



**APPENDIX NOT FOR PUBLICATION:
Exempt under Rule 10.4 (3)**

The Appendix to this report contains exempt information under Access to Information Rule 10.4 (3).

Report of the Director of Environment and Neighbourhoods

Executive Board

Date: 9th March 2011

Subject: Little London and Beeston Hill & Holbeck PFI Housing Project –
Final Business Case and Contract Award

Electoral Wards Affected:

Hyde Park & Woodhouse
Beeston Hill & Holbeck
City & Hunslet

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 Little London, Beeston Hill & Holbeck Housing PFI Project includes significant investment in two inner city areas of the City. Both areas have been subject to intensive preparation, including re-housing nearly 500 households and major advance demolition works (7 tower blocks and 2 maisonette blocks).
2. Successful partnerships have been developed with tenants and residents in both areas, with the Community Advisory Groups (CAG) playing an active role in the procurement process. Local Members and other key stakeholders have also been involved in and briefed about the project proposals as these have developed.
3. The final approval of the project by Government secures major capital investment to the city and will deliver significant improvements in the energy efficiency and internal specification of just over 1,250 existing Council homes together with the provision of 400 new Council homes

for rent, meeting the highest building standards and increasing access and choice to much needed new family homes.

4. Wider benefits will be secured through significant investment in environmental improvements and public realm to improve community safety and amenity in both areas; additional regeneration impact for the Little London area through providing improved retail, community centre and housing office facilities to serve the local area; and securing commitment for new training and employment opportunities for local people. Land is also set aside in each project area for future development when market conditions or funding allow.
5. In order to move forward with the procurement, the City Council is required to submit a Pre-Financial Close Final Business Case (PFC FBC) to the Homes and Community Agency (HCA) and Communities and Local Government (CLG) for approval. The approval of this report, assumes that approval will be granted for an earlier pre-Preferred Bidder Final Business Case (PPB FBC) by CLG so that the City Council's proposed Preferred Bidder can be formally appointed. Subsequent Government approval of the PFC FBC will enable the City Council to move towards completing contract documentation with a view to achieving financial close in the Spring of 2011.

1.0 PURPOSE OF REPORT

1.1 The purpose of the report is to seek Executive Board approval to:-

- the final scope of the Little London and Beeston Hill & Holbeck Housing PFI Project;
- the submission of the 'Pre-Financial Close Final Business Case' (PFC FBC), (provided as an exempt document in the Members' Library), to Communities and Local Government (CLG) through the Homes and Communities Agency (HCA);
- the anticipated affordability position for the project attached at the exempt appendix; and
- agree to the recommendations set out in section 7 to this report relating to the execution of the contract documentation for the project.

1.2 The Appendix to this report contains exempt information under Access to Information Rule 10.4 (3) as it contains commercially sensitive information on the City Council's approach to procurement issues, and commercially sensitive pricing and information about the commercial risk position of the City Council's proposed Preferred Bidder, where the benefit of keeping the information confidential is considered greater than that of allowing public access to the information.

2.0 BACKGROUND

- 2.1 The Little London, Beeston Hill & Holbeck Housing PFI Project will provide major investment in the homes and neighbourhoods of two of Leeds' most deprived inner-city areas. It represents a significant opportunity to make a long term regeneration impact in those parts of Leeds through a large initial investment of over £140m in the built environment and ongoing maintenance and services to the project areas for a period of 20 years.
- 2.2 The project proposals have developed over time and were initially developed separately in each area, with funding requested in two tranches, for Little London in 2006 and for Beeston Hill & Holbeck in 2007 under rounds two and five of the Government's Housing Private Finance Initiative. The City Council successfully promoted the joint procurement of

the projects to achieve procurement and operational efficiencies and received approval for this approach from the Homes and Communities Agency in 2008.

- 2.3 The approved Outline Business Cases (OBC) for the originally separate projects have a combined indicative allocation of £190.15m PFI credits approved through the Communities and Local Government Department to provide revenue funding over the next 20 years to deliver the project outputs and outcomes. An affordability contribution from the Council's Housing Revenue Account will also be required over the same period to meet the remaining project costs.
- 2.4 Following the Comprehensive Spending Review the City Council was informed in November 2010 that the project was one of only 12 across the country that would continue to be supported for delivery through CLG's Housing PFI programme, subject to Final Business Case approval and value for money (vfm) assessment. At that time, the City Council had selected the most economically advantageous tender following an evaluation process and submitted its pre-Preferred Bidder Final Business Case (PPB FBC) to Government for approval. In normal circumstances this should have been approved within 6-8 weeks.
- 2.5 The Final Business Case (FBC) is subject to a two stage approval process from the HCA and CLG, the first prior to appointment of the proposed Preferred Bidder and the second prior to moving to contract close. The Council anticipated that the first FBC approval would be confirmed by now, to enable detailed work to progress with the proposed Preferred Bidder to finalise contract details and move towards contract close.
- 2.6 CLG has subsequently confirmed that a separate efficiency study is being undertaken on remaining projects and this has delayed approval for the City Council's PPB FBC which in turn would enable it to confirm the appointment of its proposed Preferred Bidder.
- 2.7 The approval of this report including submission of the Pre-Financial Close Final Business Case (PFC FBC). and award of the contract is the responsibility of Executive Board and is recommended for consideration now in order to move forward quickly with the procurement, following Government approval, as the tender is subject to a bid validity period which expires in June 2011.

3.0 PROJECT SCOPE

- 3.1 The original scope for the project anticipated the development of private homes to deliver mixed housing tenure regeneration. The release of sites for this development was assumed to release a capital receipt which would in turn have financed the replacement of community and retail facilities within the Little London area.
- 3.2 However the major economic changes associated with the 'credit crunch' and subsequent recession during 2008/09, required the removal of these elements of the project on viability grounds, to protect the deliverability of the core project.
- 3.3 As part of this change, the amount of new build housing and refurbishment of existing housing through the project was rebalanced to take account of the revised land availability and changes in stock arising from 'right to buy' activity since the OBC stage. The result was an overall reduction of around 1% in project outputs, shown in the table below.

	Little London	Beeston Hill & Holbeck	Original Total	Revised scope	Difference
Refurbishment and conversion	922	320	1242	1299	+57
New build	125	350	475	400	-75
Grand total	1047	670	1,717	1,699	-18

- 3.4 At the same time, Executive Board agreed that the provision of the retail units, community centre and housing office in Little London should be protected and incorporated for direct delivery through the PFI scheme, and the land receipt originally assumed to fund these elements was removed from the City Council's financial model and affordability calculations.
- 3.4 The HCA also approved these changes in scope at that time and has subsequently confirmed its approval of the project scope which was agreed by Executive Board in March 2009 and further amended in December 2009 through the removal from the project of demolition of 442 empty flats, which has now been undertaken separately by the Council.
- 3.5 The final scope of the project will deliver the following:-
- demolition of 309 existing homes across 14 separate sites and 8 existing commercial properties, a community centre and local housing office;
 - construction of 400 new Council homes including 3,4 and 5 bedroomed houses;
 - refurbishment of 1276 existing Council homes (including external property works to 51 leasehold homes forming part of City Council-owned multi-occupancy blocks);
 - environmental improvement of the Little London and Holbeck areas;
 - conversion of 31 bed-sits to 23 one and two bedroom dwellings in a sheltered housing block; and
 - construction of a replacement community centre, housing office and provision of 7 retail units in Little London.
- 3.6 The contractor will repair and maintain Council properties over the 20 year period through the provision and delivery of:-
- property repair and maintenance services to all new build, refurbishment and conversion properties;
 - structural repairs and maintenance to the new retail units, community centre housing office;
 - re-servicing void properties inclusive of transfers and mutual exchanges;
 - caretaking and cleaning services to the multi-occupancy blocks of dwellings, communal areas of sheltered accommodation, community centre and housing office;
 - environmental maintenance to areas indicated in the Output Specification; and
 - customer liaison.
- 3.7 The ALMOs for each project area (West North West Homes for Little London and Aire Valley Homes for Beeston Hill & Holbeck) will retain responsibility for the provision and delivery of the following tenancy management services:-
- lettings;
 - income collection and debt recovery;
 - tenancy management; and

- neighbourhood management.

3.8 The City Council will retain the direct responsibility for the provision and delivery of the following tenancy related services:

- letting and rental policy;
- Right to Buy applications; and
- leasehold management and service charges.

3.9 The City Council will also retain the ownership of the replacement retail facilities provided at Little London and through its Commercial Asset Management Service undertake letting and management of the retail units. The City Council will retain all the freehold assets involved in delivering this project.

4.0 PROCUREMENT APPROACH AND PROPOSED PREFERRED BIDDER

4.1 The project has been in procurement under the competitive dialogue procedure since July 2007. The project has taken longer to procure than originally anticipated due to a combination of factors including:

- the need to re-scope the project in response to market conditions;
- the time required to develop detailed design solutions with multiple bidders;
- the level of commercial complexity required to reach final tender stage under the competitive dialogue procurement route;
- the lengthy processes and interactions with central Government and its housing delivery agency the HCA, through which procurement is monitored and PFI credits secured and approved;

4.2 The anticipated procurement and delivery programme for the project is set out below :-

OJEU Notice	July 2007
Outline Solutions/Approval to joint procurement	March 2008
Detailed Solutions development	Oct 2008 – Jan 2009
Project re-scope	January- March 2009
Refined Solutions developed	March 2009 – Aug 2009
Interim submissions/affordability reviews	August – October 2009
Final Tenders submitted	September 2010
Final Tenders evaluated and proposed Preferred Bidder selected	October 2010
Initial Final Business Case reviewed and approved	Oct 2010- Feb 2011 (t.b.c)
Appointment of Preferred Bidder	March 2011 (t.b.c)
Planning approvals	February – March 2011(t.b.c)
PFC Final Business Case approval	Spring 2011(t.b.c)
Final approvals and financial close	Spring 2011(t.b.c)
Mobilisation period	Spring - Summer 2011(t.b.c)

Service commencement and construction	Summer 2011(t.b.c)
Construction and refurbishment completed	Spring 2015 (t.b.c)
Contract concession ends	Summer 2031(t.b.c)

- 4.3 The project programme anticipated Financial and Commercial Close to the procurement by Spring 2011, contingent upon the timescale for Government approval of the PPB FBC and subject to Executive Board approval of the Pre-Financial Close Final Business Case and other matters detailed in this report. However confirmation of the programme is subject to the approval of the PPB FBC which is still awaited.
- 4.4 The City Council has been able to conduct a highly competitive procurement process which has seen the following benefits achieved:-
- both remaining bidders meeting the City Council's affordability targets at final tender stage;
 - the proposed payment mechanism and performance management regime fully meeting the City Council's commercial position;
 - a Project Agreement that has appropriate risk allocation between the City Council and the contractor;
 - significant financial savings against the City Council's original shadow bid model assumptions;
 - a robust Output Specification that achieves Level 4 of the Code for Sustainable Homes for the new build housing (against an original target of code 3) and enhanced internal specification and energy efficiency standards for existing homes;
 - delivery of all the proposed refurbishment and new build proposals within 3½ years of financial close compared to an original estimate of 5 years;
 - securing additional regeneration impact for the Little London area through providing improved retail, community centre and housing office facilities to serve the local area within the City Council's original affordability limits;
 - securing commitment for training and employment opportunities through the larger combined project; and
 - retaining additional development land for future homes in each project area.
- 4.5 Following evaluation of final tenders, a proposed Preferred Bidder has been provisionally selected. This is a consortium comprising organisations that will fund and manage the project as well undertake the construction, building maintenance and facilities management. Full details of the consortium are provided in the exempt appendix as public disclosure of these is not possible until approval of the FBC is confirmed by CLG.
- 4.6 The consortium has considerable experience in terms of negotiating and concluding PFI projects, together with a well established construction company known within Leeds, an established partnership and joint venture arrangements with its principal sub-contractors. The consortium was able to demonstrate a high level of certainty that the project outcomes could be delivered and an overall consistency throughout its bid which gives confidence of a well organised and co-ordinated approach to delivery and risk management.

- 4.7 Additional financial capacity checks have been undertaken following recent company failures within the construction industry and these confirm the financial strength of the principal building and maintenance contractor that underpin the comprehensive and competitive bid submitted.
- 4.8 The procurement was recently subject to an independent project assurance exercise through a Gateway Review undertaken by Local Partnerships. The review team confirmed a “Green” Delivery Confidence Assessment. The review team’s assessment was that successful delivery of the project to time, cost and quality appears highly likely and there are no major outstanding issues that at this stage appear to threaten delivery significantly, whilst appreciating that confirmation of PFI credits was still awaited.

5.0 CONSULTATION

- 5.1 The final scope of the project and the details contained in the Final Business Case have been developed through ongoing consultation with key stakeholders and activity has been undertaken as follows:-
- regular public newsletters delivered door-to-door in the project areas;
 - regular project updates to local groups and organisations;
 - Ward Member and MP briefings;
 - formal communication with affected leaseholders;
 - ongoing communication between ALMOs and tenants being rehoused; and
 - consultation events held locally for all residents and stakeholders.
- 5.2 Community Advisory Groups (CAGs) have been established in each project area with the active engagement of tenants and residents supported by independent tenant adviser, the Tenant Participation Advisory Service (TPAS). The CAGs have acted as a focus group and have been involved in the detail of scope changes and the procurement exercise itself, being party to complex and commercial bidder information and working within confidentiality agreements. The CAG members have added significant value to the process and final scope.
- 5.3 New consultation arrangements are to be established by the proposed Preferred Bidder for the operational phase of the contract, with an increase in engagement activity with all stakeholders in each project area.
- 5.4 A number of leaseholders occupied properties identified for demolition across the project areas and the vast majority of these have either been bought out or had property swaps organised to enable vacant possession to be secured for the project site. Only 2 leaseholders remain to be rehoused to complete this process, both of whom are discussing property swaps with Aire Valley Homes. There are a further 51 leaseholders in total across both project areas living in homes that will benefit from external works to existing properties and they have been consulted as appropriate during the procurement period.
- 5.5 Rehousing of tenants from 442 flats and maisonettes on the Carlton Gate and Holbeck Towers sites was completed during 2009/10 to enable the early demolition of homes on sites to be re-developed as part of the PFI works. Around 200 existing tenants remain to be rehoused from the Beeston Hill & Holbeck area and an active re-housing programme is underway to meet the site availability requirements in the proposed Preferred Bidder’s construction programme.

- 5.6 The PFI contract will involve the transfer of up to 14 staff currently employed in the delivery of services for the Council and ALMO, to the PFI Contractor, under TUPE regulations. Preliminary staff consultation has been carried out in accordance with TUPE and the requirements of the Code of Practice on Workforce Matters have been implemented. Further detailed discussions will take place with affected staff and Trade Unions as the project moves into the service commencement phase.
- 5.7 The PFI Contractor will provide pension protection for the transferring employees in accordance with sections 101 and 102 Local Government Act 2003. The service organisation will be admitted to the Local Government Pension Scheme (LGPS) so that any transferring staff who are presently members can remain members of LGPS.
- 5.8 Other stakeholders who have been involved in project communications are listed below:
- Executive Members and Ward Councillors;
 - Member of Parliament for Leeds Central
 - ALMO Boards and operational staff
 - Aire Valley Homes Ltd – Beeston Hill & Holbeck
 - West North West Homes Ltd – Little London
 - LCC Area Management Teams and Area Committees;
 - Beeston Hill & Holbeck Regeneration Partnership Board; and
 - training and skills agencies;
- 5.9 The local communities and stakeholders have also been consulted about Planning matters. Prior to final tender stage, the two remaining bidders undertook a series of consultation events organised in community venues to gain feedback on their proposals from tenants and residents living in or close to the PFI designated areas. In total over 200 people attended the consultation events to provide feedback, which informed bidder proposals.
- 5.10 The proposed Preferred Bidder has subsequently submitted final planning applications which have been subject to further statutory consultation. Full planning applications for all project works are to be determined by Plans Panel East on 17th February 2011 for Beeston Hill & Holbeck and on 3rd March 2011 by Plans Panel West for Little London. The City Council and proposed Preferred Bidder cannot proceed to contract without planning permissions in place.

6.0 LEGAL, COMMERCIAL AND RESOURCE IMPLICATIONS

- 6.1 This part of the report sets out the proposed legal structure and framework for the contract; status of the key contractual documents; the position on commercial issues and risks; and the current finance and affordability position for the project.
- 6.2 A Project Agreement, with ancillary documentation, has been negotiated and agreed with the proposed Preferred Bidder and sets out the full and detailed terms on which the project will be delivered and managed. The agreement is fully cross-referenced to the financial and technical details of the project and provides recourse for both the City Council and the contractor in the event that any specified obligations or responsibilities are not met.
- 6.3 The Project Agreement is based on guidance set out by Government in its Standardised PFI Contracts (SOPC) and the model contract established by Local Partnerships and the HCA in its Housing Procurement Pack (HPP). The City Council and proposed Preferred Bidder have identified some project specific derogations (variations) with HCA/CLG agreement. Approval for a very small number of final derogations, mainly relating to updated HCA/CLG drafting, legal definitions and insurance provision will be submitted for approval with the PFC FBC.

- 6.4 A Payment Mechanism has been agreed to ensure effective contractor performance whilst also ensuring that the project remains commercially viable. It provides for specific deductions to be made from the Unitary Charge when specified standards for the works and services are not met. The payment mechanism fully reflects the commercial and performance requirements required by the City Council at the outset of the procurement process.
- 6.5 A robust and detailed Output Specification is in place to ensure that the City Council's quality standards for refurbishment, construction and improvements to the local environment are properly realised. The proposed Preferred Bidder's design proposals for new build properties are at the upper range of the benchmark space standards required. All properties will meet the Secured by Design Standards accredited by West Yorkshire Police along with achieving very high standards for energy efficiency across both existing and newly constructed homes.
- 6.6 The Output Specification in conjunction with the proposed Preferred Bidder's proposals will also specify standards for service delivery, customer liaison and the treatment of vulnerable tenants, along with confirming clear protocols for the interface between the contractor, ALMOs and other City Council Service Departments involved in providing services in each project area.
- 6.7 A dedicated contractor's office will be provided in Little London. This will be subject to a full commercial lease from the City Council as freeholder. At the end of the project (or the lease term, whichever is sooner), the asset will revert to the Council for its own use or re-letting. The commercial terms of the lease have been agreed between the City Council and proposed Preferred Bidder and have been confirmed by the Director of City Development as meeting the City Council's requirement to obtain 'best consideration' for a lease disposal under the 1985 Housing Act.
- 6.8 The City Council has statutory powers to procure, develop and enter into the project Agreement primarily through its Housing Act powers. The full detail of powers will be contained in the report to the Director of Environments and Neighbourhoods prior to close. The powers will need to be confirmed by provision of a certificate under the Local Government (Contracts Act) 1997. Further details are set out in section 7 of this report.
- 6.9 The development and environmental proposals made by the proposed Preferred Bidder will require a number of highways and footpaths to be closed or diverted and these will be subject to separate statutory applications by the proposed Preferred Bidder following planning approval. The planning, highways and key decisions relating to the project are all open to application by third parties for judicial review.
- 6.10 As with any project of this scale, there are a number of issues and risks to be managed in moving towards contract close. The main risks at this point relate to the need to secure Government approval to the Final Business Case and the release of funding as noted above. CLG's value for money review may also require the Council to consider further material changes to the FBC. The timescale for approvals cannot be guaranteed and there is therefore further risk of delay in reaching Financial Close.
- 6.11 Further risks that may arise in relation to the programme are:
- **Failure to secure planning approval** - this risk is with the Preferred Bidder, but the impact of failure or delay in obtaining the required permissions would impact on the ability to complete procurement and delay or prevent the commencement of the contract;

- **Risk of challenge and judicial review** – the City Council retains the risk of delay relating to Judicial Review. Should any challenge be successfully made for review of any decisions made by the Authority in relation to the FBC and award of contract, there would be significant impact on the project through delay in either reaching Financial Close or commencing the service period;
- **Vacant site possession not achieved to programme** – The delivery of new build housing requires the City Council and Aire Valley Homes to complete re-housing to an agreed programme. Failure to do so by agreed dates will result in delay and compensation payable to the PFI Contractor;
- **Failure to secure approval to proposed highways closures** – The delivery of new build housing requires the closure and realignment of areas currently adopted as highway or public rights of way. Failure to achieve these closures may result in re-design of scheme proposals, delay in construction and costs to the Council; and

6.12 The affordability implications of this project to the City Council are reported in the exempt appendix and also in the draft PFC FBC. The Appendix to this report contains exempt information under Access to Information Rule 10.4 (3) as it contains commercially sensitive information on the City Council's approach to procurement issues, and commercially sensitive pricing and information about the commercial risk position of the proposed Preferred Bidder, where the benefit of keeping the information confidential is considered greater than that of allowing public access to the information.

6.13 There are two remaining areas of financial risk for Members to note as follows:-

- **Bid Price Validity** – the proposed Preferred Bidder tender prices are valid until 17th June 2011. After this point, the proposed Preferred Bidder has a right to review the costs submitted in its final tender to reflect market changes and prices against an agreed set of industry indices. A delay preventing financial close by this time therefore has the potential to impact on the affordability of the project; and
- **Interest SWAP rate** – throughout the procurement period bidders have been instructed to use an assumed interest rate of 4.75% for the purpose of financial modelling. At financial close this assumed rate will be replaced by the prevailing SWAP rate at that time. There is a risk that these could change as a result of macro-economic factors prior to financial close. Interest SWAP rates are kept under regular review and the current position is that, in line with HCA/CLG guidance, a small buffer exists on assumed funding rates within the proposed Preferred Bidder's final tender. This would allow the City Council to agree contractual close within the agreed affordability threshold, if this was to be determined on market terms current today.

6.13 Housing PFI projects have been subject to further value for money assessment to ensure that the PFI credits approved by Government meet only capital expenditure and that any revenue costs associated with delivery of the project are met by a Local Authority's financial contribution. There has also been a strong focus on project outputs and the capital costs of projects compared to national benchmarks identified by CLG and the National Audit Office.

6.14 The review of the project by HCA identified only two elements that have required adjustment to the allocated PFI credit as follows

- removal from the PFI credit calculation of costs relating to external works to leaseholder properties of around £1.29 million; and
- removal of a provisional sum of £200,000 from the PFI credit calculation to meet potential costs of relocating electricity sub-stations on two new build sites, which will now be met as a direct pass through cost by the City Council.

6.15 Both changes have been incorporated within the affordability update attached within the exempt appendix and are affordable within the Council contribution previously approved by Executive Board.

7.0 FINAL REPORT AND AUTHORISATION

7.1 Some elements of the detailed contract remain to be finalised and will be confirmed in a final report to the Director of Environment & Neighbourhoods seeking authority to enter into the contract.

7.2 This will be supported by a report from the City Council's external legal advisers, DLA Piper, which is anticipated to:-

- (i) confirm the City Council's statutory powers to enter into the contract;
- (ii) provide advice on the terms of that contract documentation;
- (iii) advise on the steps taken to check the terms of supporting financing documents and sub-contracts, that they are satisfactory from the City Council's point of view and due diligence undertaken; and
- (iv) comment on the enforceability of the payment mechanism.

7.2 It is also anticipated that the report will support the proposed certification of the PFI contract and of the direct agreement between the City Council and the contractor and senior lender under the Local Government (Contracts) Act 1997, together with any other certificates deemed necessary. These certificates are required to provide protection to the PFI contractor and senior lender against the consequences of the transactions being outside the City Council's statutory powers.

7.3 Authority for any necessary additional arrangements for execution and certification of documentation at close will be sought from the Director of Environment & Neighbourhoods. The Director is authorised under part 3 section 3E of the officer delegation scheme approved in February 2010 to:-

- (a) approve the terms of all project related contractual, property and other documentation; and
- (b) make arrangements for and approve any delegations necessary to effect commercial and financial close including any amendments to such documentation at commercial and financial close;

subject to:-

- (i) approval by the relevant Government Department or other relevant body of the Final Business Case for the project (if applicable); and
- (ii) the Director being satisfied that the project remains within scope and affordability limits approved by Executive Board.

7.4 It is proposed that the Director of Environment & Neighbourhoods will continue to approve all project specific issues to financial close, and give such final approvals to the project, in relation to the approval of the terms of the transaction and the conclusion of the contracts. This would be conditional on the outcome of the receipt of the report from DLA Piper as outlined above.

8.0 IMPLICATIONS FOR COUNCIL POLICY AND GOVERNANCE

8.1 The procurement of the project has been undertaken in accordance with approved governance arrangements. The Environment and Neighbourhoods Housing PFI Project

Board has received regular procurement progress reports and updates on the financial position of the project, providing guidance and any necessary approvals to allow the project to proceed since the Outline Business Case approval for each project was originally approved by Executive Board. A full record of the procurement process and decisions relating to it is set out in reports and minutes.

- 8.2 The previous key decisions regarding the project were taken by Executive Board on 17th May 2006 in respect of the Outline Business Case for Little London and 14th November 2007 in respect of Beeston Hill and Holbeck.
- 8.3 The Environment & Neighbourhoods PFI Project Board and Strategic Investment Board reviewed and agreed the PFC FBC prior to its submission to Executive Board.

9.0 CORPORATE PRIORITIES

- 9.1 The PFI programme has at its core the Council's Mission, as set out in the Business Plan 2008-11, 'to bring the benefits of a prosperous, vibrant and attractive city to all the people of Leeds'. The new housing development will bring former housing land in deprived areas back into productive use and replace unsustainable stock. Improvements to existing homes with associated environmental improvements will significantly enhance the sustainability of these neighbourhoods.
- 9.2 The final scope of the project reflects the Council's business outcome to clearly prioritise resources to provide excellent services and value for money by delivering a major regeneration project and maximising the opportunity for external investment through PFI, within the affordability parameters previously agreed by Executive Board.
- 9.3 The PFI scheme also relates strongly to the Thriving Places and Environment themes of the Leeds Strategic Plan 2008-11, through the strategic outcomes 'to improve quality of life through mixed neighbourhoods offering good housing options and better access to services and activities' and 'reduced ecological footprint'. In particular, it will address improvement priorities to:
- 'Increase the number of decent homes';
 - 'Reduce the number of people who are not able to adequately heat their homes';
 - 'Reduce emissions from public sector buildings, operations and service delivery, and encourage others to do so';
 - 'Improve the quality and sustainability of the built and natural environment';
 - 'Address neighbourhood problem sites; improve cleanliness and improve access to and the quality of green spaces'; and
 - 'Create safer environments by tackling crime'.
- 9.4 The project also strongly connects with the Vision for Leeds objective of 'narrowing the gap between the most disadvantaged people and communities and the rest of the city' and forms a central part of Regeneration Plans for Beeston Hill & Holbeck and the Little London Development Framework.

10.0 EQUALITIES

- 10.1 The project has been subject to an Equalities Impact Assessment, which was completed in January 2010 and reviewed in June 2010. The outcomes of the assessment are:

- the project has identified actions to ensure all services will be accessible to a wide range of users based on age, ability and ethnicity/language;
- consultation and engagement will be designed to be inclusive of tenants, residents and other stakeholders in the project areas;
- 'Plain English' will be used in all publications;
- all works and services are to meet the requirements of the Disability Discrimination Act 2004 and Equality Act 2010.

11.0 CONCLUSIONS

- 11.1 The Little London, Beeston Hill & Holbeck Housing PFI Project will secure significant capital investment to address stock investment and regeneration needs in two priority inner city areas and contribute significantly to the City Council's regeneration and business plan objectives.
- 11.2 The procurement nearing completion and requires approval of a Pre-Financial Close Final Business Case and approval to the final arrangements for achieving contractual and financial close. The draft Pre-Financial Close Final Business Case (PFC FBC) is provided as an exempt document in the Member's Library.
- 11.3 The project remains affordable within the contribution approved by Executive Board in February 2008 and the remaining financial assumptions to be resolved are currently favourably placed to allow the project to proceed to financial close on the basis set out in exempt Appendix.
- 11.4 The necessary delegations to enable the Director of Environment & Neighbourhoods to complete arrangements and finalise contract documentation, subject to approval of the PFC FBC are set out in detail in this report.
- 11.5 Financial close and contract signature will enable mobilisation and commencement of the construction and refurbishment works which will bring over £140 million of much needed capital investment to the project areas.

12.0 RECOMMENDATIONS

- 12.1 Members of Executive Board are recommended to note this report and to:-
- confirm the final scope of the Little London, Beeston Hill & Holbeck PFI Project ('Project') set out in the report;
 - approve the submission of the Pre-Financial Close Final Business Case (PFC FBC) to the Homes and Communities Agency and Department for Communities and Local Government and authorise the Director of Environment and Neighbourhoods to approve any necessary amendments to the PFC FBC that arise;
 - approve the financial implications for the City Council of entering into the project and to note the anticipated affordability contribution for the City Council in relation to the project in the first full year of service commencement as set out in the exempt appendix;
 - note the financial issues covered in the exempt appendix including the balance sheet treatment;

- v. note that the proposed Preferred Bidder will be formally announced and appointed (under the terms of a preferred bidder letter) following HCA/CLG approval of the Pre-Preferred Bidder Final Business Case (PPB FBC) for the project;
- vi. approve the arrangements to Financial Close and implementation of the project, to include (but not by way of limitation) (following the appointment of the proposed Preferred Bidder) the award of contract to and entry into a PFI Project Agreement with a special purpose company, to be established under terms agreed between the City Council and the proposed Preferred Bidder, details of which are set out in the opening paragraph of the exempt Appendix;
- vii. confirm the arrangements at section 7.0 of this report and authorise (for the avoidance of doubt) that the delegated powers set out at Part 3 section 3E of the Constitution in relation to PPP/PFI and other Major Property and Infrastructure Related projects be exercised in relation to this project by the Director of Environment and Neighbourhoods (or delegee);
- viii. delegate authority to the Director of Environment and Neighbourhoods to approve the completion of the project should the SWAP rate increase at the time of Financial Close subject to the project remaining within the maximum affordability ceiling approved by Executive Board as set out in the exempt appendix.

BACKGROUND PAPERS

- **Little London Outline Business Case**
- **Beeston Hill & Holbeck Outline Business Case**
- **Executive Board Report Aug 2002**
- Approval to submit Little London OBC
- **Executive Board Report April 2006**
- Approval to submit Beeston Hill & Holbeck EOI
- **Executive Board Report May 2006**
- Approval of Little London Project Scope and OBC
- **Executive Board Report Nov 2006**
- Little London OBC Progress
- **Executive Board Report March 2007**
- Preparation of Beeston Hill & Holbeck OBC
- **Executive Board Report Nov 2007**
- Submission of Beeston Hill & Holbeck OBC and approval of joint procurement with Little London
- **Executive Board Report Feb 2008**
- Land Assembly, Scope Update and Revised Affordability Position
- **Executive Board Report Feb 2009**
- Project Rescope and Procurement Update
- **Executive Board Report Dec 2009**
- Demolition of Holbeck Towers and Carlton Gate
- **Little London Development Framework**
- **Beeston Hill & Holbeck Land Use Framework**
- **Beeston Hill and West Hunslet Regeneration Plan**
- **Holbeck Regeneration Plan**
- **Little London and Beeston Hill & Holbeck Equality Impact Assessment**
- **Little London and Beeston Hill & Holbeck Final Business Case**
– provided as an exempt document in the Member's Library