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**Report of the Deputy Chief Executive**

**Executive Board**

**Date: 17<sup>th</sup> October 2007**

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

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**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)

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**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 these.

This is the fifth update report on Leeds City Councils PPP/PFI projects and programmes and provides:

- a progress report on the 16 projects with a capital value in excess of £1 billion
- highlights on the 4 schemes programmed to achieve financial close within the next 6 months and the challenges this will pose for the council
- an update on the impact of the unprecedented adverse weather and flooding experienced in July 2007 on the progress of those projects under construction.

There are currently 16 major PFI projects either in development, procurement or delivery, with 4 of these due to close in the remainder of the financial year. This is unprecedented nationally in local government. The risks attached to this programme have been identified and will be appropriately by the unit and reported back to Executive Board in due course.

## 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 fifth update report.

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

2.1 April 2007 – October 2007 has continued to provide a challenging environment for the delivery of Leeds City Council PPP/PFI schemes. In part this is due to the number of projects in development, together with some unprecedented weather conditions affecting projects under construction.

2.2 The progress, scope and status, of these schemes are outlined in Appendix 1.

2.3 The highlights of the 4 schemes programmed to achieve Financial Close in March/April 2008 are list below;

2.3.1 *New Leaf Leisure Centres Project* – The Department of Culture, Media and Sport approved the Council's Expression of interest in June. The Council has now entered the new project procedure, the first stage of the procurement process through the Local Education Partnership (LEP). This new relationship has been procured and established as part of Building Schools for the Future Phase 1.

This project supports the Corporate Plan strategic outcome of ensuring that at each stage of life, people are able to live healthy, fulfilling lives.

2.3.2 *Independent Living PFI Project* - This project has been in procurement since 2006, with final submissions under evaluation. In August 2007 Executive Board approved the expansion of the scope of the Independent Living Project to take in the Children's Services Project. This additional element will provide accommodation for up to 20 young people aged 16 to 19.

This project supports the Corporate Plan strategic outcome of making sure that all communities are thriving and harmonious places where people are happy to live.

2.3.3 *Building Schools for the Future Programme Phase 2 and 3* - The 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) was approved at Executive Board in August. It is anticipated this will be approved by Partnerships for Schools (PfS) in October subject to the resolution of decisions required on the scope of the Phase 3 programme and the continued work of the Local Educational Partnership (LEP) on the Value For Money and Affordability.

This project supports the Corporate Plan strategic outcome of making sure that our children and young people are healthy, safe and successful.

2.3.4 *Joint Service Centres Phase 1* – Negotiations with the Council's proposed contractor for this programme, Leeds LIFT Co, have advanced significantly

recently with proposals for the Harehills Centre determined.

The scope of the Council's requirements for the other centre in Phase One, at Chapeltown, have been confirmed however the requirements of the Leeds Primary Care Trust, the Council's future partner and joint occupier of the site are dependent upon the outcome of the review of the Trusts property requirements including the review of the 'Making Leeds Better' programme.

Future progress is now dependent upon the outcome of this work, anticipated in October, and subject to the results, a report will be brought to the next available meeting of Executive Board.

Progress of this project is being monitored by the Councils' Sponsor, Communities and Local Government (CLG), who are concerned that Financial Close for this phase is not delayed beyond the end of this financial year, and that proposals for Phase 2 are confirmed early in 2008/9.

This project supports the Corporate Plan strategic outcome of making sure that at each stage of life, people are able to live healthy, fulfilling lives.

#### **2.4 Evidence of the Councils' successes since April 2007 can be shown through:**

2.4.1 *Combined Secondary Schools Project* – This project achieved handover of the final two schools John Smeaton and Ralph Thoresby in September as programmed. This project has provided five secondary schools and one primary school for over 5,700 children and young people in Leeds.

2.4.2 *Little London Social Housing Project* - An OJEU for Little London and Beeston Hill and Holbeck, which would allow both to be jointly procured was approved by Communities and Local Government (CLG) and published in July. The Pre Qualification Questionnaire (PQQ) submissions from bidders are being evaluated.

2.4.3 *Beeston Hill and Holbeck Project* – The Council is now developing its Outline Business Case (OBC) with a view to submitting this for approval in November 2007. The Council was advised by CLG in December 2006 that the project was placed at the top of their reserve list for the fifth round of credits.

2.4.4 *Joint Procurement* – Subject to the approval of the proposed OBC for the Beeston Hill and Holbeck project, the Council can move forward into the procurement stages with some confidence. Subject to the satisfactory evaluation of bidders initial submissions, the innovative process of bringing both regeneration projects to Financial Close should prove to be more efficient, and economical, for all parties involved, ultimately to the benefit of the tenants and residents involved.

2.4.5 *Independent Living Project* – In bringing this project to the Preferred Bidder stage the Council has achieved a significant milestone in this unique project. The challenge of securing Financial Close and planning permission for almost 40 sites however is not underestimated.

## 2.5 **In relation to areas of development:**

- 2.5.1 *Integrated Waste Management Project* - Executive Board received a report on the waste strategy in September 2007 and the Outline Business Case is currently in development with submission to DEFRA programmed for consideration by Executive Board on this agenda and by Project Review Group (PRG) in January 2008.

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.

## 2.6 **The impact of adverse weather conditions:**

- 2.6.1 The unprecedented adverse weather conditions experienced in July 2007 has had an impact on all three projects under construction at that time.
- 2.6.2 With regards to John Smeaton, and Ralph Thorsby High Schools in Phase 2 of the Combined Secondary School Project, both suffered set backs to the construction programme. Both still opened on programme, however some of the external areas of the sites were not completed on time. Progress towards the handover of these areas continues to be monitored.
- 2.6.3 The continued roll out of the Leeds Street Lighting PFI project was halted as a consequence of the weather conditions, with key staff redeployed to undertake emergency work outside of the city. A claim for a two week relief event and an extension to the programme has been sought from, and approved by, the Council with no financial consequences anticipated.
- 2.6.4 The site works on all 5 of the BSF Phase One schools were affected by the weather conditions and claims for relief have been submitted. The implications of this on the programme to open these schools in September 2008 are being discussed with the LEP Board and a further update will be provided in due course.

## 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 The Programme of work for 2007-2008 presents a number of significant challenges not least with regard to the continuing difficulties in recruiting and retaining specialist staff particularly in legal, technical and finance disciplines.
- 3.3 A further recruitment exercise is currently underway to secure staff for the remaining unfilled specialist posts within the unit and all new vacancies created by the departure of colleagues to new opportunities. The impact of these vacancies on the current programme of work has been noted and is being closely monitored, with resources redirected to address priorities wherever possible.

3.4 Following Officer consultation with Resources Directorate and with the continuing high risk to the Councils' projects, external consultants were appointed in August 2007 to explore these significant difficulties and make recommendations to the Council for moving forward. Tribal Resourcing will undertake this work and their recommendations should be available at the end of this calendar year. It is critical that the outcome of this work is assessed and determined by the Council as a priority to ensure the future role for such specialist staff is determined and the Council can take forward all appropriate actions as necessary.

#### 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, in particular the effect of the Councils Capital Programme, as it supports improvements to the public infrastructure and assets required to support these programmes of change.

#### 5.0 **Recommendations**

5.1 Executive Board is recommended to note the:

- current status of PPP/PFI projects and programmes.
- the risks attached to this programme are being managed and that the outcomes will be reported back to Executive Board in due course by the unit.

#### 6.0 **Documents used in the preparation of this report**

6.1

- Leeds City Council –Building Schools for the Future, 4ps Gateway review September 2004.