
Report of the Deputy Chief Executive

Executive Board

Date: 16th April 2008

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

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

- a progress report on the current Council portfolio of 16 projects with a capital value in excess of £1 billion
- highlights of the 4 schemes programmed to achieve financial close within the next 6 months and the challenges this will pose for the council

There are currently 16 major PFI projects either in development, procurement or delivery, with 1 of these closed in March 2008 and 3 now due to close in the current financial year 2008/09. The risks attached to this programme have been identified and will be appropriately managed by the unit, monitored by corporate governance, reported to the relevant Board and escalated where necessary to Executive Board.

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 fifth update report.

2.0 **Leeds City Council PPP/PFI Projects and Programmes**

2.1 October 2007 – March 2008 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 retention and recruitment challenges across the unit and affecting the Council.

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

3.0 **Schemes Programmed to Close in 2008/09**

3.1 The highlights of the 4 schemes which are programmed to achieve Financial Close by September 2008 are listed below:

3.1.1 *Building Schools for the Future Programme Phases 2 and 3*

The Final Business Case was approved by PFS in March. The new school for Inner West Leeds and Wortley reached financial close slightly later than scheduled on the 13th March 2008 (plans of the new school will be displayed at Executive Board).

Phase 2, which now involves Priesthorpe, Crawshaw and Farnley Park in progress, has been reviewed. Phase 3, which involves Mount St. Mary, Corpus Christi and Parklands, has been deferred pending a stakeholder review of the requirements of the 3 schools remaining, though with an anticipated contract close date of May 2009. Phase 4, Intake High, remains subject to the outcome of negotiations on the Academy Programme.

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

3.1.2 *New Leaf Leisure Centres Project*

The Department of Culture, Media and Sport approved the Council's Expression of interest in June 2007. Morley and Armley leisure centres are progressing through the New Project Procedure (NPP) Stage 1 as PFI projects under the Strategic Partnership Agreement (SPA) between the Council and Leeds LEP Ltd with the project now programmed to close in August 2008.

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

3.1.3 *Independent Living PFI Project*

This project has been in procurement since 2006. The final business case was

approved by Executive Board in January 2008 with financial close programmed for April 2008. The overall programme is progressing well with planning permission secured for all 39 sites.

The final scope of the project remains to be concluded due to outstanding negotiations on the cost of the facilities sought by Children's Services and the completion of due diligence by the Consortium for the benefit of their funders.

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.

3.1.4 *Joint Service Centres Phase 1*

A revised stage 1 offer was received from Leeds LIFT Co on the 03rd March 2008 and approved by Executive Board on the 12th March 2008. The project is scheduled to reach financial close December 2008 with service commencement at Harehills in March and at Chapeltown in May 2010.

Work on the identification of a suitable site in Kirkstall continues.

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.

4.0 **Councils' Successes Since October 2007**

4.1 Evidence of the Councils' successes since October 2007 can be shown through:

4.1.1 *Conferences*

During the last 6 months, Officers of the Unit have been invited to attend and speak at 3 national conferences on benchmarking, the lessons learnt in the PFI process and in support of the review of BSF commissioned by PFS and DCSF.

4.1.2 *Gateway Reviews*

Subject to resources, the Council undertakes independent 4Ps Gateway reviews on all of its PFI projects. The 4Ps review reports provide the Council with a position statement on the status of each project at each stage using the RAG (red, amber, green) 'traffic light' approach. The Independent Living Project received a green status and the Leeds Residual Waste Treatment received an amber status in December 2007.

The 4Ps continue to press the Council for resources to assist them in progressing their National Gateway Review schedule.

4.1.3 *Combined Secondary Schools Project*

All six schools are fully operational and the project has been shortlisted under the category 'Best Operational Schools Project' at the 2008 PPF Awards, to be announced in April 2008.

4.1.4 *Little London Social Housing Project*

The Council has now entered the intensive period of evaluation of the Outline Solutions submissions.

4.1.5 *Beeston Hill and Holbeck Project*

The Outline Business Case was approved by Executive Board in November 2007, along with a proposal to join this project with the current procurement of Little London. Officers have recently received PRG approval to the project and endorsement from CLG to the continued joint procurement with Little London. The Council, and bidders, can now continue to develop proposals for the benefit of both communities with confidence.

This is, apparently, the first time such an approval has been either promoted, or supported, and approval should result in both a quicker, and more efficient outcome for all involved.

4.1.6 *Joint Procurement*

Subject to the approval of the proposed OBC for the Beeston Hill and Holbeck project, the Council can link Little London and Beeston Hill and Holbeck into a Joint Procurement and move forward into the future stages with some confidence.

4.1.7 *New Leaf Project*

An application for PFI credits for a wellbeing centre has been submitted to the Department of Health. The Council, along with the PCT, have been invited to develop an Expression of Interest for this scheme, for a maximum of £30 Million credits, before the 31st May 2008.

4.1.8 *Street Lighting*

The project is on programme, and a contract for advertising on the new lighting columns has been entered into with Streetbroadcast Ltd.

5.0 **Governance Implementation**

5.1 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.

5.2 This framework is currently under review as the Council seeks to ensure that any changes arising from the implementation of the Delivering Successful Change Programme is implemented.

5.3 The Programme of work for 2008-2009 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.

5.4 A further recruitment exercise is continuing 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.

- 5.5 This is considered to be particularly relevant should the Council be invited to support the West Yorkshire Police in the delivery of their proposed programme of investment in new accommodation through a bid for PFI credits to the Home Office.

6.0 **Financial Implications**

- 6.1 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 affect on the Councils Capital Programme, as it supports improvements to the public infrastructure and assets required to facilitate these programmes of change.

7.0 **Recommendations**

- 7.1 Executive Board is recommended to note the current status of PPP/PFI projects and programmes.

8.0 **Documents used in the Preparation of this report**

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