

Finance and Resources Committee

10.00am, Thursday, 3 March 2022

Award of Pre-Development Contract for Meadowbank Mixed Use Development

Executive/routine	Executive
Wards	14 – Craigentinny/Duddingston
Council Commitments	1, 14, 15, 39 ,42

1. Recommendations

- 1.1 It is recommended the Finance and Resources Committee:
- 1.1.1 Approves the award of a pre-development contract to the Edinburgh Meadowbank Group (A consortium comprising of John Graham Holdings, Panacea Property Development and Miller Homes thereafter referred to as EDMB) for the housing led development located at Meadowbank, Edinburgh at a total anticipated cost of £1.045m; and
 - 1.1.2 Notes that a further report will be brought to this Committee following the completion of the pre-development period in 2023. This report will seek approval of the final business case and request permission to enter into a Development Agreement to construct the design finalised during the pre-development period.

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Report

Award of Pre-Development Contract for Meadowbank Mixed Use Development

2. Executive Summary

- 2.1 A Development Partner is required by the City of Edinburgh Council to deliver a minimum of 596 new homes, at least 35% of which will be affordable, and a range of active ground floor units (e.g. commercial units, GP Surgery) on land adjacent to the new Meadowbank Sports Centre off London Road, Edinburgh.
- 2.2 This report seeks approval to appoint a Development Partner for pre-development services for the project following a procurement process which is detailed in this report.
- 2.3 Committee is asked to agree the award of a pre-development contract to EDMB for a total cost of £1.045m. Following successful completion of the pre-development period, a report seeking authority to proceed with the development of the site will be brought to a future Finance and Resources Committee.

3. Background

- 3.1 On [13 March 2008](#), the City of Edinburgh Council approved the construction of a new build sports centre as the preferred option for replacing the existing sports facilities at Meadowbank.
- 3.2 On [10 March 2016](#), the City of Edinburgh Council approved the funding package for the sports centre including transfer of surplus sites at Meadowbank to the Housing Revenue Account (HRA). This approach was preferred to market disposal of the surplus sites as it ensured that the land stayed within Council control, allowing the delivery of much needed housing including an above policy level of affordable housing, and also create future income generating assets.
- 3.3 On [19 April 2016](#), the Health, Social Care and Housing Committee approved the development of new Council owned homes at Meadowbank and agreed to seek approval to apply for Scottish Government funding through the Affordable Housing Supply Programme (AHSP) to support this.

- 3.4 On 29 June 2018, full planning permission (18/00181/FUL) was granted for the proposed redevelopment of the existing Sports Centre site to provide new Sports Centre facilities and ancillary works. The construction contract was awarded to Graham Construction who are on site and the sports centre is expected to open in early 2022.
- 3.5 On 29 June 2018, Planning Permission in Principle (18/00154 PPP) was approved for the redevelopment of the surplus land on the site for a mix of uses, including residential, student accommodation, hotel and commercial uses (including Classes 1, 2, 3 and 4), together with car parking, landscaping, drainage and ancillary. The permission was subject to the submission of a masterplan for approval by the Planning Authority.
- 3.6 On [29 August 2019](#), the Delivery Strategy was approved by the Housing, Homelessness and Fair Work Committee.
- 3.7 On 7 October 2020, the masterplan (Ref 20/00618/AMC) was approved at a Hearing by the Development Management Sub Committee.

4. Main report

- 4.1 The Delivery Strategy for the project was agreed by the Housing, Homelessness and Fair Work Committee in August 2019. This set out the objectives for development including the delivery of a net zero carbon, sustainable development of around 600 new tenure blind homes of which at least 35% will be affordable. The procurement strategy is based on the appointment of a development partner to construct homes that will be owned by the Council and also develop the private housing and commercial units.
- 4.2 An OJEU contract notice was published in December 2020. Parties interested in becoming the development partner were invited to complete a European single procurement document (ESPD). The purpose of the ESPD was to assess the financial capacity, business probity and experience in similar works completed by the tenderers. Although the UK has in the interim left the European Union (EU), as the procurement process commenced before withdrawal it is subject to EU legislation.
- 4.3 In March 2021, ten tenderers submitted ESPDs for evaluation. These were reviewed by officers and six tenderers were shortlisted. Following the consensus meeting, a period of time was set aside to confirm legal documentation and the detailed content of the tender package.
- 4.4 An invitation to submit an initial tender was issued, in September 2021, to the six shortlisted parties. The tender was based on award criteria of 70% quality and 30% price. The award criteria ratios were selected due to the high visibility of the project and the strategic objective to deliver an exemplar quality standard for the city. While it is important that a cost-effective development is delivered, it is vital that planned works take account of the wider placemaking objectives surrounding the site and enhance the Meadowbank area.

- 4.5 The Project Team sought to encourage collaboration and strong communication with the local community groups from the outset of the procurement process. To support this, members of the Community Council were invited to present their views on the community approach and vision to the tenderers as part of the tender process at an online event. At this event, the Council also took the opportunity to explain further the procurement process and award criteria as well as present the procurement strategy and vision.
- 4.6 On 22 December 2021, three tenderers returned initial tender returns which were evaluated by the procurement panel. Three tenderers chose not to bid due to conflicting work commitments and the current risks surrounding the lack of labour availability in the market. At the completion of the evaluation, the tenderers were ranked based on their quality scores. The quality criteria are detailed in Appendix 1. The cost criteria contained an evaluation of costs for the pre-development period; additional services which may be required to complete the pre-development period; management costs for managing the on-site construction for the Council's affordable homes; and the percentage of costs which the Development Partner would share with the Council should they exceed the pre-set profit level.
- 4.7 Based on the tenders submitted, the result of the procurement process is below:

Tenderer	Cost Score	Quality Score	Overall Tender Score	Overall Rank
EDMB	30.00	54.95	84.95	1
Tenderer 2	23.20	50.75	73.95	2
Tenderer 3	19.93	40.25	60.18	3

- 4.8 As identified above, the tenderer who submitted the most economically advantageous tender is EDMB.

5. Next Steps

- 5.1 Subject to approval, the Council will award a pre-development contract to EDMB.
- 5.2 Over the course of the pre-development period, activities including the following will be carried out by the Council and EDMB.
- 5.2.1 Developing detailed designs;
 - 5.2.2 Agreeing the method and sequencing of construction;
 - 5.2.3 Compiling tender documents for the appointment of the contractor(s);
 - 5.2.4 Drafting and, where appropriate, submitting planning applications and other statutory consents;
 - 5.2.5 Agreeing a funding strategy for the development;
 - 5.2.6 Agreeing a low-carbon energy solution for the site; and

5.2.7 Finalising the business case.

5.3 At the end of the pre-development period (should both parties wish to proceed), further approval will be sought for the development period.

6. Financial impact

- 6.1 The direct financial impact from this report is the funding of the pre-development period at a cost of £1.045m. This covers the pre-construction and design services for both the affordable and private homes. This will be funded from the Housing Revenue Account (HRA) and forms part of the 2022/2023 HRA Budget Strategy approved by Committee on 3 February 2022. These costs will be repaid by the preferred bidder as part of the capital receipt and as a deduction from the building contract when they enter into a Development Agreement. Should the preferred bidder choose not to enter into a Development Agreement they will be also be required to refund these costs in their entirety to the Council.
- 6.2 A minimum capital receipt of £20.6m will be provided to the Council by the preferred bidder when they enter into a Development Agreement at the end of the pre-development period. This receipt will more than repay the outstanding capital advances relating to the purchase of the Meadowbank site. In addition, overage provisions will be put in place to ensure that any additional profit is shared with the Council.
- 6.3 Following the completion of the pre-development period, a further report will be brought to Committee seeking approval of the final business case and the authority to enter into the Development Agreement.
- 6.4 It is recognised that there will be cash flow implications for the Council as pre-development costs will be incurred in advance of capital receipts. This will be managed within the Council's overall capital programme.
- 6.5 Funding for homes delivered for social rent is contained within the Housing Revenue Account capital programme. The delivery of affordable homes on the site is supported by both the Scottish Government's AHSP with £11.8m allocated for new social rented homes.
- 6.6 Sustrans have provided grant funding in the region of £100,000 to support the design of active travel links in the area.
- 6.7 The anticipated savings over the contract term (should the requirement proceed to development) are approximately £2.4m. This figure is based on market offers.
- 6.8 The costs associated with procuring this contract are estimated to be between £20,001 and £35,000.

7. Stakeholder/Community Impact

- 7.1 A Meadowbank Sounding Board has been set up including ward councillors, Housing, Homelessness and Fair Work Convenor and Vice Convenor as well as local representatives such as community councillors, residents and campaign groups. The group is chaired by an independent third party, selected by councillors.
- 7.2 A comprehensive consultation process informed the development of the masterplan including public drop in events and design workshops.
- 7.3 The level of community input has been significant and has allowed the Design Team to produce a masterplan that addresses concerns whilst delivering an aspirational place appropriate to the central location of the site.
- 7.4 The proposed masterplan responds to community concerns regarding student and hotel accommodation on the site. The current proposal therefore has no student accommodation or hotel uses and consideration is being given to other complementary uses; including space for a GP surgery. On [8 February 2019](#), the Edinburgh Joint Integration Board (EJIB) agreed to progress two options to the next stage for detailed feasibility and financial appraisals and identified the Meadowbank location as the preferred option for the re-provision of Brunton Place Medical Practice.
- 7.5 The successful tenderer has committed to several community benefits and fair work proposals as part of their tender proposal. Some highlights are described below:
- 7.5.1 Seven new apprenticeship positions and fourteen new job roles;
 - 7.5.2 48 site visits for local schools over the course of the development;
 - 7.5.3 Eleven Employability Support events;
 - 7.5.4 Six Community Enhancement Projects, including £100,000 of monetary donations to Community groups;
 - 7.5.5 Agreement to sign up to Council's Construction Charter;
 - 7.5.6 Real Living Wage for all employees and sub-contractors; and
 - 7.5.7 No zero-hour contracts.
- 7.6 The procurement process followed was compliant with all relevant regulations as well as the Council's Contract Standing Orders. The risk of legal challenge relating to this procurement has therefore been minimised.

8. Background reading/external references

- 8.1 [Delivery Strategy for Meadowbank](#) – Housing, Homelessness and Fair Work Committee, 29 August 2019.
- 8.2 [Meadowbank Stadium, 139 London Road](#) - Development Management Sub Committee, 7 October 2020

9. Appendices

- 9.1 Appendix 1 – Summary of Tendering and Tender Evaluation Process.
- 9.2 Appendix 2 – Site plan.

Appendix 1 – Summary of Tendering and Tender Evaluation Processes

Contract	Pre-Development Contract for Meadowbank Housing Led Development	
Estimated Contract Value (including extensions)	£1,045,249.00	
Procurement Route	Competitive Procedure with Negotiation	
Tenders Returned	Three	
Name of Recommended Supplier(s)	EDMB	
Price / Quality Split	Price 30%	Quality 70%
Evaluation criteria and weightings	Price Pre –Development Costs Capital Land Receipt Overage Development Fees Contractor Profit and Overhead Additional Fees	30%
	Quality Personnel Project Programming & Planning Approach to Pre-Development Site Proposals Community Engagement & Communication Community Benefits Sustainability Presentation/Interview Fair Works Practices	70%
Evaluation Team	Senior Project Manager, Place Senior Responsible Officer, Place Investments Senior Manager, Resources	

Appendix 2

