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**Report of the Deputy Chief Executive**

**Executive Board**

**Date: 1<sup>st</sup> April 2009**

**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**

This is the eighth update report on Leeds City Council's PPP/PFI projects and programmes. It provides a progress report on the current portfolio of projects and highlights the planned key activities of the projects and the challenges this will pose for the Council. The report also starts to address the employment opportunities that will be created as a consequence of this investment programme, commencing with the new Holt Park Well Being Centre.

## **1.0 Background**

- 1.1 Executive Board requested at its meeting on 9<sup>th</sup> March 2005 six-monthly updates on the progress of PPP/PFI projects and programmes. This is the eighth progress report and provides an update on the portfolio of PPP / PFI projects since October 2008.

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

- 2.1 Since October 2008 the delivery of Leeds City Council PPP/PFI schemes has continued to face a number of challenges. The programme has grown with work increasing to progress three new schemes, Round 6, Holt Park Well Being Centre and West Yorkshire Police detailed in the October update, and two others, BSF Wave 13 and BSF Phase 4 Intake Academy. At the same time, the Unit has provided significant support to Environments and Neighbourhoods in the further development of Little London, Beeston Hill and Holbeck and the Residual Waste project. The progress, scope and status of these schemes are outlined in Appendix 1.
- 2.2 Since the last progress update, the Unit has been successful in recruiting to fill vacancies and retention of staff has improved.

## **3.0 PPP / PFI Governance Arrangements**

- 3.1 The Unit is undertaking work with corporate governance to promote greater alignment of its governance arrangements with the Council's constitution and the arrangements currently in place for capital schemes. The existing governance framework, as approved by Executive Board in March 2005, has provided robust arrangements to support a fast moving programme. However, the introduction of the Strategic Investment Board (SIB) and Asset Management Board (AMB) will replace the need for the PPP / PFI Projects Coordination Board and has prompted a review of the arrangements as a whole.
- 3.2 The review of the existing governance arrangements is taking place in consultation with colleagues in corporate governance and it is anticipated that a joint report will be presented to the Corporate Governance Board in April 2009.
- 3.3 A further report will then be presented to Executive Board in due course to seek approval to implement the proposals from this review. This will include proposals in relation to the current arrangements for Project Boards as well as programme level decision making.

## **4.0 Project Management**

- 4.1 A number of key pieces of work have been approved by the PPP / PFI Projects Coordination Board which have helped the programmes to be progressed more efficiently and effectively. These include:
- Standard project stages and key activities for the three main procurement types, (Competitive Dialogue, Negotiated Procedure and New Project Procedure) to be followed by the Council in accordance with national guidance and best practice.

- Revised project management templates, which are aligned to the Council's Delivering Successful Change guidance.
- New Contract Management Strategy to improve how projects are managed after commercial and financial close in accordance with national guidance and best practice. (See paragraph 10.1.5 below).
- New Contingency Planning arrangements, which will bring about the development of Council wide guidance where there is currently some inconsistencies in these arrangements.

4.2 It is currently anticipated that subject to the approval of Executive Board, the PPP / PFI Projects Coordination Board's role will in future be undertaken by SIB.

## **5.0 Current Projects**

### *BSF Wave 1, Phase 1 – Cockburn and Temple Moor*

5.1 The October update reported difficulties with Design and Build projects at Cockburn and Temple Moor schools. There are claims for anticipated defects currently estimated at approximately 4% of the total programme of capital works. The current status of the claims is that they have been submitted by the LEP and subsequently rejected by the City Council on the professional advice of our technical advisors, Jacobs. It has now been agreed between the parties, that these claims will be subject to an agreed resolution process. This position is being closely monitored and potential mitigation strategies have been identified.

## **6.0 Provision of services to neighbouring authorities and other public bodies**

6.1 Members will recall from the last update that West Yorkshire Police were proposing to commission the PPPU to manage the preparation of an Outline Business Case. In addition the Unit has been approached by neighbouring authorities for support in delivering their projects.

6.2 In practice, there has been only very limited sharing or trading of this type of service between local and / or other public sector partners, though there is a growing call for such close cooperation. In some cases this may be due to internal (to the organisation) and public (EU) procurement requirements which necessitate formal tendering processes and open competition, and which militate against bipartite cooperation between authorities.

6.3 There are arrangements that would allow the Council to seek a potentially simpler and more straightforward route to providing services with neighbouring authorities and other public bodies, as it considers appropriate. This route is provided via the Office of Government Commerce (OGC), by way of obtaining preferred supplier status on OGC Buying Solutions Framework Agreements.

6.4 It is proposed that PPPU investigate this route on behalf of the Council, and report back to a subsequent meeting on the potential risks and opportunities this, and any other option available, may provide.

## **7.0 Schemes programmed to be signed in 2009/2010**

7.1 The highlights of the schemes which are programmed to be signed in 2009/2010 are listed below:

### **7.1.1 *Building Schools for the Future Programme Phases 2 (B and C)***

On 22<sup>nd</sup> August 2007 Members of Executive Board approved the Outline Business Case for Phases 2 and 3 of the Council's Wave 1 Building Schools for the Future (BSF) Programme.

Phase 2 of BSF includes Swallow Hill Community College (A) (formerly known as West Leeds High School), a PFI school, which is currently still under construction; Priesthorpe High School (B) and Crawshaw High School (C), design and build schools, which were signed on 20<sup>th</sup> March 2009, and Farnley Park High School (D), a design and build school, which is under development.

This project supports the Leeds Strategic Plan 2008 to 2011 strategic outcomes of:

Learning - An enhanced workforce that will meet future challenges through fulfilling individual and economic potential and investing in learning facilities.

The contract for Farnley Park High School (D) is still scheduled to be signed in late 2009.

### **7.1.2 *Joint Service Centres Phase 1***

The first phase of the Joint Service Centres PFI project will provide centres at Chapeltown and Harehills providing facilities including those provided by the City Council and Primary Care Trust and other partners.

A revised Stage 1 offer from Leeds LIFT Co was approved by Executive Board on 12<sup>th</sup> March 2008. A Stage 2 approval was received, subject to conditions, on 4<sup>th</sup> March 2009 and the centres are scheduled to open in March 2010 (Harehills) and July 2010 (Chapeltown).

The second phase will provide a Joint Service Centre in Kirkstall which received conditional Executive Board Stage 1 approval on 4<sup>th</sup> March 2009 with service commencement in September 2012.

This project supports the Leeds Strategic Plan 2008 to 2011 strategic outcomes of:

- Health and Wellbeing - Reduced health inequalities through the promotion of healthy life choices and improved access to services.
- Thriving Places - Improved quality of life through mixed neighbourhoods offering good housing options and better access to services and activities.
- Harmonious Communities - More inclusive, varied and vibrant communities through empowering people to contribute to decision making and delivering local services.

## **8.0 Schemes due for service commencement in 2009 / 2010**

8.1 The following schemes are due to commence service in 2009 / 2010.

### **8.1.1 *Independent Living PFI Project***

This project commenced procurement in 2006. The final business case was approved by Executive Board in January 2008 and the contract was signed on 9th June 2008. The first phase of new homes are planned to be handed over on 23 March 2009 with the new homes being first occupied week commencing 30 March 2009.

This project supports the Leeds Strategic Plan 2008 to 2011 strategic outcomes of:

- Health and Wellbeing - Improved quality of life through maximising the potential of vulnerable people by promoting independence, dignity and respect.
- Thriving Places - Improved quality of life through mixed neighbourhoods offering good housing options and better access to services and activities.
- Harmonious Communities - Improved community cohesion and integration through meaningful involvement and valuing equality and diversity.

### **8.1.2 *Building Schools for the Future Programme Phase 1 and 2***

Allerton Grange School, a Wave 1, Phase 1 school and Swallow Hill Community College (formerly known as West Leeds High School), a PFI school within Wave 1, Phase 2, are both due to open in September 2009.

This project supports the Leeds Strategic Plan 2008 to 2011 strategic outcomes of:

- Learning - An enhanced workforce that will meet future challenges through fulfilling individual and economic potential and investing in learning facilities.

### **8.1.3 *New Leaf Leisure Centres Project***

The Department of Culture, Media and Sport approved the Council's Expression of Interest in August 2005. Morley and Armley leisure centres have progressed as PFI projects under the Strategic Partnership Agreement (SPA) between the Council and Leeds LEP Ltd. The contract was signed in August 2008, only 14 months after the Outline Business Case was approved, representing the most efficient procurement undertaken by the Unit to date. The centres remain on programme and are due to be operational in early 2010.

This project supports the Leeds Strategic Plan 2008 to 2011 strategic outcomes of:

- Culture - Enhanced cultural opportunities through encouraging investment and development of high quality facilities of national and

international significance.

- Health and Wellbeing - Reduced health inequalities through the promotion of healthy life choices and improved access to services.

## **9.0 New Schemes**

9.1 Details of progress on new schemes are below.

### **9.1.1 *Well Being Centre Holt Park***

In May 2008 the EOI was submitted by the Council and Primary Care Trust to the Department of Health proposing the construction of a Well Being Centre combining Adult Social Care, leisure facilities, community space and health facilities to replace the Holt Park Leisure and Health Centres. Funding for the project has now been allocated by the Department for Health and a letter has been received confirming £32m in credits.

It has been calculated that approximately 1925 new construction jobs will be generated over the construction period from this project.

### **9.1.2 *BSF Phase 4 - Intake Academy***

A report on the Intake Academy OBC will be presented at the April Executive Board meeting with the commencement of the New Projects Procedure to follow. Subject to approval the project is on target to be open in its existing buildings in September 2009 with the new build academy being available in September 2011.

### **9.1.3 *BSF Wave 13***

At the time of writing this report, a decision is anticipated in April 2009.

### **9.1.4 *Lifetime Homes - Round 6***

The Council's Expression of Interest for this project is currently being considered by the Homes and Communities Agency (HCA) and a decision is expected from them in April 2009.

## **10.0 Council's Successes Since October 2008**

10.1 Evidence of the Council's successes since October 2008 can be shown through:

### **10.1.1 *Services and Assets brought to use***

The first 7 of 39 sites to be delivered through the Independent Living Project were successfully handed over during March as programmed. The remaining buildings and homes will be delivered over the next three years.

This project supports the Leeds Strategic Plan 2008 to 2011 strategic outcomes of:

- Health and Wellbeing - Improved quality of life through maximising the potential of vulnerable people by promoting independence, dignity and

respect.

- Thriving Places - Improved quality of life through mixed neighbourhoods offering good housing options and better access to services and activities.
- Harmonious Communities - Improved community cohesion and integration through meaningful involvement and valuing equality and diversity.

#### 10.1.2 *Contracts signed since October 2008*

The Council achieved contract signature on Crawshaw High School and Priesthorpe Specialist Sports College on 20<sup>th</sup> March 2009.

This project supports the Leeds Strategic Plan 2008 to 2011 strategic outcomes of:

Learning - An enhanced workforce that will meet future challenges through fulfilling individual and economic potential and investing in learning facilities.

#### 10.1.3 *Awards*

The City Council's projects have won two awards from the 'Excellence in BSF Awards 2008' since the last update:

- Best Operational LEP – November 2008
- Innovation in ICT – November 2008

Ralph Thoresby School has been nominated for the forthcoming Leeds Architecture Awards in April 2009.

#### 10.1.4 *Gateway Reviews*

Subject to competing priorities, the Council invites independent Gateway reviews led by the 4P's on all of its PFI projects. The 4Ps review reports provide the Council with a confidential position statement on the status of each project at each stage using the RAG (red, amber, green) 'traffic light' approach and the Council continues to seek to support this initiative by releasing trained staff, to assist the 4P's in progressing their National Gateway Review programme. The following reviews have taken place since the last update report:

- BSF Phase 1 progressed through Gate 4 to 'Readiness for Service' in October 2008 (Amber)
- BSF Phase 2 (Priesthorpe and Crawshaw) progressed through Gate 3 to 'Investment Decision' in October 2008 (Amber)

The Deputy Chief Executive has also taken part in a Gateway Review of the 4Ps at the request of the Office for Government Commerce (OGC).

#### 10.1.5 *Gateway Review Training and Networking Events*

Later this month, the Unit is hosting the first of two two-day sessions run by the 4Ps to train new gateway reviewers and provide a networking day for existing reviewers. A second event following the same format is planned for September 2009.

#### 10.1.6 *Treasury Review of Operational PFI Projects*

The Treasury has commissioned Partnerships UK to carry out a review of operational PFI projects across the Country, and has written to the Chief Executive, seeking our support in this work. Colleagues from PUK have visited Leeds on 12<sup>th</sup> and 13<sup>th</sup> March 2009 to interview key stakeholders from a range of projects listed below:

- Leeds Seven Schools
- Combined Secondary Schools
- BSF
- Leeds Primary Schools
- Cardinal Heenan
- Swarcliffe Housing project
- Street Lighting project
- Independent Living Project

The findings of the review will feed into a report back to the Treasury on best practice in the managing of these projects on a wide scale. This could offer opportunities to the Council to review management of such contracts and would align with the recent work of the PPPU on this topic (see paragraph 4.1, bullet 3 above).

### **11.0 Governance Implementation**

11.1 See paragraph 3

### **12.0 Financial Implications**

12.1 Key features of the PPPU 2009/2010 Revenue Budget are detailed below:

- The Unit remains on track to deliver a forecasted surplus of £0.3million
- The filling of vacant, non fee earning posts has been frozen resulting in a cost avoidance of £229k
- All future posts are to be filled only on the basis of a robust business case and cost benefit analysis
- Proposed charges to clients in 2009/2010 are based upon the existing 2008/09 charge out rates

### **13.0 Recommendations**

13.1 Executive Board is recommended to note the current status of PPP/PFI projects and programme.



## **14.0 Background Information**

- PPP / PFI Six-Monthly Update Report (Executive Board – October 2008)