



Not for Publication: Not For Publication: Appendices 1 and 4, are exempt under Access to Information Procedure Rule 10.4 (3).

Report of the Director of Environment & Neighbourhoods

Executive Board

Date: 25th August 2010

Subject: Round 6 PFI Outline Business Case: Lifetime Neighbourhoods for Leeds

Electoral Wards Affected:

Adel & Wharfedale; Alwoodley; Armley; Burmantofts & Richmond Hill; Calverley & Farsley; Chapel Allerton; City & Hunslet; Killingbeck & Seacroft; Middleton Park; Otley & Yeadon; Temple Newsam



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)

Confidential Appendix 1 of this report contains information about the commercial position of the City Council in relation to the proposed procurement. The public interest of maintaining confidentiality outweighs the public interest in disclosing such information. Therefore this section of the report should be treated as exempt under rule 10.4 (3) of the Access to Information Procedure Rules.

Confidential Appendix 4 of this report, which has been placed in the Members' Library for inspection, contains information about the commercial position of the City Council. The public interest of maintaining confidentiality outweighs the public interest in disclosing such information. Therefore this section of the report should be treated as exempt under rule 10.4 (3) of the Access to Information Procedure Rules.

EXECUTIVE SUMMARY

This report seeks Executive Board approval to submit the Outline Business Case to the Homes & Communities Agency (HCA) for the Lifetime Neighbourhoods for Leeds Housing PFI project. The report also seeks approval of the revised scope and confirmation of the OBC affordability position.

Following the outcome of the formal consultation, Executive Board is asked to approve four new sites to be included in the Outline Business Case (OBC).

1.0 Purpose Of This Report

1.1 This report seeks approval from Executive Board to submit the Lifetime Neighbourhoods for Leeds Outline Business Case under the national Round 6 PFI Housing programme. It also seeks approval to revisions to the scope and confirmation of the affordability position of the project.

2.0 Background Information

2.1 A report was submitted to Executive Board on 12th February 2010 outlining the Round 6 Housing PFI project proposals and affordability. The report sought a number of approvals including the scope of the project, the sites proposed for inclusion, commencement of formal public consultation and the City Council's financial commitment to the project.

2.2 Since February detailed work has taken place to finalise the OBC and to ensure the project is affordable and deliverable. As a result, there are some changes proposed to the scope of the project and some of the sites included. These are summarised below. A summary of what is in the OBC is also set out in paragraph 4 below, based on the changes proposed in this report.

2.3 In February 2010, ten sites were agreed by Executive Board for inclusion in the Outline Business Case, subject to consultation. During March-June 2010, community and stakeholder consultation was undertaken regarding proposals for these sites. As demonstrated in Appendix 3 attached, in respect of seven of the sites, the proposals were supported and these sites can now be confirmed in the Outline Business Case.

2.4 In respect of three sites some concerns were raised about the proposed replacement of existing buildings with new housing: These concerns were at:-

- Moorhaven Court sheltered housing scheme, Moor Allerton, proposed to be replaced on site with general needs housing for older people;
- Fairview residential care home, Seacroft, proposed to be replaced on site with extra care housing; and
- Richmond House residential care home (respite), Farsley, proposed to be replaced with extra care housing.

2.5 In respect of Moorhaven Court, it is now possible to develop the new housing on a neighbouring site (Cranmer Gardens) allowing residents to move across to the new housing before Moorhaven Court is demolished. A meeting with residents on 5th August has taken place about this alternative proposal and ward members have been consulted. Cranmer Gardens is a capital programme site and therefore an equivalent value to the capital receipt would need to be made available to the capital programme through release of the Moorhaven site after residents have been moved or an alternative site identified. Further detail is provided at Appendix 2. In the light of concerns expressed about the proposals for the Fairview and Richmond House sites during the consultation these options are not felt to warrant inclusion in the bid.

2.6 In order to maintain the amount of new housing included in the project (currently 675 units minimum), a further three sites (including that referred to in 2.5) have been

identified as possibilities for inclusion Two of these sites are in the EASEL area, as follows:-

- Parkway Close, off South Parkway, including land at Brooklands Garth; and
- Wykebeck Mount, Osmondthorpe – former Osmondthorpe primary school site.

Ward members have been consulted. Details of these two sites are provided in Appendix 2.

- 2.7 The fourth additional site is Rocheford Court in Hunslet (details provided in Appendix 2). Ward members have been consulted and the ALMO has been positive about the inclusion of this site which involved the replacement of an existing outdated, and mainly unoccupied sheltered housing scheme with new housing for older people. Tenant consultation carried out on 5th August 2010 was well received. Detailed consultation with tenants will be carried out by the ALMO in the Autumn, and a report will go to the ALMO Board
- 2.8 Executive Board is recommended to approve the inclusion of these sites in the project subject to consultation. Should it not prove necessary to develop the EASEL sites, these will be subject to separate consideration as part of the EASEL project.
- 2.9 For the OBC, housing management services have been included in the PFI contract. However, in terms of ensuring VfM this will be subject to rigorous and market testing in the Autumn including testing the scope for the service to be provided by one of the ALMOs, prior to commencement of procurement for the project. This position will also be tested throughout the procurement process.
- 2.10 Subject to Executive Board approval, the City Council will submit the OBC to the HCA in August 2010. This will allow the central government assessments to be completed in advance of Treasury consideration. Subject to Treasury approval, the Council should be in a position to publish an OJEU Notice by January 2011.

3.0 Summary of the Outline Business Case

- 3.1 In line with the new Housing PFI Procurement Pack (HPP) guidance, published in September 2009, the OBC sets out the local authority's business case for PFI credit funding from CLG, through the HCA for a Housing PFI project. The following sections provides a summary of the main features of the City Council's Outline Business Case. A full copy of the draft OBC, Confidential Appendix 4, has been placed in the Members' Library for inspection by Executive Board.

4.0 Project Scope

HPP guidance: in this section, the OBC must describe the nature of the project, its outputs and outcomes. It will include details of assets and services to be procured and will include spatial context and impact on place and people.

- 4.1 The Lifetime Neighbourhoods for Leeds project is the result of a partnership between Housing, Regeneration, Adult Social Care and Health. It will create or enhance services for older people across a number of neighbourhoods in Leeds enabling residents to lead more active and independent lives. The project seeks to strengthen existing neighbourhood regeneration strategies, and focuses on the

provision of new and high quality, affordable homes with extra care options for older people.

4.2 The project outcomes will be:-

- the provision of additional new build and high quality, 21st century housing with extra care options for older people;
- the creation of facilities that complement existing services for older people;
- replacement of outdated accommodation for older people;
- increase in the number of new affordable homes in the City; and
- provision of jobs and training in construction and facilities management.

4.3 The revised scope of the project is as follows:-

- minimum of 675 new build homes primarily for older people (300 extra care and 375 general needs for older people);
- mostly two bedroom apartments, with some two bed and a small number of three bed houses or bungalows (where site size allows);
- a 25 year long HRA scheme, with a four year construction period;
- Lifetime Homes standard for all properties, Code for Sustainable Homes Level 4/BREEAM Very Good as a minimum;
- a City Council revenue contribution;
- potential for 14 sites in 11 locations; and
- reprovision of up to 142 existing outdated sheltered units and up to 57 residential care units.

4.4 The services included in the PFI contract are:-

- facilities management, including repairs and maintenance;
- housing management (subject to market testing);
- communal space management (where applicable); and
- grounds maintenance.

4.5 Care and support services are excluded from the PFI contract and will be commissioned independently by Adult Social Care, in line with the construction programme, for each of the extra care schemes.

5.0 Strategic Context

HPP guidance: the OBC must include the rationale for the project via the strategic context in which the project will be delivered.

5.1 The project complements national and regional priorities, details of which were set out in the Executive Board report dated 12th February 2010. The project also supports a number of local strategic priorities, as set out below:-

- 'Home not Alone' - Leeds Older People's Housing Strategy 2005-10;
- The Vision for Leeds 2004-20;
- Leeds Strategic Plan 2008-11;
- Leeds Regeneration Framework 2010; and
- Leeds Housing Strategy 2009-12.

5.2 Further detail on the local strategic context can be found in section 2 of the OBC.

6.0 Business Need

HPP guidance: the OBC must include clear evidence of the business need for the project, including the long term demand for the assets proposed.

6.1 Demographics

6.1.1 The population of people 65 or over in Leeds is projected to grow significantly over the next 20 years, with an estimated 45% increase by 2033. The rate of increase in the 85+ population is expected to be even faster, with a 31% increase predicted by 2020 and a 106% increase by 2033.

6.1.2 The growth in numbers of older people, in particular the numbers of people aged 85 or over is likely to increase demand for social care and support in the City.

6.2 Aspirations

6.2.1 As part of the development of the 'Home Not Alone' strategy, older people identified a need for a greater range and location of suitable accommodation, with access to care and support when needed. The strategy identified the need to sustain and support the independence of older people, to provide flexible arrangements for housing, care and support and to improve the quality of the choices available.

6.2.2 In August 2009 independent researchers, Outside UK Consultants, were commissioned by the City Council to undertake an 'Older People & Extra Care Housing Needs and Demand Assessment' to inform the OBC. Over 60% of the 400 respondents (aged 55 or over) said they would be interested in extra care and many felt that older people's housing should be provided by the Council, as a form of affordable housing.

6.3 Asset Management

6.3.1 The City Council's current stock of accommodation to meet the needs of older people, comprises sheltered housing largely built in the 1950s and 1970s, and a stock of residential care homes, again largely designed and built in the 1970s. The sheltered housing stock of approximate 4,600 (or just under 8% of overall housing stock) comprises a range of bedsits (including some with shared bathing facilities), flats, bungalows and some houses.

6.3.2 The City Council's housing stock has benefited from significant investment over recent years to meet the Decent Homes standard. Due to the design and layout of much of the stock, extensive adaptations and investment is required to meet the needs of older tenants many of whom have mobility issues and/or disabilities.

6.3.3 Over the last 10 years there has been a shift towards developing alternatives to residential care as the focus of services for older people in the UK has shifted towards independence within the home, greater choice and health promotion. Adult Social Care has identified a number of driving forces influencing the need for strategic shifts in the provision of long term residential care for older people including:-

- the increasing aspirations and expectations of older people;

- the expected increase in the numbers of older people, in particular older people with long term conditions;
- the need to support people to maintain independence and prevent long term admission to care homes; and
- the need to offer individuals greater choice and control over how resources for care and support are used.

6.3.4 The re-modeling of the current stock to provide a more flexible range of supported, self-contained and fully independent accommodation would incur significant investment. For this reason, the City has seen an increase in the development of extra care housing units, by a range of providers. Extra care provides a modern alternative to traditional residential and day care services. Demand remains high for this type of housing with on average two or three referrals per week, and long waiting lists at most existing schemes.

6.4 Resources

6.4.1 The national Round 6 Housing PFI programme offers significant additional resources, that would not otherwise be available to the City Council to address current and predicted future demand in such a comprehensive way over the medium term.

6.4.2 PFI schemes require significant development and procurement resources up front and this project requires a City Council contribution from the HRA. However, the level of external resource attracted through the PFI credits to support is significant and considerably outweighs the Council's direct expenditure.

7.0 Options Appraisal

HPP guidance: the OBC must outline the appraisal undertaken with regard to the potential options open to achieve the project outcomes, and include a quantitative assessment of the preferred option in order to prove it as the best VfM solution.

7.1 Five options were considered and assessed from the viewpoint of their ability to meet the project objectives, complement corporate strategies and service objectives. These were:-

- refurbishment and retention;
- new build via prudential borrowing;
- new build via the private and voluntary sector;
- new build via existing regeneration and affordable housing programmes; and
- new build with support of PFI funds.

7.2 The options were scored in terms of their ability to meet the evaluation criteria. Full details of the evaluation criteria and scores, scoring mechanism and scoring notes can be found in Appendix 3.2 of the OBC.

7.3 PFI projects must pass a Value for Money ("VfM") test before the sponsoring Government Department will approve the Outline Business Case to confirm the award of PFI Credits and commitment of the PFI Revenue Support Grant through the life of the Contract. The VfM test (based on a qualitative and quantitative assessment) was carried out using the HM Treasury 'Value for Money Assessment Guidance' as laid out in section 4 of the Outline Business Case.

- 7.4 The results of the qualitative assessment are attached at Appendix 3.3 of the Outline Business Case and show that the option of new build with support of PFI funds received the highest score. Whilst this option is considered the most beneficial from a qualitative perspective, a cost/benefit quantitative analysis is also required to determine the optimal solution for the City Council in respect of benefits against the cost of delivering the option.
- 7.5 This quantitative analysis was carried out in accordance with HM Treasury Green Book guidance, and the results demonstrated that the new build with support of PFI funds option provided the optimal cost/benefit ration against the other options under consideration.
- 7.6 The results of the qualitative and quantitative exercises taken together confirmed the PFI option as the best route for:
- achieving the project objectives;
 - achieving the City Council's desired outcomes; and
 - making the best use of the financial resources available to the Council.
- 7.7 Given the level of up front capital investment, PFI is the only option that will deliver a sufficient number of new dwellings to allow for a significant transformation in care and support provision to older people in the City.
- 7.8 Additional work will have taken place, prior to OBC submission, to further evidence the extent to which VfM has been assessed and taken into account in the identification of a best option.

8.0 Public Sector Comparator, VfM and Project Costs

HPP guidance: the HCA expects the local authority to prepare a robust value for money financial assessment of the project. The conclusion of this assessment, using the Treasury's VfM model is one of the key determinants for approval of the project. All projects approved will be subject to ongoing financial and VfM review and benchmarking.

- 8.1 Although the results of the options appraisal confirmed the overall value for money of the preferred PFI option, further consideration is required as to the applicability of the PFI option from a value for money perspective by testing it against a Public Sector Comparator ("PSC").
- 8.2 This assessment is based on the DCLG Housing PFI model which includes a version of the HM Treasury quantitative VfM model for use with housing projects only. This model compares the costs of public sector procurement (the "PSC Option") against the costs of a PFI vehicle (the "PFI Option").
- 8.3 The results of this assessment suggest that, based on the input values used, the PFI option would deliver better VfM than the PSC option. Full details of this assessment are contained within the DCLG financial model included as Appendix 5.1 to the OBC.
- 8.4 Another key VfM requirement is to ensure all project costs are robust and sound in nature and have been bench- marked by the Authority.

- 8.5 The approach for the pricing of the scheme has been to use base cost figures developed by the City Council and its technical adviser, EC Harris, and advice from PricewaterhouseCoopers (PwC) on issues such as inflation, subsidy rates and sensitivity testing.
- 8.6 The City Council and EC Harris, completed a rigorous exercise to develop a set of whole life cost inputs. The cost inputs were developed on a bottom up and top down approach, and from this work the Council and EC Harris were able to prepare a robust suite of capital and operating costs.
- 8.7 These costs have been scrutinised and benchmarked against other HRA PFI projects which have reached financial close or are in current procurement. As part of this scrutiny process the City Council and its advisors also carried out a risk workshop to assess the risk pricing premium which a PFI contractor would include within their base costs as result of a proposed risk allocation.
- 8.8 The City Council has also undertaken to complete in full the HCA Financial Proformas (and Advisory Financial Templates) in order to provide a robust assessment of the costs and pricing assumptions underpinning the DCLG Financial Model. These proformas are attached as Appendix 4.1 to the OBC.

9.0 Project Affordability & Funding

HPP guidance: this section of the OBC is key to demonstrating whether the City Council can afford the likely costs of the project within the PFI credits awarded, and the committed level of capital and revenue resources available through the Council over the life of the contract. The ability of the local authority to deliver in the current funding market must also be demonstrated. This section of the OBC was one of a series of advance papers submitted to the HCA early this year, in line with the new HPP requirements.

- 9.1 The City Council's position in terms of affordability is set out in the Confidential Appendix 1 and the conclusions of the financial appraisal are that, subject to Executive Board approving the Council contributions and Government approval of the PFI credits, the Preferred Option is affordable and represents value for money.

9.2 Service Charges

- 9.2.1 Appendix 1 illustrates the level of service charge income is anticipated over the life of the contract. This assumes that for the extra care units the full cost of the service can be recovered, as is the case in the RSL sector now (the City Council does not currently have extra care accommodation). For the remaining units the current levels of service charge were assumed, although these do not currently cover actual costs, so some of the HRA contribution to the affordability reflects this.
- 9.2.2 A review of service charges is currently underway and is due to be completed by Autumn. However the Lifetime Neighbourhoods for Leeds project will deliver a different type of service than any which is currently offered, therefore the findings of the review may not be relevant unless for example, principles are agreed such as recovering the cost of services in full.

10.0 Output Specification

HPP guidance: the output specification sets out the key standards that the City Council requires the PFI contractor to meet in respect of outputs and associated services as summarised at item 4.4 above. It includes the Availability Standards which define the acceptable standards and conditions of the new dwellings, and the Service Performance Standards that the contractor is expected to achieve.

- 10.1 A draft output specification for the project has been developed in line with guidance and with assistance from the City Council’s technical advisers, EC Harris.
- 10.2 The output specification will require the demolition of up to 142 existing outdated sheltered units, up to 57 residential care units, 22 garages and 1 freehold property. A minimum of 675 new build homes will be constructed within the first four years of the contract on 11 sites across the City, with sites ranging in size from 26 to 90 dwellings. The dwellings will be constructed to a high level of sustainability standards.
- 10.3 There will be a mix of building types which may include two, three and four storey buildings, apartment blocks, houses and bungalows. These will accommodate mainly one and two bedroom properties, and be flexible in their design to complement Lifetime Homes standards.
- 10.4 Communal facilities will also be provided on five of the 11 sites where there is to be extra care provision. These facilities will include reception areas, lounges, kitchen and dining areas, hobby rooms, laundries and buggy stores. Treatment rooms will also be provided where the site is more than 400m from a GP surgery.

11.0 Sites

HPP guidance: the OBC must include details of the proposed sites for inclusion in the project and set out the process for securing the sites including ownership, outline planning and statutory approvals. In line with the guidance, the results of surveys must also be included as an appendix to the OBC.

- 11.1 Agreement with the HCA has been reached that allows the OBC to be submitted with the majority of sites secured, and with the detailed ground surveys and planning requirements considered. The determination of remaining sites to be confirmed prior to procurement.
- 11.2 Planning and land forum workstreams have been established to progress initial proposals for the sites and ensure that any potential issues are resolved prior to procurement. Outline planning applications have been submitted for the first seven sites, as listed below, and are expected to be determined in August.

| Site No. | Location | Ward | Extra Care | General Needs for Older People | Site Status |
|----------|---|-----------------------------|------------|--------------------------------|--|
| 1 | Brooklands Avenue, Central Seacroft (part of) | Killingbeck & Seacroft | Y | Y | Cleared site within the EASEL regeneration area. Planning application covers whole site, but only part to be used. |
| 2 | Primrose High School, Burmantofts (part of) | Burmantofts & Richmond Hill | | Y | Cleared former school site within the EASEL regeneration area. |

| Site No. | Location | Ward | Extra Care | General Needs for Older People | Site Status |
|----------|--|-------------------|------------|--------------------------------|---|
| 3 | Beckhill Approach / Garth, Meanwood | Chapel Allerton | Y | Y | Clearance of the site is under way by the Council, and will be completed prior to contract commencement. |
| 4 | Farrar Lane, Holt Park – Sheltered Housing | Adel & Wharfedale | Y | | Site partially cleared which will allow for development of a new extra care scheme prior to demolition of existing accommodation. |
| 5 | Haworth Court, Yeadon | Otley & Yeadon | Y | | Opportunity to undertake a phased development allowing partial demolition, new build followed by demolition of remaining buildings. |
| 6 | Mistress Lane, Armley | Armley | | Y | Cleared site within the West Leeds Gateway regeneration area. |
| 7 | Acre Mount, Middleton | Middleton Park | Y | Y | Majority of site is clear and is located within the Middleton regeneration area. |

11.3 Outline Planning Applications will be prepared for the four additional sites referred to in paragraphs 2.5 – 2.7 above, subject to Executive Board approval, for their inclusion in the project. Following which, formal public consultation will take place at the beginning of September, with applications being submitted in the Autumn.

12.0 Market Sounding

HPP guidance: the local authority must outline the results of market sounding exercises undertaken to establish whether the project is commercially deliverable and, to demonstrate that there is a competitive market likely to be sustained to Preferred Bidder stage.

12.1 To inform this OBC, the City Council has undertaken two market testing exercises, as recommended by the HCA and Local Partnerships, in order to achieve effective market soundings. Below is a summary of the outcomes of the latest market testing exercises carried out in February/March 2010.

12.2 A total of 108 companies, including a range of PFI bidders, housing associations, architects, and construction and finance companies, registered their interest on the City Council's internal tendering website. From these 11 attended face-to-face interviews and 15 written responses were received.

12.3 The City Council sought feedback on a number of key points including:-

- the attractiveness of the proposed scope, including the mix of extra care, general needs housing for older people and unit size;
- the proposed approach to coordinating the development of sites and resources over a number of locations across the City;
- the proposed funding strategy for the project; and
- the key project risks and proposed risk allocation.

12.4 Key findings of the market testing exercises have been taken on board as part of the development of the OBC, these include:-

- **scope** - the scope of the project was an attractive bid proposal and respondents confirmed that the project looked viable and was not too large in terms of scale and nature. In terms of extra care facilities, the market noted that low unit numbers may impact on what could be provided within a value for money solution. However respondents accepted the potential to have smaller schemes with less extensive communal facilities if they were in town centre locations or near to existing amenities which would be equally as viable;
- **location of sites** - in general the market was comfortable with the number and location of sites, but noted that there may be some issues from an operational point of view. The City Council has taken this into consideration as part of the review of the construction programme and in final site selection;
- **funding strategy** – the initial views on the funding options were divided between the traditional approach of committed funding at ISDS and early funder involvement with committed funding at Final Tender. However, the City Council believes there is sufficient interest to proceed with the latter option and, in order to reinforce this conclusion contacted funders to seek feedback on whether this option would present a workable solution, to which funders responded positively. From a Council point of view, this option also places the emphasis on a bidder to secure the best funding terms. It was also evident from this exercise that there is significantly more interest in the PFI funding market than 12 months ago and that there will be sufficient capacity in funding terms. The strategy was one of a series of advance papers submitted to the HCA early this year in line with the new HPP requirements; and
- **risk transfer** – the market viewed this as generally acceptable, but there were some risks that were perceived by the market, to be shared, e.g. force majeure, tenant damage, change in law, voids and protester action. The market feedback on the risk allocation and transfer has been incorporated into the OBC section on risk.

12.5 Many of the companies interviewed strongly indicated their intention to form consortiums that would bid for the project once it came to market. Many of the well established bid consortiums were seeking specialist care providers and constructors and registered social landlords were assembling teams to work with.

13.0 Risk Allocation

HPP guidance: the OBC must identify how the City Council will deal with potential risks prior to and post contract award, and be satisfied that risks are allocated to the party best able to manage them.

- 13.1 A detailed risk allocation matrix has been prepared for inclusion in the OBC, which has taken into consideration specific feedback on risk from the market testing exercises.
- 13.2 Assuming the necessary approvals are gained to proceed with the project, a draft risk register will be issued to bidders early in the procurement process. Bidders will be requested to mark-up the risk register and produce a commentary of key issues that might result in project specific derogations. The City Council will then consider these issues with the HCA.
- 13.3 Risks will be regularly reviewed and monitored during the procurement process, and where necessary mitigating action taken.

14.0 Project Management

HPP guidance: the OBC must demonstrate that the City Council has adequate and effective project management resources, along with a comprehensive and realistic project plan to proceed. This section of the OBC was one of a series of advance papers submitted to the HCA early this year, in line with the new HPP requirements.

- 14.1 The project management structure is well developed and has successfully delivered a number of operational PFI projects. The project has adopted the 'Delivering Successful Change' (DSC) methodology, which is the City Council's mandatory approach to project management.
- 14.2 A dedicated project team has been assigned to the project. A full resource plan for the procurement and construction period has been developed, with procurement costs for 2010/13 identified and confirmed as budget priorities.
- 14.3 This project reports to the Environment & Neighbourhoods Project Board which meets monthly and conforms to the City Council's scheme of delegation.
- 14.4 A series of assurance processes are incorporated into the project at various stages including Gateway Reviews, internal challenge sessions and end stage reviews. The first Gateway Review for 'Business Justification' took place in November 2009. The report was positive and concluded that *'successful delivery appears probable however constant attention will be needed to ensure risks do not materialise into major issues threatening delivery'*. All the actions identified by the gateway review team have now been completed and used to inform the development of the OBC.

15.0 Procurement Approach

HPP guidance: the authority must outline a robust and detailed procurement approach and proposed timetable, taking into account competitive dialogue, design, planning and other statutory consent requirements. This section of the OBC was one of a series of advance papers submitted to the HCA early this year, in line with the new HPP requirements.

- 15.1 The City Council has significant experience in the procurement and delivery of a wide portfolio of PFI projects, including the delivery of a previous HRA and non-HRA housing PFI projects.

- 15.2 The project team has prepared a procurement programme that is as efficient as possible using the competitive dialogue process, as set out below:-

| Milestone | Date |
|--|-------------|
| OBC approval | Dec 2010 |
| OJEU notice issued | Jan 2011 |
| PQQ return deadline | Feb 2011 |
| Invitation to Submitted Outline Solutions | Mar 2011 |
| Invitation to Submitted Detailed Solutions | Jun 2011 |
| Invitation to Submitted Refined Solutions | Jan 2012 |
| Selection of Preferred Bidder | Jan 2013 |
| Reserve planning matters approved | Jun 2013 |
| Contract Award and Financial Close | Sep 2013 |

16.0 Contract Management Arrangements

HPP guidance: this section of the OBC outlines the arrangements proposed for post procurement contract management, including the performance monitoring arrangements. The OBC will also need a robust plan in place to ensure a smooth transition between procurement and operational management.

- 16.1 The project includes multiple sites across the City and as such, the successful management of the contract requires a comprehensive contract management process to be in place prior to Financial Close. To achieve this, the City Council has developed a Contract Management Strategy for the project. This will ensure the following areas, amongst others, are managed effectively: payment and performance; risk; and the smooth transition from procurement to operation.
- 16.2 The lessons learnt from the City Council's eight successful PFI schemes has identified the importance of including the contract management and monitoring team in the procurement process. The team will then take their role forward into the construction and operational stages of the project.

17.0 Stakeholder Consultation

HPP guidance: in addition to confirming the City Council's formal commitment, the OBC must also set out the engagement undertaken and planned, with stakeholders in particular tenants, leaseholders and residents affected by the proposals.

- 17.1 A formal consultation exercise took place March-June 2010, providing residents directly affected by the project proposals and those living within the general locality of the sites, the chance to provide comments. The process was conducted in line with the project's Stakeholder Management Strategy (which was included at Appendix 3 in the February 2010 Executive Board report) and s.105 of the Housing Act 1985. Statutory consultation requirements were followed in respect of the proposals affecting two residential care homes. Further consultation will now be required about the four additional sites detailed in Appendix 2.
- 17.2 A report detailing the findings from the consultation is attached at Appendix 3.

18.0 Implications For Council Policy And Governance

- 18.1 Governance

18.1.1 Management of the project will be in line with the City Council's agreed governance arrangements, updated and approved on 1st February 2010. Under the governance structure the primary reporting arrangements are to the Environment & Neighbourhoods Project Board whose role it is to:-

- support Director decisions and give guidance in relation to project issues;
- provide prior review of decision reports where required, by the Scheme of Delegation;
- provide a check and challenge role;
- review all major plans ensuring that any major deviations in respect of time, cost and quality are appropriately addressed;
- ensure relevant updates and reports are presented to the relevant Director, Strategic Investment Board and/or Executive Board as required;
- give guidance on the parameters within which the project is delivered;
- promote the project; and
- ensure the project team receives the required support and responses from other Council areas.

18.2 Equality Impact Assessment

18.2.1 To inform the development of the project, the team has carried out a full Equality Impact Assessment (EIA) on the effect that the proposals may have on older people and/or the wider communities and neighbourhoods in which the new housing will be located. The project's Benefits Realisation Plan formed the basis of the assessment, resulting in the development of an EIA Plan in February 2010. The EIA Plan identifies the key actions required to mitigate and manage any potential equality risks and describes how these can influence the on-going development of the project.

18.2.2 The Stakeholder Management Strategy was also subject to an Equality Impact Assessment which has, and will continue to influence the approaches adopted by the City Council to ensure current and future consultation on the proposals is fully inclusive.

18.2.3 The EIAs will be reviewed, at least annually and amended accordingly to ensure the City Council's approach continues to be inclusive, that any potential negative impacts are well managed, and to ensure that equality, diversity and community cohesion considerations are embedded in all areas of work.

19.0 Legal and Resource Implications

19.1 The City Council has a duty to consult with any tenants and residents (leaseholders) affected by the project proposals, as set out in s.105 of the Housing Act 1985 (see Appendix 3 for further details).

19.2 The EIAs carried out take into account the local authority's statutory duties under relevant legislation including the Disability Discrimination Act 1995, the Equality Act 2006 and the Race Relations (Amendment) Act 2000 (see item 18.2 above for more details).

19.3 TUPE transfers will be limited to staff who provide services which will be included in the contract and who immediately prior to the transfer, spend all or the majority of their time providing such services. This is likely to affect a small number [4] of part-

time cleaners employed in two of the existing sheltered housing schemes proposed for replacement as part of this project.

- 19.4 The budget to progress the project through procurement to contract award is estimated to be up to £6m, at approximately £2m per year over three years. The funding for 2010/11 has been allocated in the HRA budget, with the remaining cost to be built into the budget for the forthcoming years. Monthly budget reports are submitted to the Environment & Neighbourhoods Project Board to ensure that costs are monitored and controlled.
- 19.5 The City Council's estimated annual contribution to the cost of the project delivery was reported to, and approved by Executive Board on 12th February 2010. The first payment will be due in 2014 when the project is anticipated to start. The contributions for the life of the project have been built into the long term business plan for the HRA. As the Council stands today, and if no further changes occur, HRA support is confirmed. Moving forward and subject to any possible changes to the Council's Housing Finance System, this commitment (which will become contractual) will need to be taken into account.

20.0 Conclusions

- 20.1 The Lifetime Neighbourhoods for Leeds Outline Business Case, submitted with this report will, subject to HCA and Treasury approval, enable the City Council to address significant investment and service improvement ambitions for older people's housing and care.
- 20.2 The project enables the provision of a minimum of 675 new and affordable homes to be built for older people, and an opportunity for the City Council to replace up to 142 existing outdated sheltered units and up to 57 residential care units in the City.
- 20.3 The OBC includes housing management services as part of the PFI contract. However, this remains subject to a rigorous market testing exercise to be carried out by the project team in September 2010, to demonstrate this option provides the best solution in terms of VfM.
- 20.4 The majority of the sites to be included in the project are currently vacant, will soon be vacant or will allow for new building to be completed prior to re-provision. The timetable for the delivery of the changes proposed is medium to long term, with construction not anticipated to start until the end of 2013 at the earliest and completion by late 2018. This allows for a suitable period of time to ensure vacant possession of all sites, and the successful re-housing of existing and potentially more vulnerable, tenants and residents.

21.0 Recommendations

Executive Board is requested to:-

- a) approve submission of the Lifetime Neighbourhoods for Leeds Outline Business Case as detailed in Confidential Appendix 4 (document placed in the Members' Library for inspection) under the national Round 6 PFI Housing programme;
- b) approve the revised scope of the project as set out in paragraph 4.3;

- c) confirm the inclusion of seven of the sites in the project, as approved by Executive Board on 12th February 2010, the sites being:

| | |
|---|----------------------------------|
| Brooklands Avenue, Central Seacroft (part of) | Killingbeck & Seacroft Ward |
| Primrose High School, Burmantofts (part of) | Burmantofts & Richmond Hill Ward |
| Beckhill Approach/Garth, Meanwood | Chapel Allerton Ward |
| Farrar Lane, Holt Park – sheltered housing | Adel & Wharfedale Ward |
| Haworth Court, Yeadon | Otley & Yeadon Ward |
| Mistress Lane, Armley | Armley Ward |
| Acre Mount, Middleton | Middleton Park Ward |

- d) approve the inclusion of the four additional sites in the OBC, as set out below and detailed in Appendix 2, subject to consultation;

| | |
|--|-----------------------------|
| Cranmer Gardens, Moor Allerton | Alwoodley Ward |
| RocheFord Court, Hunslet | City & Hunslet Ward |
| Parkway Close, South Parkway, Seacroft | Killingbeck & Seacroft Ward |
| Wykebeck Mount, Osmondthorpe | Temple Newsam Ward |

- e) approve the affordability position as set out in the financial appraisal in Confidential Appendix 1;
- f) approve the service charge assumptions for the extra care accommodation included at paragraph 9.2; and
- g) note that the City Council's anticipated financial contribution to the project is as agreed by Executive Board on 12th February 2010.

Appendices:

- **Confidential Appendix 1: Affordability position**
- **Appendix 2: Additional priority sites**
- **Appendix 3: Consultation Report**
- **Confidential Appendix 4: Outline Business Case. This document, designated as exempt under Access to Information Procedure Rule 10.4(3), has been placed within the Members' Library for inspection.**

Background Papers:

- Executive Board report 12 February 2010
- Executive Board report 5 November 2008