

Council Housing Growth Programme (CHGP): Approval to enter into a NEC4 Engineering and Construction Contract with Willmott Dixon Construction Limited and the appointment of Perfect Circle JV Limited for the Construction of New Council Homes at Hough Top, LS13

Date: 15 November 2024

Report of: Project Manager

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

Brief summary

- The report relates to the construction of 82 new council homes at Hough Top Court in the Pudsey Ward.
- The report seeks approval to the scheme budget to allow delivery of the scheme in accordance with the planning approval. Approval is also sought to enter into an NEC4 Engineering and Construction Contract (NEC4 ECC) as well as a separate consultancy services contract.
- The report also provides details of the regeneration and social value benefits of building homes on a currently undeveloped brownfield site to meet pressing housing need.
- On 3 October 2024, planning permission was granted at Hough Top Court for the erection of 82 affordable dwellings, two new vehicular access points, associated open space and infrastructure and ball strike netting (Planning Application Reference: 23/06663/FU).

Recommendations

It is recommended that:

The Director of City Development approves the following via a Publishable Admin Decision:

- a) To enter into an NEC4 Engineering and Construction Contract (NEC4 ECC) with Willmott Dixon Construction Limited (WDCL) via the SCAPE Consultancy Built Environment Framework for the construction of 82 new Council homes in the Pudsey Ward. The contract sum is £24,083,032.83, excluding VAT. The figure is inclusive of abnormal development costs but excludes the enabling works, which were costs approved separately in November 2023 and September 2024. The contract shall commence on Monday 25 November 2024 for a period of 101 weeks.
- b) To the appointment of Perfect Circle JV Ltd (Perfect Circle) for NEC Project Management, NEC Supervisor, Technical Advisory and Quantity Surveying services for the Hough Top, Pudsey scheme (RIBA Stages 5 - 7), via the SCAPE Consultancy Built Environment Framework.
- c) To approve the total scheme budget for RIBA Stages 5 – 7, as outlined in Appendix 1, to meet the full cost of delivering the scheme.

What is this report about?

1. This report seeks authority to enter into an NEC4 ECC with WDCL and to appoint Perfect Circle for consultancy services to delivery: 82 affordable dwellings; two new vehicular access points; associated open space and infrastructure and ball strike netting. This follows planning approval being granted in October 2024 (Planning Application Reference: 23/06663/FU).
2. Executive Board approved the inclusion of the Hough Top Court site into the Council Housing Growth Programme (CHGP) as a Key Decision on 21st September 2022 and noted that subsequent procurement and contract approvals would be approved by the Director of City Development under the Council's existing approved scheme of delegation.
3. In March 2023, the Council entered into an NEC4 Pre-construction Services Contract (PSC) with WDCL to deliver services of pre-construction, design and other professional services on Hough Top Court for RIBA Stages 2 – 4 via the SCAPE Framework to the value of £619,988. This was approved via a Significant Operational Decision.
4. Approval to proceed with the appointment of Perfect Circle for Project Management, Technical Advisory and Quantity Surveying Services for Hough Top Court (RIBA Stages 1 – 4), was also obtained in March 2023 to the value of £533,850.31 (Significant Operational Decision).
5. In November 2023, a Significant Operational Decision was approved, enabling WDCL to place orders with statutory utilities providers for the diversions of existing utilities and the installation of new utility services to help de-risk the site. A further enabling package was approved in September 2024 via a Non-Publishable Admin Decision to enable WDCL to proceed with pre-construction works. Enabling works are due to complete in Autumn 2024.
6. In October 2024, the Council appointed Watson Batty Architects Ltd via a non-Publishable Admin Decision to undertake the Principal Designer (Building Regulations) role. In

accordance with the Building Safety Act 2022 and subsequent regulations introduced in 2023, the project has necessitated the appointment of this role. This role is essential to ensure compliance with building regulations throughout the design process and to meet the heightened safety standards required for construction projects.

7. In October 2024, a Key Decision was approved, enabling the injection of £1,640,000 West Yorkshire Combined Authority (WYCA) Grant Funding into the Council Housing Growth Programme (CHGP) for the Hough Top Court Project.
8. Hough Top Court is a challenging brownfield Council-owned site. It was formally a school (Hough Side High School) and then subsequently used for Council offices and part of the building was leased out to a gymnasium. The buildings on site have since been demolished and the land remains undeveloped with significant remediation required prior to completion of the new homes. There are high abnormal development costs associated with the site, including but not limited to:
 - a. Contamination
 - b. Site topography
 - c. Service diversions
 - d. Drainage works
 - e. Removal of hard paving
 - f. Ball strike netting

What impact will this proposal have?

9. There is a need to develop good quality, sustainable, affordable housing across the city and the CHGP is contributing to the Leeds Affordable Housing Growth Partnership Action Plan 2022-25, which sets out an affordable housing pipeline that targets delivery of c.800 new affordable homes over the next 3 years.
10. As well as enabling the Council to meet its housing needs; this development will also support the wider regeneration of a site, which has been undeveloped for the past couple of years and it will contribute to delivering against the Council's social value charter aspirations via the creation of employment, skills and apprenticeship opportunities within the city.
11. The Council proposes to develop the site to deliver new Council housing for rent, which contributes towards meeting the affordable housing needs of the city. There are limited opportunities to develop Council housing in the outer west area of the City, with no other sites currently proposed within the CHGP for new build Council housing in the Pudsey Ward. All properties will be made available on the Leeds Housing Register for Affordable Rent
12. Data from the Leeds Housing Register shows there is demand for a wide range of different house types across the ward, which is reflected in the varied property mix agreed for the new development. The site will deliver 82 general needs accommodation consisting of 17nr 1nr bed apartments (2 of which are M4(3)) and 10nr 2 bed apartments in a 3-storey block, 28nr 2 bed houses, 23nr 3 bed houses and 4nr 4 bed houses.

13. Demand data for the Pudsey Ward highlighted that in Q1 2024/25, there were 1345 applicants for 1 – 4 bed properties. This further demonstrates that building 82nr 100% affordable homes in the Pudsey Ward would contribute towards improving the living standards for families in the local area.
14. An Equality, Diversity, Cohesion and Integration (EDCI) screening was completed for the Executive Board Report in September 2022 and the EDCI for this scheme is attached in Appendix 4.

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

Health and Wellbeing Inclusive Growth Zero Carbon

15. 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 Pudsey Ward and across the city, as well as supporting tenants at risk of fuel poverty. The scheme is strongly aligned to the three pillars at the centre of the Leeds Best City Ambition as follows:
- a. Support communities and tackle fuel poverty, improve housing quality and standards.
 - b. Promote sustainable and inclusive economic growth.
 - c. Reduce carbon through the improved insulation of our housing stock.
16. This proposal will support inclusive growth for the wider community through the employment and skills opportunities provided by the scheme.
17. The scheme, on completion, will promote greater Health and Wellbeing for residents through the provision of better quality and energy efficient social housing.
18. All homes are being delivered via the CHGP and are built to a specification which focuses on cutting carbon, improving air quality, and tackling fuel poverty. This plays a 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. A "fabric first" approach, meaning the Council will achieve high insulation levels;
 - b. Air source heat pump technology will be used to supply heat and hot water to the homes.
19. Leeds declared a climate emergency in 2019 and set an ambition to make the city carbon neutral by 2030. Housing accounted for 27% of CO2 emissions in Leeds in 2019 and so the new energy efficient homes, which will be delivered through the Hough Top Court project, play an important role in supporting the city's carbon zero ambitions and influencing other housing providers operating in the city to reach the same standards and to a non-gas solution which provides cleaner energy.

What consultation and engagement has taken place?

Wards affected: Pudsey

Have ward members been consulted? Yes No

20. The Executive Member for Housing has been consulted on the proposals to deliver affordable housing on this site and is fully supportive of the scheme progressing. The most recent briefing was on 14 November 2024.
21. A planning pre-application process was undertaken in early 2023. Initial comments from Planning consultees were obtained and no major concerns were raised. A full planning application for the development of 82 dwellings at Hough Top Court was submitted in October 2023.
22. Prior to submitting the full planning application, a pre-planning public consultation exercise for the Hough Top Court development was undertaken between July and September 2023. This included initial consultation with residents to the south of the site who were deemed most impacted by the development and its construction (some face-to-face meetings were held upon request), and the distribution of printed and online literature to local residential, community and commercial properties, which included the local primary school. Consultation feedback was recorded and considered as part of the planning application.
23. Local Ward Members have been consulted on the Hough Top Court project and, whilst supportive of the proposals to deliver new housing on this site, made representations through the statutory planning process around design detail and consultation.
24. Further communications relating to planning application updates and site activities have been issued between November 2023 – October 2024 by the CHGP to residents and Ward Members.
25. During the period of the main works, residents and ward members will be kept informed of progress on site via regular newsletters, coordinated by the contractor. This will include key information about progress updates on site and activities due to take place during the next period. The project will also adhere to requirements outlined within WDCL's Construction Management Plan.
26. Throughout the RIBA 4 Stage of the project the Leeds City Council Procurement and Commercial Services Team have worked with the Council Housing Growth Team to negotiate the contract clauses, client liabilities, and other contract documentation in preparation for NEC4 ECC award subject to the decision been put forward. They are now satisfied and are supportive of the decision been presented.
27. Similarly, the Council's Financial Management Team have supported the project team in preparing and analysing the viability models of the project with the final position been supported as presented within the confidential appendix.

What are the resource 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). The September 2022 report stated: A total commitment of £324 million has been made to the CHGP, this includes 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 CHGP. This consisted of £180m of borrowing, £132m of Right to Buy receipts with the remainder made up of Homes England Grant funding and some reserves. Executive Board then approved the inclusion of the Hough Top site into the CHGP as a Key Decision in September 2022.
29. The project will be funded via: HRA Borrowing; the Capital Scheme by Right to Buy receipts and Government grant funding. The Council has also secured £1,640,000 of Brownfield Housing Funding via WYCA, subject to conditions being met. No other funding options are being explored at present.
30. The scheme meets the viability principles that were agreed by Executive Board on 21st September 2022. Homes will be let at affordable rent (up to 80% of market) and confirmed ahead of scheme completion.
31. Internal resources are in place to support the delivery of the project.
32. The contract sum is £24,083,032.38, excluding VAT. This figure includes abnormal costs but excludes the previously approved enabling works, which were costs approved separately in November 2023 and October 2024.
33. The Council's external consultant, Perfect Circle, have supported the Council in ongoing negotiations with WDCL to achieve a best value for money solution. Perfect Circle have also undertaken a detailed analysis of the proposed costs and the designs. Perfect Circle support the decision for the Council to proceed into contract with WDCL. In addition, the approved planning application has been subject to all statutory consultations. Value Engineering has also been considered throughout the project, with over £2.265m of savings confirmed following outcomes of design development decisions to-date. The full cost of delivering the project is set out in Appendix 1.
34. The project team have also developed a scope of service to be provided by Perfect Circle to support the successful delivery of the construction contract and are satisfied that this meets the Council's requirements and that the consultancy costs provide appropriate market pricing in line with similar schemes in the programme. Further details can be found in Appendix 3.
35. Perfect Circle have already been appointed on the Hough Top Scheme for RIBA Stages 2 – 4. For consistency and to avoid cost and programme implications, it is recommended that Perfect Circle are appointed to undertake consultancy services on the scheme for RIBA Stages 5 – 7.

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

36. Project risks have been assessed and costed using the Council's agreed project management methodology and managed, monitored, and escalated through agreed governance processes as appropriate, with some risks being transferred to the Contractor.
37. The following high-risk commercial items have been agreed as costed Contractor risks:
- a. Supply chain instability / insolvency
 - b. Fire stopping & Partitioning
 - c. Availability of supply chain and materials
 - d. Vacuum Excavation Requirements
38. Perfect Circle have advised that due to the nature of the contract (NEC4 ECC, Option A) all items, other than standard Client NEC items and the additional risk items noted below, will be the responsibility of WDCL. Negotiations between the Council, Perfect Circle and WDCL have taken place prior to reaching the below position. The following risk items have been agreed as Client risks. Further information can be found in Appendix 1.
- a. Securing Legal Agreements, including arrangements associated with the substation.
 - b. Delays or changes driven by statutory authorities.
 - c. Costs and delays with changes in points of connection.
 - d. Costs and delays as a result of asbestos found on site. Also contamination within or below the existing substation.
 - e. Contamination within 2.5m either side of an existing HV cable.
 - f. Remediation works within tree root protection zones.
 - g. Delays associated with a licence for the ball strike netting works (western boundary) – further details on the location can be found in Appendix 6 (Site Layout).
39. The original specification for the Hough Top project included the installation of Virgin Media cable. However, subsequent correspondence with Virgin Media has confirmed that provision of cable in the Hough Top Court site is currently not feasible. The requirement for Virgin Media cable has therefore been removed from the project scope. As it stands, prospective tenants would not be able to access Virgin Media once the properties are occupied.
40. The specification for the Hough Top Court project has continued to develop during RIBA Stages 3 – 4. There are some known Council-design driven items which remain outstanding and will be addressed during RIBA Stage 5. To prevent a delay with finalising the contract, the Project Team agree that these items should be managed via Compensation Events, with the fees to be deducted from the contingency figures. Further details can be found in Appendix 1.
41. The Contract Data Part 1, including Client Liabilities, has been reviewed by Perfect Circle, who deem the position to be acceptable. The Schedule of Client Liabilities has been agreed and is being set out in the contract documents.

42. Following the previous approvals, the project team have been working with the Contractor to put in place robust mitigation measures to resolve the Council's risks prior to contract award. The Council has also instructed WDCL to secure service diversions and to place orders with utility providers in advance of the main contract works start date. The aim of this has been to mitigate the costs of delays caused during the construction works. This has helped reduce the risk to the Council, as we are liable for any costs or delays arising from third party approvals. Perfect Circle's Advisors have confirmed they are satisfied that the Contractor has taken appropriate measures to mitigate all the above known Council risk items. Further details can be found in Appendix 2.

43. In order to help mitigate delays as a result of statutory approvals, there has been early engagement with utility providers to help secure statutory technical approvals. The below table outlines the latest position:

Section Agreement	Position
Section 38 Highways Act 1980 – adoption of the new highways infrastructure by the local highway authority	Technical proposals under review by S38 Team
Section 104 Water Industry Act 1991 – adoption of public sewers by Yorkshire Water Services Ltd	Technical approval granted on 27.08.24 Legal agreement underway
Section 51 Water Industry Act 1991 – adoption of water mains and other water infrastructure by Yorkshire Water Services Ltd	Agreed and in place
Section 106 Town and Country Planning Act 1990 - planning obligations to be fulfilled by the Council as a condition of planning permission	Agreed and in place

44. There is a Client risk that if the Contractor's Programme is delayed, then this would result in increased consultancy fees. Further details can be found in Appendix 3.

45. A detailed costed risk log has been developed to ensure that the potential costs associated with the scheme can be met by the approved budget. Risks and commercial issues will be reviewed on a regular basis throughout the contract period.

What are the legal implications?

46. Executive Board approved the inclusion of this site into the CHGP as a Key Decision on 21st September 2022 and noted that subsequent procurement and contract approvals will be approved by the Director of City Development under the Council's existing approved scheme of delegation.

47. The legal and contractual obligations of the Council will be managed through the Scape Consultancy Built Environment framework. The legal and contractual implications of this proposal are set out throughout this report particularly in risk management section above.

SCAPE is on the Council's pre-approved framework provider list and any subsequent negotiations on the resulting NEC4 ECC are being agreed with the Procurement and Commercial Services Legal Team.

48. Legal agreements are progressing in relation to the relocation of a substation and the addition of a second substation on site. These will be covered in separate decision reports.
49. Under Part 3, Section 3E(g) of the Council's Constitution (Officer Delegation Scheme (Executive Functions)) the Director of City Development has authority to discharge any function of the Executive in relation to Asset Management.
50. The information contained in Appendices 1 – 3 attached to this report relate 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 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?

51. In accordance with the Contracts Procedure Rules, the preferred option is to deliver the project via SCAPE as an approved framework provider. WDCL were successfully reappointed following a competitive procurement exercise to the fifth generation of the SCAPE framework in August 2021, with approval of schemes with a value range between £7.5-75 million on Lot 3. The CHGP has worked with WDCL on four completed new build projects. There is also a strategic management arrangement in place with them to ensure continuous performance monitoring and risk, action and issue escalation, as required.
52. If the Council did not proceed and agree a contract, it would incur abortive costs and a new procurement exercise would take a considerable amount of time to complete. Based on current market knowledge, the project team and Perfect Circle's view is that there would be no guarantee of achieving a better value for money solution than the current proposal this approval is based on.
53. With regard to the consultancy appointment, the majority of the CHGP is being supported by NPS Leeds Ltd (NPS), as part of the joint venture partnership arrangements already in place with the Council. NPS provide a range of consultancy services to the programme and currently have a significant number of schemes in progress at planning, pre-construction and in construction stages, together with additional commissions for the next batch of sites that the Council expects to deliver as part of its programme.

54. The rapid expansion of the programme over the last few years has created the need to seek additional resources to support delivery at pace. The use of the Scape Built Environment Consultancy framework provides additional capacity in terms of technical consultants on specific schemes to ensure that the programme can be delivered as quickly as possible.

How will success be measured?

55. 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?

56. The proposed construction programme is currently 99 weeks, with the works to be completed in five sections. The CHGP Team will be responsible for implementation.

57. The indicative timescales for the projects are below, which will be overseen by the project team and the contractor:

Activity	Date
Completion of Pre-construction works (agreed early works items)	Autumn 2024
Main works construction start on site	December 2024
All New Homes Occupied	October 2026

Appendices

- Appendix 1 – Hough Top Cost Report (**confidential**)
- Appendix 2 – Hough Top Perfect Circle End Stage 4 Report – Commercial Summary (**confidential**)
- Appendix 3 – Hough Top Consultancy Commission Cost Report (**confidential**)
- Appendix 4 – Equality, Diversity, Cohesion and Integration Screening
- Appendix 5 – Red Line Boundary
- Appendix 6 – Site Layout

Background papers

None.

Related Reports

- CHGP Report to Executive Board 21st November 2018: [Council and democracy \(leeds.gov.uk\)](https://leeds.gov.uk/council-and-democracy)
- CHGP Report to Executive Board 21st September 2022:

[Council and democracy \(leeds.gov.uk\)](https://leeds.gov.uk)

- CHGP Report to enter into a Pre-Construction Services Delivery Agreement for Hough Top in March 2023: [Council and democracy \(leeds.gov.uk\)](https://leeds.gov.uk)
- CHGP Report to appoint technical consultants for RIBA Stages 1-4 on Hough Top Court in March 2023: [Council and democracy \(leeds.gov.uk\)](https://leeds.gov.uk)
- CHGP Report to place orders with statutory utilities providers for the diversions of existing utilities and the installation of new utility services at Hough Top Court in November 2023: [Council and democracy \(leeds.gov.uk\)](https://leeds.gov.uk)
- CHGP Key Decision Notification – Approval to inject £1,640,000 of Government Grant Funding into the Council Housing Growth Programme for the Hough Top Court Project: [Council and democracy \(leeds.gov.uk\)](https://leeds.gov.uk)