



Agenda item:

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Appendix Two contains exempt information under Access to Information Rule 10.4(3) The public interest in maintaining the exemption outweighs the public interest in disclosing the information, by reason that the report contains commercially sensitive information about post-close negotiations with the Contractor

## Report of the Deputy Chief Executive

### Executive Board

Date: 18<sup>th</sup> October 2006

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 9<sup>th</sup> 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 Leeds City Council PPP/PFI projects and programmes.

This third update report provides:

- A progress report on Leeds City Council PPP/PFI projects and programmes
- An update report on PPP/PFI governance
- An update appendix on the outturn of the Leeds Street Lighting PFI Project at Commercial and Financial close, the subsequent mobilization phase and the operation of the project to date following Service Commencement.

## 1.0 **BACKGROUND**

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

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

This is the third update report.

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

2.1 March 2006 – October 2006 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:

- Street Lighting PFI Project to replace and maintain the street lighting across the whole of the Leeds Metropolitan District. Within the first five years of the contract 80% of the existing street lighting will be replaced. This project reached financial close on the 31<sup>ST</sup> March 2006. This project supports the Corporate Plan priority of aiming to make sure that all neighborhoods are safe, clean, green and well maintained.
- Building Schools for the Future Programme (with a capital investment of £249m in Wave 1) is in procurement, with optimum bids received in August 2006. 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.
- Independent Living PFI Project to replace existing hostel provision with small units which promote independent living. This project is now in procurement, with Invitation to Negotiate documents issued in September 2006 with bid submissions due in November 2006. 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 April 2006 can be shown through:

- Education Leeds – The opening of the first four schools in September 2006 as part of the Combined Secondary Schools project with the final two schools due for completion next year, in accordance with the programme.
- Social Services – The successful outcome of an independent 4 Ps Gateway Review of the Independent Living Project June 2006. The Review Team found that the project is now seen as part of a wider modernisation and development programme, and since the previous review the project has progressed well and previous recommendations have been, or are being addressed. The review team made particular reference to the exemplary way in which the site selection has involved significant ward councilor and community consultation and to the good practice in relation to the project management framework and structure within the Public Private Partnership Unit (PPPU).
- Learning and Leisure – An independent 4ps Gateway Review noted the good progress being made in terms of developing the Outline Business Case for up to three new Leisure Centres across Leeds. The Review Team found that the project will form part of an innovative approach to procurement under the LEP delivered through the BSF procurement programme.
- City Services – The signing of the Street Lighting Contract in March 2006 with

Tay Valley Lighting as programmed, with service commencement as scheduled in July 2006. Details for the contract are attached at Appendix 2 which is confidential under Access to Information Rule 10.

- Neighbourhoods and Housing - The submission of the Outline Business case for Little London and close cooperation between the Regeneration Team in Neighbourhoods and Housing and the PPPU in the Chief Executives Department in responding to queries raised by the sponsor, the Department for Communities and Local Government (DCLG). A decision on the OBC is anticipated in November.
- The PPPU won two Private Finance Awards; Best Public Sector Project Team and Best Government/Government Agency Team for their "strong leadership, technical expertise and understanding of how private firms operate" Leeds was the only public private sector participant to win two awards.
- The City Council received the first installment of the PFI revenue support grant for the Leeds Combined Secondaries Schools and Street Lighting projects on 9<sup>th</sup> October 2006.

### 2.3 In relation to areas for development:

- An Expression of interest for over £290m of credits was submitted to the Department for Transport in September 2006 for Highways Maintenance proposing a capital investment period of 7 years to renew a proportion of the principal road network in Leeds. A full report on this project will be submitted to Exec Board in November, prior to any DfT decision. 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 for over £100m of credits is programmed for development and submission by the Director of City Services for integrated waste management. 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 Director of Neighbourhoods and Housing for Beeston Hill and Holbeck, a decision is anticipated later this year.
- The Co-ordination Board approved a report on 24<sup>th</sup> August which recommended a Technical Consultancy Framework Contract be established with E.C Harris. This organisation will now provide technical support to the PPP/PFI programme and the PPPU is currently working with E.C Harris to ensure that these additional critical resources are utilised effectively to the particular benefit of education and housing programmes.
- Work on the Outline Business Case for the New Leaf project continues to secure the transformational outcomes sought by the Department of Culture, Media and Sport, (and Sport England) and the aspirations of local stakeholders utilizing all available resources.

## 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.

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- 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 18 months 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.
- 3.3 The Council's Chief Officer - Human Resources, on 4<sup>th</sup> January 2006, formally agreed the proposals for the revised staffing and payment structure for the PPP Unit. Formal approval was also given for the recruitment to the posts required to deal with the increasing workload of the PPP Unit and additional posts required to implement the Corporate Governance arrangements.
- 3.4 A further recruitment exercise is currently underway to secure the remaining unfilled posts within the unit.

#### 4.0 **FINANCIAL IMPLICATIONS**

- 4.1 There are no direct financial implications from this report.

#### 5.0 **RECOMMENDATIONS**

- 5.1 Executive Board is recommended to note the:

- current status of PPP/PFI projects and programmes
- implementation of the governance framework
- current status of the Leeds Street Lighting PFI project.

#### 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
- Leeds City Council – Independent Living Project, 4Ps Gateway review June 2006
- Leeds City Council – New Leaf, 4Ps Gateway review June 2006