



Report of the Deputy Chief Executive

Executive Board

Date: 12th March 2008

Subject: Joint Service Centres - Approval to proceed to Lift Stage 2 for Joint Service Centres at Chapeltown and Harehills

Electoral wards affected:

Chapel Allerton, Gipton & Harehills,
Kirkstall, Burmantofts & Richmond Hill

Ward Members Consulted
(referred to in report)

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

1. This paper describes the scope and cost associated with the delivery of the Joint Service Centres at Chapeltown and Harehills.
2. The Joint Service Centres are to be procured via the Leeds Local Improvement Finance Trust (LIFT) in which Leeds City Council are a strategic partner with the Leeds Primary Care Trust (PCT). A Stage 1 offer (under the LIFT new projects procedure) representing a guaranteed maximum price for the Chapeltown and Harehills centres has been received from Leeds LIFT Limited.
3. Members of the Executive Board are recommended to:
 - a) Accept the Offer as prepared by Leeds Lift Limited and authorize the Deputy Chief Executive to formally accept that offer on behalf of the Council
 - b) Authorize the Deputy Chief Executive to submit the Offer to the Leeds Lift Strategic Partnering Board for Stage 1 Approval under the LIFT process
 - c) Continue to delegate the relevant powers to the Joint Service Centre project Board to take the procurement of the project forward

1.0 Purpose of this report

- 1.1 The purpose of this report is to seek Members' approval for a package of proposals from Leeds Lift Limited to develop two joint service centres to be constructed at Chapeltown and Harehills. These are to be procured via the Leeds Local Improvement Finance Trust (LIFT) in which Leeds City Council are a strategic partner with the Leeds Primary Care Trust (PCT).

2.0 Background information

- 2.1 The Council submitted an Expression of Interest (EOI) to the ODPM (now CLG) in January 2002 for six One Stop Centres. This bid was given initial approval by the ODPM and an initial allocation of £15m of PFI credits in August 2002. This led to the production of an OBC in March 2003 with a revised credit allocation of £15.7m.
- 2.2 In September 2004 the Executive Board approved the re-scoping of the project to three JSCs at Harehills, Chapeltown and Kirkstall. Since that time the Council's and the PCT's requirements for these buildings have been discussed and agreed. Difficulties with site acquisition at Kirkstall have delayed progress on this JSC and it is now proposed that the Chapeltown and Harehills JSC from Tranche 3 of the Lift programme with Kirkstall being progressed in Tranche 4.

3.0 The aims of the project

- 3.1 The Council is working to tackle the health and social inequalities prevalent in the city through 'narrowing the gap' between the most disadvantaged neighbourhoods and the city as a whole. The development of the Joint Service Centres in Chapeltown and Harehills makes a significant contribution to narrowing the gap.
- 3.2 Both centres will improve the physical environment in these areas in particular as the Chapeltown scheme will link to the additional investment by the Council in Chapeltown through the Town and District Centre programme and proposed Townscape Heritage Initiative lottery scheme.
- 3.3 The Council's Corporate Plan recognises delivering Joint Service Centres as a priority action towards achieving two elements of the seven strategic outcomes: 'Transforming Our Services' and 'Better Outcomes for Local People'. Emphasis is placed on encouraging partnership working with public sector providers and PCT.
- 3.4 Leeds Initiative has set out a 'Vision for Leeds'. A key priority emerging from the Vision for Leeds is the aim to develop world-class health services for the people of Leeds. This supports the expansion and development of primary and community services through Local Initiative Finance Trust (LIFT) and developing joint service provision. The health and wellbeing theme promotes the vision of reduced health inequalities through providing high-quality, long-term and accessible services, protecting people's health, supporting people to stay healthy and promoting equal chances of good health.
- 3.5 A best value review of Access to Services has enabled the Council to develop a vision for face to face contact that in turn has supported the case for joint service centre development in priority areas. The main recommendations from the review were:

- improve access for everyone;
- design services around the needs of users;
- combat exclusion;
- increase efficiency; and deliver continuous improvement.

3.6 The review identified the need to address the gaps in current face-to-face provision through developing One Stop Centres in existing buildings, such as libraries, and through closer working with partners, such as Health and the Police, in developing new shared premises and promoting greater integrated working to be able to deliver services more holistically.

3.7 The key principles for how services will be delivered were agreed by the Council's Executive Board in October 2003. Buildings must be easy to find; accessible; meet the needs of the communities which they seek to serve; and be of good quality.

4.0 The LIFT Stage 1 approval process

4.1 Leeds Lift is overseen by a Strategic Partnering Board (SPB) on which the Council is represented as a shareholder in Leeds Lift. Via a procurement three years ago Pimeria were appointed as the private sector partner.

4.2 Each new scheme or group of schemes forms a funding tranche, with the joint service centres at Chapelton and Harehills comprising Tranche 3. Following agreement by the Council and the PCT about the range of services to be occupied in the centres a formal Tenants Requirements document is drawn up and a Stage 1 Offer to construct and operate the centres is prepared by Leeds Lift Limited which provides a guaranteed maximum price for the project.

4.3 The Strategic Partnering Agreement (SPA) (which the Council entered into when the Tranche 1 schemes at Woodhouse and Armley were set up in 2004) sets out the approval process for new projects. Proposals must be agreed by all those partners who will commit expenditure to it before it goes to the SPB for Stage 1 approval. The SPB must give this approval where it is satisfied that a project is consistent with the Strategic Service Development Plan (SSDP) and meets the relevant partner's requirements and where all those partners vote in favour. The approval criteria are whether the cost is within the affordability cap of the partners, whether the new project provides value for money and whether it meets the partners requirements identified at the time of stage 1 approval.

4.4 Following approval by the SPB the project should proceed to Stage 2 where detailed design, final costing within the guaranteed maximum are agreed and planning permission for the centres is obtained by Leeds Lift Limited. It should be noted that if the Council chose not to proceed with the project following Stage 1 approval then any cost incurred by Leeds Lift Limited after Stage 1 would be underwritten by the Council under the terms of the Strategic Partnering Agreement.

5.0 Scope of the project

5.1 The service users to be provided for at each of the centres is set out below:

- 5.2 The Chapeltown Joint Service Centre proposed for the site on Reginald Terrace adjacent to Chapeltown Road will accommodate the following services over 4,445 square metres of which the City Council share is projected to be 1,390 square metres:
- LCC Customer Services
 - LCC Environmental Health
 - LCC Community Library Services
 - LCC NE Area Management Team
 - Leeds Credit Union
 - PCT Services (Health Access Team, Health Visitors, Community Midwifery, TB Nursing Service, Community Drug Team, Speech and Language Therapy, Sexual Health, Phlebotomy, Addiction Services, Community Dental Services, Multi Ethnic Team, Heart Failure & Diabetic Services, GP Practice, District Nurses, Ulcer Clinic, Mental Health Team.
- 5.3 The Harehills Joint Service Centre proposed for the site on Compton Road will accommodate the following services over 1,866 square metres:
- LCC Customer Services
 - LCC Chinese Community Workers
 - LCC Environmental Health
 - LCC Community Library Service
 - Leeds Credit Union
 - LCC CYPAC (Connecting Young People at Compton)
 - Capacity for PCT to deliver services (Community Drug Team, Mental Health Team)
- 5.4 It is proposed that the Council will be the sole full-time occupants of the site and that the PCT services to be delivered from Harehills will be done from 2 consulting rooms sub-let from the Council on a long-term basis.
- 5.5 The PCT are currently reviewing their service need in the Kirkstall area. Work continues to be undertaken to identify and acquire a suitable site and parties are focused on achieving stage 1 approval by March 2009. The Council services planned to be accommodated at Kirkstall are:
- LCC Customer Services
 - LCC Community Library Service
 - LCC Welfare Rights
 - LCC Environmental Health

- Leeds Credit Union

6.0 Value for money

6.1 An assessment of value for money for the scheme has been undertaken by an external advisor who has compared prices to earlier Leeds Lift Tranches, the original price when the private sector partner was obtained and construction and financing costs within the market generally. The assessment validates the scheme, as currently defined, against value for money tests.

7.0 PFI Credits and affordability

7.1 The revenue implications of the procurement of the two Joint Service Centres are the product of the Gross Lease Plus payment to Leeds Lift Limited, assessed by Leeds Lift Limited to be £319.77 per square metre per annum at April 2007 prices.

7.2 In addition to the Lease Plus payment there will be pass through cost of utilities, insurance NNDR etc, estimated at £30 per square metre per annum and the cost of the in house soft Facilities Management costs, estimated at £50 per square metre.

7.3 The total payments in the first full year of the operation of the Contract are estimated to be £1.466m for 3,256 square metres in 2011/12, comprising:

- Lease Plus Payments of £1,178,148
- Pass through costs of £107,820
- Provision for soft FM services £179,701

7.4 The most significant source of funding for this project is derived from the PFI Revenue Support Grant arising from the notional credit approval afforded by PFI Credits. For this Project, Department for Communities and Local Government has reserved £11.7m of PFI credits and this will produce annual PFI Revenue Support Grant in a full year of £937,564. The second source of funding will come from the revenue savings when existing service users vacate their existing accommodation for the new accommodation in the Joint Service Centres. This is estimated to be £132,458 in the first full year, in 2011/12.

7.5 The estimated annual revenue contribution required to meet project costs is estimated to amount to £396k in the first full year of operations in 2011/12.

7.6 The full cash flow analysis for the Chapeltown and Harehills Joint Service Centres over the life of the Contract is contained in Appendix 1. The first full financial year will occur in 2011/2012 after the handover of the two Joint Service Centres by May 2010. A summary of the estimated cash flows for that year and over the life of the Contract is summarised in the table below.

Table 1	First Full Year 2011/12 £000	Total Over the Life of the Contract £000
Estimated Project Cash Flows		
Lease Plus payments to LIFTCO	1,178	39,283
Estimated Pass Through Payments	108	3,642
Estimated cost of soft services FM	180	6,069
	1,466	48,994
Financed from:		
PFI Revenue Support Grant (£11.7m of PFI Credits)	(938)	(23,673)
Revenue savings – existing service users	(132)	(4,474)
Total Funding	(1,070)	(28,147)
Total Deficit (s)	396	20,847

7.7 This commitment from the Council will be offset by the benefits Council will receive from not having to meet the significant repayment costs associated with the Council itself taking on a borrowing commitment to finance its share of the of £17.7m capital investment for these two Joint Service Centres. In addition the PFI Contractor will be responsible for all building lifecycle maintenance during the life of the Contract, at a cost of £3.4m over the life of the Contract. Under a conventional procurement these costs would have to be met from the Council's and the PCT's own capital resources.

8.0 Land receipts

8.1 The sites at Harehills and Chapeltown are to be purchased by Leeds Lift at open market value from the Council as part of delivering the project. If it is financially advantageous to do so, a capital payment could be made to Leeds LIFT Ltd to reduce the sinking fund contribution.

8.2 Leeds Lift Limited's current outline assessment of land cost for both sites is a total of £1.1m. However the net figure received by the Council will be subject to the cost of site abnormalities which will be agreed following site investigations by Leeds Lift and these costs could be considerable. It is proposed that the issue of a capital contribution is considered prior to seeking Stage 2 approval later in the year.

9.0 Programme

9.1 The current programme anticipates that Stage 2 financial close will occur by December 2008 with the occupation date of the Harehills building being March 2010 and the Chapeltown building being May 2010.

10.0 Risk

10.1 A comprehensive Project Risk Register has been developed and is presented at each meeting of the Joint Service Centres Project Board.

11.0 Implications for council policy and governance

11.1 It is proposed that the management and decision making arrangements are in line with the Executive Board approval, on 9th March 2005, for Corporate Governance and Management arrangements for Public Private Partnership and Private Finance Initiative (PPP/PFI) Projects within the City Council. In particular that a project board – the Joint Services Centres Board – will continue to be used as the Project Board for the Joint Service Centres Project.

12.0 Legal and resource implications

12.1 The table below illustrates the budgeted cost in 2008/09 for the procurement of the Joint Service Centres project. In addition, Environment and Neighbourhoods will also incur their own costs. It is likely that there will be an impact on the Council's Revenue Budget beyond 2008/09 through to 2010/11 when procurement of the Kirkstall centre will be progressed subject to resolution of site issues and works on the centres are scheduled to be completed. There are also likely to be financial implications beyond 2010/2011 to ensure that effective Contract Management is in place when the Joint Service Centres become operational.

	Budget for 2008/09 £000
Public Private Partnership Unit charges (includes strategic and project management, legal, financial, technical, governance, programming and performance support)	168
External adviser fees (legal, financial, technical, pension, insurance etc.)	170
Total	338

13.0 Recommendations

13.1 Executive Board is requested to:

- a) Accept the Offer as prepared by Leeds Lift Limited and authorize the Deputy Chief Executive to formally accept that offer on behalf of the Council
- b) Authorize the Deputy Chief Executive to submit the Offer to the Leeds Lift Strategic Partnering Board for Stage 1 Approval under the LIFT process
- c) Continue to delegate the relevant powers to the Joint Service Centre project Board to take the procurement of the project forward