

**Report of the Director of Environment and Neighbourhoods**

**Executive Board**

**Date: 14th November 2007**

**Subject: Beeston Hill & Holbeck Housing PFI Scheme's Outline Business Case**

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| <p><b>Electoral Wards Affected:</b></p> <p><b>City and Hunslet</b><br/><b>Beeston and Holbeck</b></p> | <p><b>Specific Implications For:</b></p> <p>Ethnic minorities <input type="checkbox"/></p> <p>Women <input type="checkbox"/></p> <p>Disabled people <input type="checkbox"/></p> <p>Narrowing the Gap <input type="checkbox"/></p> |
| Eligible for Call In <input checked="" type="checkbox"/>  | Not Eligible for Call In <input type="checkbox"/><br>(Details contained in the re <input type="checkbox"/>   |

**EXECUTIVE SUMMARY**

This report seeks Executive Board approval to submit the Outline Business Case to DCLG for the Beeston Hill & Holbeck Housing PFI scheme and approval to the inclusion of a revised list of sites within the PFI scheme.

There has been consultation with residents, community forums, ward Members, the MP, the ALMO and the Beeston Hill & Holbeck Regeneration Board.

A financial appraisal is in Appendix 1. This includes costs, affordability and value for money assessment. Executive Board approval is sought to the financial implications for the Council as set out in this Appendix.

**1.0 PURPOSE OF REPORT**

1.1 This report seeks approval of the Outline Business Case (OBC) for the Beeston Hill & Holbeck Housing Private Finance Initiative (PFI) scheme, including the scope of the scheme and the financial implications for the Council, as outlined in the report and in Appendix 1.

- 1.2 The report also seeks Executive Board approval to the inclusion within the PFI, of the sites recommended for inclusion in paragraphs 4.4-4.8 and shown on the plan at Appendix 2, for the purposes of demolition of existing stock, re-provision of new council housing and the development of new housing for sale. Members are asked to approve that capital receipts arising from the disposal of these sites being used as a contribution to the PFI and regeneration projects.
- 1.3 Executive Board approval is sought to agree the separate sale of the Matthew Murray School site, in advance of the PFI scheme, with the receipt used to support the BSF programme and the regeneration of the Beeston Hill & Holbeck area.

## **2.0 BACKGROUND INFORMATION**

- 2.1 In April 2006, the Council's Executive Board approved the Expression of Interest proposal for Beeston Hill & Holbeck, for a Housing PFI 5<sup>th</sup> bidding round. The scheme included a bid for £89m of PFI credits to invest in council housing stock in this area as part of a comprehensive regeneration scheme. Executive Board also approved the inclusion of a number of sites identified in blue on the plan in Appendix 3 as development opportunities to be included in scheme, and specifically approved a £3.1 million capital contribution within the PFI scheme.
- 2.2 In December 2006, the Council was advised that the scheme had been placed on a reserve list, but had been given priority status to receive future funding. Following further discussions with Department of Communities and Local Government (DCLG), the Council's Executive Board in March 2007 authorised the preparation of the OBC for the scheme to DCLG in October 2007. The Council is in a position to submit the OBC to this timetable.
- 2.3 As part of the announcements around the comprehensive spending review in mid-October, DCLG has now received its Housing PFI allocation. DCLG has confirmed that the reserve status of the Beeston Hill & Holbeck scheme means it has first call on this resource, subject to the submission of a satisfactory business case and its approval by HM Treasury.
- 2.4 As it was clear that the Beeston Hill & Holbeck scheme would follow close behind the Little London PFI scheme, it has made sense to jointly procure the scheme with Little London. Therefore, an OJEU Notice was placed in July inviting potential 'lots' bids to bid for the two schemes separately, or potentially together. Nearly a 100 people attended a 'Bidders Day' and the closing date for the submission of pre-qualification questionnaires has now passed, with significant interest from bidders. Four bidders have been pre-qualified to take part in the next stage of the procurement.
- 2.5 Should Executive Board approve the submission of the OBC, it will be scrutinised by DCLG before being signed off by the Minister for Housing. It will then undergo a rigorous Treasury scrutiny led by Partnerships UK and culminating in consideration by the Treasury's Project Review Meeting (PRG), in early 2008.
- 2.6 Should the scheme be agreed at PRG to this timescale, it will be possible to continue to procure the project alongside Little London, which will result in the Beeston Hill & Holbeck scheme being operational a year ahead of its original timetable (late 2009 instead of late 2010) despite the delay in its inclusion in the Government's Housing PFI programme of some 18 months.

2.7 The Beeston Hill & Holbeck Housing PFI has had a Gateway Review, led by the 4Ps from 29<sup>th</sup>- 31<sup>st</sup> October 2007 to test the robustness of the Outline Business Case. The review was positive about the Council's efforts in preparing the OBC and made a number of recommendations. Those which are being addressed prior to OBC submission are in summary:-

- to clarify that the joint procurement allows Beeston Hill & Holbeck to proceed on its own if necessary;
- to clarify the Council's position on planning and statutory process.

### **3.0 THE OUTLINE BUSINESS CASE**

3.1 The Outline Business case (OBC) covers:-

- strategic context and high level business need
- housing need and demand
- stock condition
- option appraisal and preferred option
- stakeholder communications
- financial model and VfM assessment
- risk
- market testing and procurement strategy
- contract documentation
- output specification
- project delivery
- development and statutory processes
- project management
- contract management

Key areas of the OBC for Executive Board information and consideration are set out in paragraphs 3.2 – 3.12 below.

### **3.2 Context and Objectives**

- a) Beeston Hill & Holbeck is an agreed neighbourhood renewal area. It experiences some of the most severe levels of deprivation in the country. Of the eleven Super Output Areas/neighbourhoods that cover Beeston Hill & Holbeck, seven are in the worst 3% of nationally, and a further three are in the worst 10%. It is a target area for large scale improvement within the Vision for Leeds 2004-10, the Corporate Plan 2005-8 and the Leeds Regeneration Plan 2005-2008.
- b) Beeston Hill & Holbeck is a renaissance priority for Yorkshire Forward and English Partnerships, and a housing priority for the Regional Housing Board, with significant funding amounting to £9.6 million from the Housing Market Renewal Fund for 2006-8 being earmarked for the area.
- c) Regeneration plans are being developed for Holbeck, and for Beeston Hill & West Hunslet. The proposed housing PFI scheme included in the Outline Business Case is part of the delivery of these regeneration plans.
- d) The Housing PFI project objectives are informed by the Council's objectives and the Beeston Hill & Holbeck area regeneration objectives. The regeneration objectives are:-

- to contribute towards the delivery of sustainable, long-term regeneration;
- to contribute to work to address environmental and community safety issues within the residential area, improve accessibility within the areas and connectivity with Holbeck Urban Village and the City Centre;
- to stimulate long-term partnership activity;
- to work with the local community to develop high standards of development which meet the aims outlined in the Regeneration Plans and link to other developments and local priorities in the surrounding areas;
- to foster a mixed community by diversifying the tenure of the area by increasing the range of housing that is available, including affordable housing for sale.

### 3.3 **Project Scope**

a) In relation to Council housing, the specific scope of the scheme is:-

- clearance of 685 unsustainable and low demand public sector properties;
- refurbishment of 291 existing housing units and ongoing maintenance during the contract period;
- conversion of 30 existing sheltered housing units to form 24 sheltered housing units and ongoing maintenance during the contract period;
- construction of up to 350 new Council homes for rent and ongoing maintenance during the contract period;
- construction of approximately 450 private homes on development sites, including some affordable housing provision.

b) The services included in the PFI contract are:-

- Repair and maintenance services for Council homes
- Re-servicing of voids
- Caretaking and cleaning
- Tenant and community liaison associated with the above services.

c) Those services excluded, to be provided by Aire Valley Homes Leeds and the Council are:-

- Lettings
- Income collection and debt recovery
- Tenancy management
- Neighbourhood management
- Tenant and community liaison associated with the above services

### 3.4 **Option Appraisal**

- a) An option appraisal considered four approaches to investment – decency; regeneration via a PFI contract and complementary development agreements with the private sector; stock transfer; and joint venture partnership.
- b) Following initial analysis, the decency and PFI options were considered in more detail, with the PFI option being preferred. The overall outcome is set out in paragraph 3.3 above. For specific areas the appraisal concluded the following outcomes:-
  - Holbeck Towers - clearance & redevelopment
  - Meynell Heights - clearance & redevelopment
  - Bismarcks - clearance & redevelopment
  - Maisonettes/Flats - clearance & redevelopment
  - Fairfax Road - clearance & redevelopment
  - Ingram Court - conversion
  - Holbeck Low rise - refurbishment
  - Holbeck Terraces - refurbishment of type 3 back-to-backs and terraces
- c) The 350 new build Council homes replacing 1 and 2 bedroom flats will be made up of: 230 2-bed, 80 3-bed, 30 4-bed and 10 5-bed homes.

### 3.5 Consultation

- a) A significant amount of consultation has been undertaken over a number of years with residents and other stakeholders in Beeston Hill and Holbeck about regeneration proposals for the area (see Appendix 4 for information about consultation that has been undertaken in the area relating to this project). Consultation has taken place through a number of forums and public meetings. In addition, all households have received information about the proposals, and have had the opportunity to respond. Of those in the areas being considered for clearance, 53% of households responded individually, with over half being supportive of investment and change to the properties in the area beyond basic decency. In specific areas where the consultation did not coincide with the final option appraisal decision, the decision was taken on financial, deliverability and demand grounds. Aire Valley Homes Leeds (the ALMO) approved the revised scope of the project at its Board meeting on 26th September 2007. Consultation has taken place with ward members and with the local MP, all of whom are supportive of the scheme.

### 3.6 Financial model and VfM assessment

- a) This section outlines the financial appraisal that has been undertaken with the Council's financial advisers for this project, PriceWaterhouseCoopers (PWC), and is summarised in the OBC. The DCLG financial model has been used to assess the level of PFI credit that the scheme requires, project affordability and value for money assessment.
- b) The analysis identifies the project cash-flow and the resources required to meet the anticipated Unitary Charge payments, taking into account the proposed capital receipts contributions from the disposal of the identified development sites. The impact of proceeding with the PFI contract on Aire Valley Homes Leeds has been considered jointly with them as part of this exercise.
- c) The financial analysis also included comparison to traditional procurement using the

Treasury's 'Value for Money Assessment Guidance'. This includes a quantitative and qualitative assessment. The outcome is that PFI is expected to offer better value for money than traditional procurement.

- d) The conclusions of the financial appraisal are that, subject to Executive Board approving the proposed Council contributions to the project which are identified in Appendix 1, and Government approval of the PFI credits, the Preferred Option is affordable to the Council and represents value for money.

### 3.7 **Risk allocation and transfer**

- a) This describes how the Council will deal with potential risk issues before entering into a PFI contract. Key risks include:-

- (i) ensuring that the re-housing programme is resourced properly and that sites are delivered to timetable;

- (ii) ensuring the interface between the ALMO and the contractor is good, in relation to delivery of housing management and maintenance services.

- b) The Council must be satisfied that risks are allocated appropriately to the party best able to manage them. The proposed risk allocation is consistent with guidance and is comparable with that on the Swarcliffe Housing PFI Pathfinder scheme and Little London Housing PFI scheme.

### 3.8 **Accounting Treatment**

- a) Current regulations under the Local Government Act 2003 require that, based on proper practice, if an authority determines that the liabilities arising from the PFI transaction do not require the authority to recognise a fixed asset in the Balance Sheet then it is not a qualifying liability and is therefore excluded from the definition of a credit agreement. Currently, the Local Authority Code of Practice defines proper practice in Application Note F to Financial Reporting Standard 5 (FRS 5) – "Reporting the substance of transactions: Private Finance Initiative and Similar Contracts (the "Application Note")", as interpreted by Treasury Taskforce Technical Note Number 1 (Revised) – "How to Account for PFI Transactions" (the "Technical Note").

- b) An initial review of the relative property risks associated with the proposed PFI Contract for the proposed Beeston and Holbeck PFI Project has been undertaken and advice has been received from the City Council's External Financial Adviser, PwC, and this is expected to lead to an assessment by the Director of Corporate Resources that, based on the information and advice provided to him, and in accordance with proper practices, no liabilities will arise which will result in the City Council being required to recognise a fixed asset in any balance sheet required to be prepared by the City Council in accordance with such practices for the financial year in which the agreement will be entered for the purposes of Regulation 3 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.

- c) The advice received by the City Council from PwC has been reviewed by the City Council's auditor, KPMG who have confirmed that they are not minded to challenge the view of PwC and that the scheme is capable of achieving an off balance sheet status.

- d) The Government has announced its intention to adopt International Financial Reporting Standards (IFRS) in the public sector with effect from 2008/09. The Financial Reporting Advisory Board (FRAB) is currently considering the status of the Technical Note and the impact of the adoption of IRRS by the public sector, it is expected that additional guidance will be issued by FRAB and the Treasury within the Financial Reporting Manual as there is currently no IFRS that provides specific accounting guidance on the treatment of PFI transactions from the perspective of the public sector. Any such guidance will be considered by the City Council's External Auditor, including any specific guidance provided by the Audit Commission. The Accounting Treatment for this Project will be re-assessed towards the Preferred Bidder stage of the procurement.

3.9 **Market Testing and Procurement Strategy** - considerable market testing has taken place to check the viability of this project, and the potential to jointly procure the project with the Little London Housing PFI scheme. Both projects have now been put to the market and the Council has a shortlist of four bidders going forward to the next stage in procurement - 'outline solutions'

### 3.10 **Project Delivery Issues**

The project will deliver key elements of the Corporate Objectives and local regeneration proposals for the Beeston Hill & Holbeck area, under two contractual arrangements, as follows:

- a twenty year PFI contract for the works to Councils homes and associated environmental works, for which housing PFI credits are sought; and
- a development agreement covering the development opportunities which the private sector will be expected to fund and deliver, and for which no PFI credits are sought

### 3.11 **Output Specification**

- a) The Council has developed a draft output specification along with its external technical advisors, EC Harris. The draft Output Specification is in line with guidelines contained within DCLG's Housing PFI Procurement Pack November 2004 and covers the works outlined in the Project Agreement.
- b) The draft output specification allows a robust view to be taken on the technical requirements and costs of the project and incorporates lessons learnt and experience obtained from the successful delivery of the Swarcliffe scheme.
- c) The output specification will require the improvement works to be carried out within five years and the new Council homes to be constructed within five years. The document sets out the performance requirements for the individual dwellings, associated accommodation and services.
- d) The design and technical requirements will form the basis for certification and availability standards for the project. This approach will ensure that value for money is achieved through providing appropriate incentives for the service provider across all aspects of the project, and requiring the Council to only pay for the level of performance actually delivered.

### 3.12 **Development Agreement**

- a) The Council is seeking to maximise its contribution to the scheme and wider regeneration strategy by making full use of its land and resources as part of this regeneration initiative.
- b) The development agreement will cover the terms under which the development sites will be disposed of to the private sector. The duration of this agreement will be subject to negotiation, but is expected to be for a five to ten year period, to ensure that development takes place within reasonable, agreed timescales and to an agreed programme that is compatible with the PFI contract programme where necessary.
- c) The private sector partner for the project agreement and development agreement will be procured through the same tendering process. Both agreements will be signed at the same time, and will effectively secure a partner or partners to deliver both the works and services to Council homes under the PFI contract and the complementary development of new homes for sale under the development agreement.
- d) Subject to the City Council being satisfied that this achieves best consideration in light of the project objectives, the PFI Contractor will be required to underwrite the PFI scheme for an agreed guaranteed minimum price which it will pay the Council for the development sites.

### 4.0 **DEVELOPMENT OPPORTUNITIES**

- 4.1 In April 2006, Executive Board approved the inclusion of a number of sites identified in blue on the plan in Appendix 3 as development opportunities to be included in the Beeston Hill & Holbeck Round 5 scheme, and specifically approved a £3.1 million capital contribution to the Housing PFI scheme. The sites were:-

- Site 1 Matthew Murray High School++
- Site 2 Holbeck Towers
- Site 4 Cambrian Street
- Site 6B Folly Lane
- Site 8A Site Moor Road (the area around the road only)
- Site 9 Rear of the Dewsbury Road One Stop Centre (Bismarck Drive)
- Site 10 The Beverleys Housing Clearance Area
- Site 12 Fairfax Road

++ Subject to the identification of £1.7 million of funding to be injected into the 2009/10 Capital Programme to support the Combined Secondary Schools PFI Programme.

- 4.2 At the same time, Executive Board also agreed the inclusion of the following sites identified on the plan in Appendix 3 with long-term development potential within the PFI scheme at OBC stage, subject to further consultation and assessment of their development/regeneration potential.

- Sites 3A/B South Leeds Sports Centre
- Site 8B Moor Road (larger area including the open space)
- Site 11 Cemetery Road.



- 4.3 On the 5<sup>th</sup> October 2007 and 2<sup>nd</sup> November 2007, the Council's Asset Management Group considered a report that reviewed the current position on the inclusion of sites. The sites fall into three categories:
- A. Sites accommodating existing Council properties that are proposed for clearance by the PFI contractor
  - B. Other sites that could accommodate some of the new Council housing being proposed as part of the PFI scheme
  - C Sites that should be marketed separate to the PFI contract

**(A) Sites accommodating existing Council properties**

- 4.4 The following sites (shown on the plan in Appendix 2) can only be released for development following the clearance of existing Council properties utilising PFI credits:

Holbeck Towers  
Fairfax Road  
Malvern Rise/Malvern Grove  
St Luke's Green  
Waverley Garth  
Coupland Place  
Malvern Road  
Coupland Road  
Bismarck Drive  
Bismarck Street  
Meynell Heights

Asset Management Group recommends that all of these sites be included as part of the PFI scheme on the basis that they are redeveloped for housing purposes, including the provision of new Council housing.

**(B) Other Sites**

- 4.5 In addition to the above, the following potential development opportunities within the PFI area were originally identified to be included as part of the Housing PFI scheme by the Executive Board in April 2006.

Cambrian Street  
Folly Lane  
Moor Road (the area around the road only)  
Beverleys

AMG reaffirmed in October 2007 that the Cambrian Street and Folly Lane sites should be included within the PFI scheme on the basis that they are redeveloped for housing purposes, including the re-provision of new Council housing.

- 4.7 The development of the Moor Road site requires further consultation and feasibility work to ascertain its true potential. Early feasibility work undertaken by the Council's Strategic Design Alliance has shown that this site could accommodate 50+ dwellings. At this stage, it is proposed to exclude the Moor Road site from the PFI Scheme.
- 4.8 Beverleys - this site is a clearance area funded through the Regional Housing Board programme. It has been agreed by AMG on 2<sup>nd</sup> November that the site could be included in the PFI in order to provide some of the new Council house building.

Its inclusion is subject to ensuring that risk factors associated with the CPO process and property interests held by Leeds Federated Housing Association are mitigated.

**(C) Sites to be Marketed Separately from the PFI**

- 4.9 **Matthew Murray** - the Matthew Murray site, with its proximity to the Holbeck Towers site, is of strategic importance and ensuring a robust development brief for the site will act as a catalyst for change and provide, form part of an integrated regeneration strategy for the area. Therefore it is proposed to exclude the Matthew Murray site from the PFI scheme to enable its early sale. AMG has considered the use of the receipt from this site and has agreed that the BSF scheme has call on the receipt arising from the footprint of the school, but that the remainder of the receipt and any of the school site receipt not required by BSF should be allocated to projects in the Holbeck area associated with the potential for successful regeneration of this area.

**Other land issues**

- 4.10 A number of the sites proposed for inclusion can be released for redevelopment only if leaseholder interests are acquired. Costs associated with this could amount to up to £1.3m; lower if property swaps are agreed. The Council needs to underwrite the cost of this.
- 4.11 In addition, the Council will need to take action now to enable it to make use of its CPO powers should this be necessary. This approach requires that outline planning permission is sought for affected sites. This will assist in the management of planning risk associated with the scheme.
- 4.12 The wider regeneration plan for the area includes a range of other improvements required to secure the comprehensive improvement of the area which have not been included in the scheme but which support it. These include public realm and environmental improvements which would enhance the area around the Matthew Murray site and the area's link to the city centre through Holbeck Urban Village. These amount to an estimated £6.5m and include:-
- a) housing related expenditure originally included in the PFI, but excluded due to delivery uncertainties within the PFI i.e. Holbeck area back-to-back demolition;
  - b) acquisition fund for further clearance areas e.g. Holbeck back-to-back
  - c) Holbeck Moor improvements;
  - d) improvements to existing junior pitch and provision of new senior pitch off Ingram Road;
  - e) reconfiguration of Ingram Road allotments to create a potential development site;
  - f) green corridor linking Holbeck to Nineveh Road (part of link to Holbeck Urban Village);
  - g) green link from the Matthew Murray High School site to the viaduct on Domestic Street;

h) Holbeck Commercial Centre - Environmental improvements and provision of shop front grants to stimulate investment in the existing commercial centre in Holbeck;

i) upgrading the St Matthews Community Centre.

4.13 In addition, there are other environmental improvements within the Beeston Hill & West Hunslet regeneration area that have not been included in the PFI, but which could also require significant investment. For this reason is it proposed that, after the BSF call on the receipt relating Matthew Murray ex-school site, all other receipts generated in the area as a result of the PFI and the regeneration scheme are ring-fenced to the area to implement regeneration based improvements in Beeston Hill, West Hunslet and Holbeck.

### **Affordable Housing**

4.14 The level of affordable housing provision for this area of the city is 15%. However, it is anticipated that this could rise to 40% by the time the PFI scheme reaches Financial Close. The level of affordable housing included in the OJEU was stated as previously agreed with the Council's Strategic Housing Landlord at 25%.

4.15 The Leeds Housing Strategy 2005-2010, approved by the Council's Executive Board in November 2005, supports the key themes of the Yorkshire & Humberside regional housing strategy. One of its strategic aims is 'to tackle difficulties or disadvantages in accessing housing or housing services, including increasing the supply of affordable housing.

4.16 It is recommended that affordable housing provision should be at up to 40% including new LCC new housing for most sites included in the PFI scheme.

## **5.0 IMPLICATIONS FOR COUNCIL POLICY & GOVERNANCE**

### **Strategic Objectives & Local Area Objectives**

5.1 As outline in paragraph 3.2 of the report, the scheme contributes to delivery of key regeneration objectives and priorities in the Council Plan, the Regeneration Plan, the proposed Beeston Hill & West Hunslet Regeneration Plan and Holbeck Regeneration Plan and the Housing Strategy.

5.2 It will also contribute the achieving local area objectives in respect of tackling social exclusion, achieving a better balance between housing supply and demand and bringing all social housing up to the Decent Homes Standards.

### **Capital Receipts Policy**

5.3 DCLG has made it clear that it is essential that the Council are able to demonstrate that they are prepared to use their own sources of funding to contribute towards the development of comprehensive proposals for regeneration and complement the PFI investment.

5.4 As such, in April 2006, Executive Board agreed in principle to ring-fencing the capital receipts from the sale of land identified in paragraph 4 of this report, as an exception to the Capital Receipt Policy.

5.5 Asset Management Group considered this matter at meetings on 5 October 2007 and 2<sup>nd</sup> November 2007 and supported recommendations 7.1a) – g) below for Executive Board approval.

## **6.0 LEGAL & RESOURCE IMPLICATIONS**

6.1 There proposals are being developed by a multi-disciplinary team led by the Environment and Housing Directorate, with the procurement being led by Corporate Services (PPPU). Resources are in place to procure the project. The overall procurement cost for this project, and Little London, will be some £4m assuming the Council continues to procure the projects jointly, or some £6m if procured separately.

6.2 Direct Financial implications of PFI scheme are included in confidential Appendix 1

6.3 The ALMO's Performance, Resources & Risk sub-committee on 16<sup>th</sup> October agreed to cease lettings in clearance areas as appropriate; commence the process to withdraw right-to-buy from the clearance areas; accept the principle of responsibility for ensuring leaseholders affected by demolition are moved; and also agreed the ALMO's revenue contribution to the PFI scheme. This sub-committee also sought confirmation that the AVHL can resource the re-housing programme.

6.4 The affordability of the Little London project was considered by Executive Board in October 2006. Executive Board is asked to note that at this stage the impact of the joint procurement on the affordability of the Little London project is neutral and that the Little London project is therefore still affordable.

6.5 The impact of the joint procurement on the Beeston Hill & Holbeck scheme is that, should the schemes continue to be procured together and reach financial close together, the Beeston Hill & Holbeck project has been brought forward by approximately one year on its original timetable, allowing cost index savings for the Council.

6.6 The joint affordability position of both projects is included in paragraph 5 of Appendix 1

## **7.0 RECOMMENDATIONS**

7.1 Executive Board is requested to approve:-

a) proceeding with the preferred option, as described in paragraph 3.3 of this report, to be procured via a PFI contract and associated Development Agreement alongside the Little London PFI scheme;

b) the proposed Council contributions to the project which are identified in section 3.6 and Appendix 1;

c) the formal submission of the Outline Business Case for the Beeston Hill and Holbeck PFI scheme to DCLG, as described in paragraph 3;

d) approve the inclusion of the following sites within the Beeston Hill & Holbeck PFI scheme and to utilise the capital receipts from the disposal of these sites to support the PFI scheme and regeneration proposals for the Beeston Hill & Holbeck area:-

Holbeck Towers  
Malvern Rise/Malvern Grove  
St Luke's Green  
Waverley Garth  
Coupland Place  
Malvern Road  
Coupland Road  
Bismarck Drive  
Bismarck Street  
Fairfaxes  
Meynall Heights  
Beverleys  
Folly Lane  
Cambrian Street

- f) that the Matthew Murray site be disposed of prior to the commencement of the PFI scheme (as described in 5.10 above) with the balance of the capital receipt after BSF call to be used to support the regeneration programme for the area;
- g) that Moor Road site be excluded from PFI scheme.
- h) that affordable housing provision should be at up to 40% including new LCC new housing for most sites included in the PFI scheme.
- i) the City Council's base annual affordability contribution of £592k per annum in the first year of operation.
- j) the joint affordability implications for the joint procurement of the Little London and Beeston Hill and Holbeck scheme as set out at paragraph 5.0 of Appendix 1.
- k) that the costs of acquiring leaseholder interests in order to deliver the scheme, estimated up to £1.3m, are met by the Council or Aire Valley Homes limited.

7.2 Executive Board is recommended to note:-

- a) the estimated PFI cash flows summarised in Table 2 of paragraph 3 of Appendix 1 and set out in detail in the Annexe to that Appendix;
- b) that the Financial Close for this project is programmed for September 2009, and the macro-economic conditions and price submissions by bidders may vary between the date of this meeting of the Executive Board and Financial Close. Section 4 in this financial appendix sets out the range of price sensitivities that could affect the affordability of the project and Members are requested to approve the submission of the Outline Business Case in the knowledge that both the procurement process and prevailing macro-economic conditions may affect the Unitary Charge at Financial Close in September 2009
- c) that at this stage the impact of the joint procurement on the affordability of the Little London project as agreed by Executive Board in November 2006 is neutral and that the Little London project is therefore still affordable.

## APPENDICES

Appendix 1 - Financial Implications

Appendix 2 - PFI Map 2007

Appendix 3 - Development Opportunities Map 2006

Appendix 4 - Consultation History