
Report of the Deputy Chief Executive

Executive Board

Date: 04th July 2007

Subject: Progress Report on the PPP/PFI Programme in Leeds

Electoral wards affected:

All

Specific implications for:

Equality and Diversity

Community Cohesion

Narrowing the gap

Eligible for call In

Not eligible for call in
(details contained in the report)

Executive Summary

At its meeting on the 9th March 2005 the Board approved the governance and management framework for Leeds City Council PPP/PFI projects and programmes. Members subsequently requested a six monthly update on these.

This fourth update report provides:

- A progress report on Leeds City Council PPP/PFI projects and programmes
- An update report on PPP/PFI governance

1.0 **BACKGROUND**

1.1 Executive Board requested at its meeting on the 9th March 2005, six monthly updates on:

- the progress of PPP/PFI projects and programmes
- the implementation of the governance framework.

This is the fourth update report.

2.0 **Leeds City Council PPP/PFI projects and programmes**

2.1 October 2006 – April 2007 has continued to provide a challenging agenda for the delivery of Leeds City Council PPP/PFI schemes.

The scope of these initiatives are outlined in Appendix 1, including currently:

- Education - Building Schools for the Future Programme (with a capital investment of £249m in Wave 1). Procurement of the programme started in August 2005 with the contract signed on the 03rd April 2007. Wave 1 includes the re-building or re-modeling of 14 secondary schools. This programme supports the Corporate Plan priority of aiming to make sure that our children and young people are healthy, safe and successful. The contract for Phase 1 and the establishment of Local Education Partnership for Leeds was completed in record time, reported by Partnerships for Schools (the Programme support body established by the DfES) as 'a shining example for other local authorities engaged in BSF around the country'.

This success has enabled the City Council, and Education Leeds, to start to lobby for the reprogramming of the investment for our Wave 2 bid. This is required to address the remaining high schools in the city, and currently programmed, for 2017, by the DfES at the end of this national programme. Outline Business Cases for Phase 2 & 3 will be presented to Executive Board in August for the delivery of the new schools in 2009 and 2010.

- Social Services - Independent Living PFI Project to replace existing hostel provision with small units which promote independent living. This project is now in procurement, with optimum bids now to be received in June 2007. A report will be submitted to Executive Board in August 2007 which will seek approval for the expansion of the scope of the Independent Living Project to take in the Children's Services Project. The Unit has secured a further £5m of credits on behalf of the Council from the DfES, which will be proposed to cover the capital cost of the extension of the project to provide accommodation for up to 20 young people aged 16 to 19. This project supports the Corporate Plan priority of making sure that all communities are thriving and harmonious places where people are happy to live.

2.2 Evidence of the Councils' successes since October 2006 can be shown through:

- Neighbourhoods and Housing - The approval of the Outline Business case by the Department for Communities and Local Government (DCLG) for Little London following close cooperation between the Regeneration Team in Neighbourhoods and Housing and the PPPU in the Chief Executives Department. This project supports the Corporate Plan priority of making sure that all communities are thriving and harmonious places where people are happy to live.
- Learning and Leisure – The Expression of Interest was approved by the Department of Culture, Media and Sport for the replacement of two leisure Centres. Executive Board on the 9th February 2007, approved the

recommendation that discussions should commence with DCMS following an indication that there may potentially be additional credits available for a third leisure centre in Leeds. This project supports the Corporate Plan priority of making sure that at each stage of life, people are able to live healthy, fulfilling lives.

- Leeds PPPU were one of only 4 public sector procurement teams interviewed for the recent National Audit Office (NAO) Improving the PFI tendering process study. Our last two schools projects (Leeds Primary Schools PFI and the Combined Secondary Schools PFI project) were surveyed for the report (from a total of 74 surveyed). The NAO promotes our work in the report as a Case Example of the advantages of internal expertise and experience. The NAO cites Leeds City Council as an example of how to undertake such complex projects, with our ability to bring procurement, and commercial, expertise to a well defined, and scoped, proposal receiving particular attention.
- The work of the Unit, and the role of the Deputy Chief Executive, as Project Owner, and Chair of many of the Project Boards, has also recently been recognised by the 4Ps, with the D.C.E shortlisted for an award for Leadership at their 'awards for excellence' event in June.
- Leeds PPPU has recently been interviewed by the CBI and the Strategic Investment Board (Northern Ireland) with both organisations seeking to learn lessons with regard to improving procurement, planning the use of assets and the development of close working relationships with client departments.

2.3 In relation to areas for development:

- Work has commenced on the Outline Business Case for waste management with submission to DEFRA and Executive Board in August 2007. If successful this project would support the Corporate Plan priority of aiming to make sure that all neighborhoods are safe, clean, green and well maintained.
- An Expression of Interest was submitted by the then Director of Neighbourhoods and Housing for Beeston Hill and Holbeck. This has been accepted by the Department of Communities and Local Government and placed at the top of their reserve list with first call on PFI credits, awaiting the outcome of the Comprehensive Spending Review 2007 (see below).
- Phase 2 and 3 of the BSF Programme entered the 'New Projects Procedure' at the end of January 2007. It is currently anticipated that Outline Business Cases for the four schools in Phase 2 of the programme; (West Leeds, which will be rebuilt through the Private Finance Initiative, and Crawshaw, Priesthorpe, and Farnley Park) and the Phase 3 schools (Intake, Parkland, Mount St. Mary's and Corpus Christi) will be included elsewhere on the agenda for this meeting of Executive Board.
- The Outline Business case for New Leaf has been submitted to DCMS, approval is anticipated early summer when the project will enter the BSF New Project Procedure.

3.0 GOVERNANCE IMPLEMENTATION

3.1 In response to an independent 4Ps Gateway Review of the Council's Building Schools for the Future Programme, a Governance and Management Framework for City Council PPP/PFI projects and programmes was approved by Executive Board in March 2005.

3.2 In order to support this framework and to continue to deliver the programme of work outlined above the PPP Unit has undergone a great deal of change in the 2 years since the approval of the Governance arrangements in March 2005. The initial timetable for the implementation of the Governance framework from April 2005 required both additional and the realignment of existing resources from Neighbourhoods and Housing

which is still ongoing.

3.3 The Programme of work for 2007-2008 presents a number of significant challenges not least with regard to the continuing difficulties in recruiting specialist staff particularly in legal, technical and finance disciplines.

3.4 A further recruitment exercise is currently underway in consultation with Corporate HR to secure staff for the remaining unfilled specialist posts within the unit and new vacancies created by the departure of colleagues to new opportunities. This continues to represent a high risk on the risk register for individual projects and officers are seeking to resolve this.

4.0 **FINANCIAL IMPLICATIONS**

4.1 There are no direct financial implications arising from this report, though this substantial investment through this funding initiative does result in some significant financial implications for the City Council.

4.2 In the Education sector, for example, the four PFI Projects which have achieved financial close and are operational will generate total Unitary Charge payments for 2007/08 of £22.9m. These payments are funded by Central Government PFI Revenue Support Grants totalling £16.3m (71%); third party contributions including school governing bodies of £4.2m (18%); and direct contributions from the City Council and Devolved Capital Schools Grant of £2.4m (11%).

4.3 This investment has so far provided twenty four new schools which will be maintained for a period of 25 years and the Unitary Charge will continue over this period at which point the ownership of the schools will revert to the City Council.

4.4 The City Council also incurs certain capital costs in respect of these projects which are not funded by the government e.g. highway works at South Leeds, etc which are funded from the capital programme.

4.5 As referred to in paragraph 2.3 above, the outcome of the Comprehensive Spending Review 2007, is likely to have some impact on the range of projects, and the level of financial support, that will become available over the next three years. A minimum of £11 billion of PFI credits has been committed by the government to local government, and how this is allocated to the various departments will have significant bearing on projects such as Waste, Social Housing and the Council's Wave 2 bid for BSF investment.

5.0 **RECOMMENDATIONS**

5.1 Executive Board is recommended to note the:

- current status of PPP/PFI projects and programmes

6.0 **Documents and websites used in the preparation of this report**

- Leeds City Council –Building Schools for the Future, 4ps Gateway review September 2004
- www.nao.org.uk/publications/naoreports