



THE APPENDIX OF THIS REPORT IS CONFIDENTIAL Under Corporate Procedure Rule 10.4.3

Report of the DIRECTOR OF CITY DEVELOPMENT

Executive Board

Date: 11 June 2008

**Subject: ENDORSEMENT OF EXPRESSION OF INTEREST FOR PFI CREDITS FOR HOLT
PARK NEW LEAF WELL BEING CENTRE PROJECT**

Electoral Wards Affected:

Adel and Wharfedale

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. The Department for Health has confirmed that the Council is eligible to apply for PFI Credits for a social care project and that in principle the replacement of Holt Park Leisure Centre with a Well Being Centre providing accessible facilities for all with particular provision for people with learning and physical disabilities would be eligible. The centre would include accessible swimming pools and hydrotherapy pool as well as sports halls, gym, and sensory facilities
2. The Council was required to submit an Expression of Interest by 30 May 2008 for consideration by the Department for Health and confirmation of whether or not Credits are to be awarded to the project.
3. The Executive Board in February 2007 approved Holt Park as the next leisure centre to be replaced should PFI Credits become available.
4. The project will require revenue funding from the Council and PCT to meet the revenue costs which cannot be met through the PFI Credits.
5. Executive Board is requested to: Note the content of this report and endorse the submission of the Expression of Interest for the Holt Park New Leaf Well Being Project for £31.9 million; and approve the combining the New Leaf Well Being Centre Project under the Education PFI Project Board if Credits are allocated to the project.

1.0 Purpose Of This Report

1.1 The purpose of this report is to seek Members' approval to endorse the Expression of Interest (Eoi) and its submission to the Department for Health (DH) which had to be made by 30 May 2008. A copy of the Eoi will be available from the clerk named on the front sheet of the agenda.

1.2 Confidential Appendix Access to Information paragraph 10.4.1

The appendix to this report is confidential under paragraph 10.4.1 of the Access to information rules on the basis that the disclosure of the information could prejudice the Council's position in commercial negotiations if the PFI Credits are allocated and the project proceeds.

2.0 Background Information

2.1 In November, 2007 the Department of Health (DH) issued a letter to Local Authorities seeking initial letters of interest for DH PFI Credits from an overall Social Care budget of £110 million.

2.2 The Council submitted an initial letter of interest in December 2007, supported by City Development, Sport and Active Recreation and Adult Social Care internally and the Primary Care Trust (PCT) externally. The letter sought £35 million Credits to build a Well Being Centre which combined a new leisure centre with flexible facilities accessible for all, however this envisaged no revenue funding from the Council towards the project in order to maximise the bid for Credits.

2.3 DH confirmed on 8th February 2008 that the Council is eligible to apply for PFI Credits ideally up to £30 million Social Care PFI Credits for a Well Being Centre which can only be used to meet capital and lifecycle costs for a social care project.

3.0 Main Issues

3.1 The options appraisal undertaken by the Sport and Active Recreation Service prior to submission of the outline business case (OBC) for Morley and Armley New Leaf leisure centres, identified Holt Park leisure centre as a priority for replacement given its current condition, potential to support the regeneration of Holt Park District Centre and current demand for the facilities. In February 2007 Executive Board approved Holt Park as the third leisure centre to be replaced should PFI Credits become available. An expression of interest was submitted to DCMS however DCMS has now confirmed that there are no further Credits available at present.

3.2 The regeneration of Holt Park district centre (the district centre) has been under review for approximately 10 years based upon the potential relocation of the existing ASDA store within the district centre. Discussions with ASDA are ongoing, however to date ASDA has not produced a scheme capable of delivery. During that time Ralph Thoresby High School has been replaced through a PFI scheme leaving the former site of the school available for future development of the district centre. Two initial public consultation events have been held where the public's views have been sought on the potential regeneration of Holt Park including replacement of the leisure centre and the proposal was supported with volunteers having been identified for a future stakeholder group.

3.3 The proposal for the Well Being Centre at Holt Park would combine a new fully accessible leisure centre with main pool, learner pool with beach to enable access and create some leisure water which the City currently lacks, a hydrotherapy pool, in addition the dry facilities would include bodyline gym, 4 court sports hall and multipurpose rooms which could be used for exercise classes, as well as community meeting rooms, physiotherapy, consultations etc, it is also proposed that a sensory room and rebound room (trampoline set in floor) could be included as these can be used both for children's parties and rehabilitation.

- 3.4 Long term flexibility is being built into the project with the creation of flexible facilities which can be used by the whole community for a variety of different uses e.g. rebound room can be used for therapy and for children's parties. Adults with social care needs will have prioritised access to facilities which may be particularly relevant to their needs such as hydrotherapy or a sensory room as well as being able to access the wider range of amenities and activities on offer, with the appropriate level of support. This will contribute to health and well being with the additional advantage of taking place in modern, attractive mainstream surroundings.
- 3.5 The Well Being Centre would be funded through PFI Credits, Client Department revenue contributions and revenue contributions from other Council Departments using the facilities e.g. Youth Services contributes £12,000 p.a. to the existing leisure centre for use of a multipurpose room, together with revenue contributions from the PCT for their use of the specific health facilities as well as their use of the leisure facilities e.g. the hydrotherapy pool.
- 3.6 The additional contributions from the PCT and other Council Departments have yet to be agreed although the PCT has indicated that a revenue stream of £200,000 p.a. can be included within the EoI and the Client Department City Development has identified a revenue contribution of £200,000 p.a this leaves an affordability gap for the project as set out in the confidential appendix.

4.0 Implications For Council Policy And Governance

- 4.1 The City Council has developed a much respected track record of delivering PPP/PFI projects. Leeds City Council has an established project delivery model, which was successful for the Leeds 7 Schools Project, the Leeds Combined Secondary Schools, and BSF. The Council is currently involved in several projects in various stages of the procurement and approval process and the model has been extended to all PPP/PFI infrastructure projects within Leeds City Council. The appointed financial advisors to the Council, PricewaterhouseCoopers (PwC) have assisted officers in developing this EoI and have experience in PFI projects in leisure and social services. Subject to the approval of the EoI it is anticipated that PwC will provide financial advice and that DLA will provide legal advice to the City Council to support the project.
- 4.2 The project programme indicates contract award in Autumn 2009 and construction of the new leaf leisure centre taking place over a 19 month build period, subject to approval from the Department of Health.
- 4.3 Consultation has been undertaken with Ward Members for Adel and Wharfedale and Weetwood, Executive Members for Leisure and Adult Social Care and the public in both a public drop in session at the leisure centre and a combined stakeholder and public workshop on 14th May 2008. All those consulted are supportive of the principle of a New Leaf Well Being Centre at Holt Park.

5.0 Legal And Resource Implications

- 5.1 A large number of aspects have been examined as part of the options appraisal in the EoI. The appraisal was based on best practice options appraisal guidance from the 4Ps (part of the Local Government Association) and the Treasury. From this analysis the recommended option is the development of a range of new accommodation to replace existing deteriorating leisure facilities and to provide 21st Century well being facilities for the whole community which support the current social care objectives of Valuing People Now as summarised above
- 5.2 The Council identified that a Design, Build, Finance and Operate approach procured through the Government's Private Finance Initiative demonstrates the potential to deliver Best Value. This would not include the operation of the Leisure Management service which

would be retained by the Council, and transferred to the Sport Trust when it becomes operational, but would include the operation of the hard and some soft facilities management associated with the building including maintenance and cleaning. Based upon the analysis completed, the Project Sponsor, the Director City Development is confident the proposed PFI project will offer value for money in comparison with a traditional procurement route in line with expectations from the market, given the assumptions made.

- 5.3 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 Education PFI Project Board – be used as the Project Board for the Well Being Centre Project, alongside the New Leaf Leisure Centres Project.
- 5.4 A Project Team will be formally established to take responsibility for the day to day administration of the project. This will be a small core team, which will be assisted and advised, at different stages of the relevant project by specialists from different areas within the Council. There will also be a need to obtain external advice in some areas, namely legal, financial and technical. It is however a pre-requisite that the work will be primarily undertaken from existing “in house” resources in the Public Private Partnerships Unit within the Chief Executive’s Department and nominated, dedicated resources within City Development and Adult Social Care.
- 5.5 The Project Team will service the Project Board and make available to it minutes and other documentation as required. Papers to Project Board will be presented in the corporate reporting format. The Project Team will also be responsible for ensuring project communication and liaison mechanisms are in place and functioning.

6.0 Conclusions

- 6.1 The EoI for Holt Park Well Being Centre will set out potential facilities and potential revenue streams to fund the affordability gap to deliver the project over 25 years. However, revenue streams will need to be confirmed from both the PCT and Council and further revenue contributions will need to be identified within the Council to meet the total revenue cost of the project as set out in the appendix to this report, or the scope of the project will need to be reduced at Outline Business Case Stage in order to deliver the project within budget unless the Council is successful in its bid for £31.9 million Credits £1.9 million over the DH recommended level.

7.0 Recommendations

Executive Board is requested to:

- 7.1 Note the content of this report and endorse the submission of the Expression of Interest for the Holt Park New Leaf Well Being Project.
- 7.2 Approve the combining of the Well Being Leisure Project with the New Leaf Well Being Centre Project, under the Education PFI Project Board should Credits be allocated for the project.