



Report of the Deputy Chief Executive

Executive Board

Date: 4th March 2009

Subject: Joint Service Centres - Approval to submit Final Business Case to The Department of Communities and Local Government and to Execute the Contract for the Joint Service Centres at Chapelton and Harehills. Approval to proceed to LIFT Stage 2 for the Joint Service Centre at Kirkstall.

Electoral wards affected:

Beeston & Holbeck, Chapel Allerton, Gipton & Harehills, Kirkstall, Roundhay, Adel & Wharfedale.

Specific implications for:

Ethnic minorities
Women
Disabled people
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 Chapelton, Harehills and Kirkstall.
2. The Joint Service Centres are to be procured via the Leeds Local Improvement Finance Trust (LIFT) in which Leeds City Council is a strategic partner with the Leeds Primary Care Trust (PCT). A Stage 2 offer (under the LIFT new projects procedure) representing a guaranteed maximum price save for fluctuations in funding terms available in the market for the Chapelton and Harehills centres has been received from Community Ventures Limited (formally Leeds LIFT Limited). A Stage 1 offer (under the LIFT new projects procedure) representing a guaranteed maximum price for the Kirkstall centre has been received from Community Ventures.
3. Members of the Executive Board are recommended to:
 - a) Acknowledge the Stage 2 Offer for the Chapelton and Harehills centres as prepared by Community Ventures Limited and authorize the Deputy Chief Executive to formally accept the offer on behalf of the Council subject to completion of a satisfactory value for money assessment, to be undertaken by the District Valuer.

- b) Authorize the Deputy Chief Executive to submit the Offer for the Chapeltown and Harehills centres to the Leeds Lift Strategic Partnering Board for Stage 2 Approval under the LIFT process subject to completion of a satisfactory value for money assessment, to be undertaken by the District Valuer.
- c) Approve the financial implications for the Council of entering into the Joint Service Centre Project for the Chapeltown and Harehills centres ('Project') and to agree the maximum affordability deficit to be funded by the Council for these two Centres as set out in Appendix 1.
- d) Authorize the Deputy Chief Executive to submit the Final Business Case for the Project to the Department of Communities and Local Government subject to the District Valuer having completed a satisfactory value for money assessment, and that the Project remains within the maximum affordability ceiling set out in recommendation 3c, above.
- e) Approve the arrangements to Financial Close and implementation of the Project to include (but not by way of limitation) the award of/entry into Lease Plus Agreements with Community Ventures Limited (CVL), and, in connection therewith, grant delegated powers to the Deputy Chief Executive (or in his absence the Director of Resources) to
 - i) make any necessary amendments to the Final Business Case,
 - ii) give final approval to the completion of the Project, including (but not by way of limitation) the terms of the Lease Plus Agreements together with any other documentation ancillary or additional to the Lease Plus Agreements necessary for the completion of the Project ('Project Documents'), subject to
 - (A) CLG approval of the Final Business Case
 - (B) the Deputy Chief Executive (or in his absence the Director of Resources) being satisfied that the Project remains within the affordability constraints set out in recommendation 3c, above;
 - iii) approve the signing of any necessary certificates under the Local Government (Contracts) Act 1997 in relation to the Project;
 - iv) approve the execution of the Project Documents, by affixing the Council's common seal and / or signature (in accordance with Articles 14.4 and 14.5 of Part 2 of the City Council's Constitution) and to approve (or authorize any officer of the Council to take) any necessary further action following approval of completion of the Project to complete the Project including any final amendments to the Project Documents.
- f) Acknowledge the Stage 1 Offer for the Kirkstall Joint Service Centre as prepared by Community Ventures Limited and authorize the Deputy Chief Executive to formally accept that offer on behalf of the Council subject to completion of a satisfactory value for money assessment, to be undertaken by the District Valuer and that the offer is affordable to the City Council.
- g) Authorize the Deputy Chief Executive, subject to a successful Value for Money Assessment and the Project being affordable to the City Council, to submit the Stage 1 Offer for the Kirkstall Joint Service Centre to the Leeds Lift Strategic Partnering Board for Stage 1 Approval under the LIFT process.

1.0 Purpose of this report

- 1.1 Further to the report approved at Executive Board on 11 March 2008 the purpose of this report is to update Members on the procurement of the Chapeltown and Harehills elements of the Joint Service Centres Project and seek appropriate delegations / approvals to complete these procurements.
- 1.2 Members are requested to approve financial implications for the Council of entering into the Joint Service Centre Project for the Chapeltown and Harehills centres and to agree the maximum affordability deficit for these schemes.
- 1.3 Members are also requested to authorize the Deputy Chief Executive to submit the Final Business Case for the Chapeltown and Harehills centres to the Department of Communities and Local Government, subject to a successful Value for Money assessment undertaken by the District Valuer and the Project remaining affordable to the City Council.
- 1.4 The report also seeks Members' approval for a package of proposals from Community Ventures Limited to develop a joint service centre at Kirkstall.

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.
- 2.3 In March 2008 the Executive Board approved the acceptance of a Stage 1 offer for the Chapeltown and Harehills centres and the project has proceeded to Stage 2 where detailed design and final costing within the guaranteed maximum subject to funding costs at the time of Financial Close are agreed and planning permission for the centres is obtained by CVL. It should be noted that if the Council chooses not to proceed with the project following Stage 1 approval for reasons other than failure by CVL to meet the approval criteria then any costs incurred by CVL after Stage 1 will be payable by the Council under the terms of the Strategic Partnering Agreement.
- 2.4 Difficulties with site acquisition at Kirkstall have delayed progress on this JSC and the project is now being progressed in Tranche 4, following behind Tranche 3 consisting of the Chapeltown and Harehills JSC's.

3.0 The aims of the project

- 3.1 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.
- 3.2 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.

3.3 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.

3.4 As noted in the Executive Board report of 12 March 2008 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 is part of this work.

3.5 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.

3.6 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 the PCT.

4.0 Scope of the project

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

4.2 The Chapeltown Joint Service Centre proposed for the site on Reginald Terrace adjacent to Chapeltown Road will accommodate the following services over 3,910 square metres of which the City Council share is projected to be 1,369 square metres:

- Customer Services
- Health & Environmental Action Service
- Community Library
- Leeds City Credit Union
- North East Area Management Team
- Hot desk provision for Social Services
- 'HUB' service jointly with PCT

- 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.

4.3 The Harehills Joint Service Centre proposed for the site on Compton Road will accommodate the following services over 1,543 square metres:

- Community Library
- Customer Services
- Chinese Advisory Service
- Environmental Health
- Leeds City Credit Union
- Capacity for PCT to deliver services (Community Drug Team, Mental Health Team)

4.4 It is proposed that the Council will be the sole full-time occupants of the Harehills site and that the PCT services will be delivered from two consulting rooms sub-let from the Council on a long-term basis.

4.5 The Kirkstall Joint Service Centre proposed for the site on Commercial Road will accommodate the following services over 5,313 square metres of which the City Council share is projected to be 1,074 square metres:

- Leeds City Council Customer Services
- Customer Services Welfare Rights Unit
- Customer Services Central Interpreting and Translation Unit (CITU)
- Health and Environmental Action Service
- Library Services
- North West Area Management Team
- Leeds City Credit Union
- Job Shop
- 'HUB' service jointly with PCT
- PCT Services (Children's and Family Centre, GP Consulting Suites & Services, Nurse Consulting & Treatment, Phlebotomy, District & School Nursing, Health Visitors, Midwifery Services, Podiatry, Locality Team, Community Matrons Physiotherapy, Cardiac Rehabilitation, Nutrition and Dietetics, Diabetes Services, Urology, Dermatology/Tissue Viability, Headstart, Weight Management, Smoking Services, Exercise Referral, Falls Prevention)

5.0 The LIFT Stage 1 approval process

- 5.1 CVL is overseen by a Strategic Partnering Board (SPB) on which the Council is represented as a shareholder in Leeds Lift. Through a competitive procurement Pimeria (wholly owned by Miller Group) was appointed as the private sector partner.
- 5.2 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.
- 5.3 Each new scheme or group of schemes forms a funding tranche, with the joint service centre at Kirkstall comprising Tranche 4. 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 CVL which provides a guaranteed maximum price for the project.
- 5.4 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 partner's requirements identified at the time of stage 1 approval.

6.0 The LIFT Stage 2 approval process

- 6.1 Following approval of Stage 1 by the SPB the project should proceed to Stage 2 where detailed design and final costing within the guaranteed maximum price are agreed and planning permission for the centres is obtained by CVL. It should be noted that if the Council chooses not to proceed with the project following Stage 1 approval save for failure by CVL to meet the approval criteria) then any cost incurred by CVL after Stage 1 will be payable by the Council under the terms of the Strategic Partnering Agreement.
- 6.2 The criteria against which a project is judged in determining whether it achieves Stage 2 Approval are:
- whether the cost of the project is within the participants' affordability cap;
 - whether it has been demonstrated that the project provides value for money;
 - whether the project meets the participants' requirements as identified at the time when it became a Stage 1 approved project; and
 - whether the implementation of the project would be in breach of any laws.
- 6.3 Subject to the above, CVL will present its final submission to the SPB for approval. Within six weeks of receiving CVL's submission the SPB shall give written notice of whether it approves or rejects the project.
- 6.4 If the project is approved it has then received Stage 2 approval and CVL will carry out such work as is required to implement the project on the terms of the submission (including the preparation of all relevant documentation).

- 6.5 If it is rejected because it does not meet the approval criteria, then CVL and the participants will work together to address the reasons for failure and endeavour to produce a revised submission for approval by the SPB. If the resubmitted proposal is rejected by the SPB because it still fails to meet the approval criteria then the project is treated as having been rejected. In these circumstances, the participants are free to procure the provision of the facilities outside the LIFT framework
- 6.6 If the project is rejected for any other reason, then CVL's costs in preparing the submission are payable by the participants. Further, the participants cannot seek to procure the provision of the facilities concerned outside the LIFT framework.

7.0 Value for money

- 7.1 The approach to assess value for money for a PFI project is typically based on a standard HM Treasury methodology. However, due to this PFI project being procured through LIFT; CLG has agreed that it is appropriate to use the Department of Health approach to ascertain value for money. This approach relies upon an assessment by the District Valuer utilizing advice received from external financial and technical advisors as to the value for money of the Project.
- 7.2 The independent cost report examines whether construction, lifecycle and facilities management costs are in line with market norms. The District Valuer will examine whether proposed Lease Plus Payment is in line with those for other LIFT projects, receipts from land sales represent value for money, and residual values in the financial model are appropriate.

8.0 PFI Credits and affordability

- 8.1 Because of recent fluctuation experienced in the financial markets a number of challenges to the project have been presented that have delayed the completion of the financial review of the Stage 2 offer for Chapeltown and Harehills and the Stage 1 offer for Kirkstall.
- 8.2 Members are advised that officers, at the time of writing this report, have not yet reached a final affordability position with CVL. As a result of these exceptional circumstances, Members of Executive Board are requested to agree to a maximum affordability ceiling as set out in Appendix 1. Should a final affordability position be achieved prior to the meeting of Executive Board this will be included in Appendix 1 and submitted to Members for their approval.

9.0 Final Business Case

- 9.1 It is planned that the Final Business Case will be submitted to the Department for Communities and Local Government following the satisfactory completion of the value for money assessment undertaken by the District Valuer and final agreement of the Lease Plus price with CVL, subject to the final affordability position being within the maximum affordability position agreed at this meeting of Executive Board.

10.0 Programme

- 10.1 The current programme anticipates that contract signature subsequent to Stage 2 approval for Chapeltown and Harehills will occur by April 2009 with the occupation date of the Harehills building being April 2010 and the Chapeltown building being August 2010.

10.2 It is currently anticipated that Kirkstall could be progressed to contract signature by April 2010 (subsequent to gaining Stage 1 and Stage 2 approval) with the occupation date of the building scheduled for March 2012.

11.0 Risk

11.1 A comprehensive Project Risk Register has been developed and is presented at each meeting of the Joint Service Centres Project Board. All major risks are tracked, escalated and actioned appropriately.

12.0 Implications for Council policy and governance

12.1 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. The Joint Services Centres Project Board will continue to make decisions, acting under delegated powers to its Chair, in connection with Joint Service Centres Projects until after construction completion.

13.0 Legal and resource implications

13.1 The table below illustrates the budgeted cost in 2009/10 for the procurement of the Joint Service Centres project. In addition, Planning, Policy and Improvement will also incur their own costs. It is likely that there will be an impact on the Council's Revenue Budget beyond 2009/10 through to 2010/11 when procurement of the Kirkstall centre will be progressed 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 2009/10 £000
Public Private Partnership Unit charges (includes strategic and project management, legal, financial, technical, governance, programming and performance support)	180
External adviser fees (legal, financial, technical, pension, insurance etc.)	85
Total	265

14.0 Recommendations

14.1 Members of the Executive Board are recommended to:

- a) Acknowledge the Stage 2 Offer for the Chapeltown and Harehills centres as prepared by Community Ventures Limited and authorize the Deputy Chief Executive to formally accept the offer on behalf of the Council subject to completion of a satisfactory value for money assessment, to be undertaken by the District Valuer.

- b) Authorize the Deputy Chief Executive to submit the Offer for the Chapeltown and Harehills centres to the Leeds Lift Strategic Partnering Board for Stage 2 Approval under the LIFT process subject to completion of a satisfactory value for money assessment, to be undertaken by the District Valuer.
- c) Approve the financial implications for the Council of entering into the Joint Service Centre Project for the Chapeltown and Harehills centres ('Project') and to agree the maximum affordability deficit to be funded by the Council for these two Centres as set out in Appendix 1.
- d) Authorize the Deputy Chief Executive to submit the Final Business Case for the Project to the Department of Communities and Local Government subject to the District Valuer having completed a satisfactory value for money assessment, and that the Project remains within the maximum affordability ceiling set out in recommendation 3c, above.
- e) Approve the arrangements to Financial Close and implementation of the Project to include (but not by way of limitation) the award of/entry into Lease Plus Agreements with Community Ventures Limited (CVL), and, in connection therewith, grant delegated powers to the Deputy Chief Executive (or in his absence the Director of Resources) to
 - i) make any necessary amendments to the Final Business Case,
 - ii) give final approval to the completion of the Project, including (but not by way of limitation) the terms of the Lease Plus Agreements together with any other documentation ancillary or additional to the Lease Plus Agreements necessary for the completion of the Project ('Project Documents'), subject to
 - (C) CLG approval of the Final Business Case
 - (D) the Deputy Chief Executive (or in his absence the Director of Resources) being satisfied that the Project remains within the affordability constraints set out in recommendation 3c, above;
 - iii) approve the signing of any necessary certificates under the Local Government (Contracts) Act 1997 in relation to the Project;
 - iv) approve the execution of the Project Documents, by affixing the Council's common seal and / or signature (in accordance with Articles 14.4 and 14.5 of Part 2 of the City Council's Constitution) and to approve (or authorize any officer of the Council to take) any necessary further action following approval of completion of the Project to complete the Project including any final amendments to the Project Documents.
- f) Acknowledge the Stage 1 Offer for the Kirkstall Joint Service Centre as prepared by Community Ventures Limited and authorize the Deputy Chief Executive to formally accept that offer on behalf of the Council subject to completion of a satisfactory value for money assessment, to be undertaken by the District Valuer and that the offer is affordable to the City Council.
- g) Authorize the Deputy Chief Executive, subject to a successful Value for Money Assessment and the Project being affordable to the City Council, to submit the Stage 1 Offer for the Kirkstall Joint Service Centre to the Leeds Lift Strategic Partnering Board for Stage 1 Approval under the LIFT process.

Background Papers

- Report to Executive Board on 15th September 2004 entitled, 'Revised Outline Business Case (OBC) for Three Joint Service Centres (PFI Funding Under Lift)
- Report to Executive Board on 12th March 2008 entitled, 'Joint Service Centres – Approval to Proceed to LIFT Stage 2 for Joint Service Centres at Chapeltown and Harehills