larger contractors who are unlikely to be interested this scheme. Therefore, on this occasion this would not provide the Council with the opportunity to maximise market engagement in order to maximise competition which is already a concern in the current market conditions.
- 4 The Efficiency North Housing Framework also provides a bigger pool of contractors and includes a number of contractors that have not delivered schemes for the Council Housing Growth Programme and so this route will provide experience of a wider range of contractors who have been pre-vetted and evaluated by Efficiency North.
- 5 An Expression of Interest was undertaken in April 2024 to the Efficiency North New Build Framework which yielded a positive response, with eight contractors expressing interest in bidding for this scheme.

What impact will this proposal have?

- 6 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 around 800 new affordable homes per annum over the next 3 years.
- 7 The scheme design is underway for an apartment building with 21 apartments. A pre-planning application was submitted to the Planning Authority in May 2024 and the design is being modified in line with the feedback received. Pre-planning consultation will take place in October 2024, prior to the planning application being submitted. The procurement process will commence once planning approval is in place. This authority to procure approval is needed well in advance of the procurement process commencing to enable the Council to formally engage the Efficiency North Housing Framework to allow time for the tender documents to be prepared.
- 8 Subject to securing satisfactory tender returns and the tender evaluation, further approval will be sought to enter into a construction contract to deliver the homes and for authority to spend for the construction costs.
- 9 An Equality, Diversity, Cohesion and Integration Screening has been undertaken which is provided at Appendix A.

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

Health and Wellbeing

Inclusive Growth

Zero Carbon

10 The delivery of new homes will directly contribute to the priorities outlined in the Best City Ambition and this programme will directly support the following priorities by delivering additional social housing stock:

- Housing of the right quality, type, tenure and affordability in the right places;
- Minimising homelessness through a greater focus on prevention;
- Tackling Fuel Poverty.

11 The project will directly contribute to the achievement of a number of the key performance indicators the Council will use to measure success, including:

- Growth in new homes in Leeds;
- Number of affordable homes delivered;
- Improved energy and thermal efficiency performance of houses; and
- Reducing the number of households in fuel poverty.

12 The programme will also directly contribute to ensuring that “everyone in Leeds Live(s) in good quality, affordable homes, in clean and well cared for places”.

13 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.

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

15 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.

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

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

17 All homes will be highly energy and thermally efficient contributing to other Council objectives relating to climate emergency, sustainability and fuel poverty. A low carbon heating and hot water energy solution is are being designed taking account of capital investment costs, running costs for residents, overall carbon impact and the need to meet statutory requirements.

- 18 The procurement will include social value criteria which will promote inclusive growth to the city. Specific Themes, Outcomes and Measures (TOMs) will be selected that are relevant to the scheme that will benefit the local area during the construction period. The TOMs will be evaluated at tender stage and then closely monitored by the Social Value Team during the construction period.

What consultation and engagement has taken place?

Wards affected: Morley South

Have ward members been consulted? Yes No

- 19 Local Ward Members have been consulted and are supportive of the proposals to deliver an apartment scheme on the site. The ward members will be consulted prior to the pre-planning public consultation commencing. The Executive Member for Housing receives regular briefings on the programme. The most recent Executive Member briefing was 11 July 2024.
- 20 The Chief Officer of Housing is briefed on the scheme and supports the recommendation contained in this report.
- 21 The Finance team has been consulted and they support the recommendations in this report.
- 22 Consultation has taken place with the Construction and Housing Procurement Team and Procurement Legal who are supportive of the approach outlined in this report and will continue to be consulted throughout the process.

What are the resource implications?

- 23 The Council Housing Growth Capital Programme has a total approved budget of £345.7m until March 2027 and incorporates sufficient funding to meet the costs of delivering the scheme contained in this report.
- 24 All schemes in the programme are 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 suggest that this is 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.
- 25 It is anticipated that the construction contract value will be in the region of £4m. This is an estimate provided by NPS Leeds at the RIBA 2 design stage and is being refined in RIBA Stage 3 prior to tender. Authority to spend has already been sought for the RIBA 2-3 design fees. Authority to spend for the construction costs will be sought at contract award stage when a construction cost has been submitted by the preferred contractor.
- 26 The procurement will be carried out in an open and transparent manner in a competitive environment by the Construction and Housing procurement team and evaluated on the basis of a price/quality separated approach. Further, financial due diligence will be undertaken with the bidders to ensure their financial stability to undertake the requirements of the contract.
- 27 The procurement will also be supported by the Council Housing Growth Team, Procurement and Commercial Services including Legal and NPS Leeds with the subsequent contract being managed by Council Housing Growth with support from NPS Leeds.
- 28 A dedicated project team is in place to progress the scheme for the Council working with colleagues and stakeholders across other departments.

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

- 29 A risk register has been created for this scheme and will be carefully monitored and regularly reviewed throughout all stages of this scheme. The risks relating to this proposal are set out below.
- 30 Procurement Challenge – There is a risk of procurement challenge when undertaking any competitive procurement process. To mitigate this a fair, transparent and compliant procurement will be conducted.
- 31 Inflation - There is a risk that inflation will continue to rise which will affect the tendered price for this scheme due to increased costs of materials and labour. To mitigate this, a robust pre-tender estimate has been put forward and costs will be carefully monitored throughout the contract period. Market intelligence suggests that the market is stabilising in these areas.
- 32 Supply Chain – Due to nationwide supply chain difficulties for building materials, there is a risk that this may cause delays in the construction or that construction may take longer than anticipated. This will be regularly reviewed with the contractor and mitigating action put in place where they are deemed appropriate.
- 33 Level of interest in tendering - There is a risk of a low number of tender returns being received due to current market conditions. To mitigate this, supplier engagement will be frequent and consistent throughout the pre-procurement and procurement stages of the project to ensure that contractors feel supported to submit a bid. An expression of interest has already been done which yielded a positive response from eight contractors.
- 34 As part of the approval to award the build contract, the report will set out any site conditions risks or delivery risks which are proposed to remain with the Council as well as the costs associated with transferring the remaining risks to the contractor.

What are the legal implications?

- 35 On 21 September 2022, Executive Board approved the proposal to add six additional council owned sites to the programme, which included Wesley Street as a Key Decision (referred to as Siegen Manor) in that report.
- 36 The recommendations in this report are a direct consequence of this Key Decision and constitute a Publishable Administrative Decision which is not subject to call in.
- 37 There will be separate report on the tender evaluation following the procurement activity and this will be a Publishable Administrative Decision to award the contract, detailing the successful contractor selected and the price cost for the works.
- 38 The proposed Framework is a pre-approved third-party external framework for the purposes of CPR 12.3.2 and as such, CPR 12.1 and CPR 12.2 can be disregarded in this instance. The Legal team is satisfied that the third-party framework was procured in a compliant way, and any subsequent call-offs in line with the requisite terms are a compliant route to procure an agreement.
- 39 There are no grounds for keeping the contents of this report confidential under the Access to Information Rules.
- 40 The procurement will be undertaken in line with the Council's Contract Procedure Rules and Public contract regulations.

Options, timescales and measuring success

What other options were considered?

- 41 The other options considered in relation to this procurement proposal are set out below.

- 42 Option 1 - Do Nothing – this option was discounted as the scheme needs to be delivered in order to deliver the council housing growth programme.
- 43 Option 2 – Use an Internal Service Provider (ISP) – The ISP has been considered in line with CPR 3.1.4, however the Head of Leeds Building Services has been consulted and agreed that they are not able to deliver the work due to the new build nature. External contractors will have more expertise to carry out this specific type of work.
- 44 Option 3 – Use Other External Frameworks – A number of external frameworks including YORbuild and Scape were explored as an option. On this occasion although YORbuild Lot 3 (New housing up to 25 units) was considered in line with CPR 3.1.6, it was not felt to provide the Council with the best option at there are only three contractors on the lot for the West area and two of these are larger contractors who are unlikely to be interested this scheme. This would not maximise competition which is already a concern in the current market conditions.
- 45 Option 4 – Use an Over Threshold Procurement – due to the additional resource and longer timescales required and with no specific guarantee of success with this route to market, this option was discounted.

How will success be measured?

- 46 The delivery of new council homes at Wesley Street will contribute to the number of new affordable homes as part of the city delivery target of c.800 new affordable homes per annum until 2026/27. Success will be measured by the number of new homes of the right type that are delivered on the site.
- 47 Social value will be a part of the procurement evaluation criteria and contractors will be required to outline what social value outcomes they will deliver on this scheme. These will be evaluated as part of the procurement and monitored throughout the life of the contract.

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

Tender Published	February 2025
Tenders Submitted	March 2025
Tender Evaluation Period	March 2025 – April 2025
Award governance approval process	April 2025 – May 2025
Contract Award	June 2025
Contract Commencement	June 2025
Contract Completion	October 2026

Appendices

- Appendix A – Equality, Diversity, Cohesion and Integration (EDCI)

Background papers

- None