

Tom Riordan
Chief Executive
Leeds City Council
Civic Hall
Calverley Street
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20 June 2011

Dear Tom

Leeds PFI – outcome of VfM review.

I am pleased to be able to inform you that the Minister has agreed to continue to support Leeds' PFI project through to financial close on the basis of the position reached through the VfM review. This should be maintained and improved wherever possible during the remainder of the procurement.

You are also asked though to continue to examine the potential for reducing the still high scope / costs of common infrastructure and to make a greater financial contribution towards the cost of the scheme.

As you know the project is subject to the normal PFI approval processes and requirements including the submission and approval of an acceptable final business case which now requires HMT approval through their 'TAP' process as well as HCA and DCLG approval. This will include:

- A robust demonstration of VfM through HMT's quantitative VfM assessment as contained within the HCA/DCLG PFI Financial model with key assumptions in line with the project's now agreed VfM metrics.
- A full set of HCA financial pro-formas (including the 'advisory' ones)
- A demonstration that non-benchmarked key metrics – private finance terms, capital and revenue indexation etc – are 'on market' and acceptable given the anticipated financial close date.
- A demonstration of compliance with SoPC and HPP contractual provisions and guidance except where otherwise agreed or where justified and evidenced on a project specific, VfM basis.

HCA will provide further advice on the format and contents of the FBC following clarification with HMT.

You should also develop a timetable through to financial close in liaison with HCA which builds in sufficient time for the steps along the way. This should be agreed with HCA and then adhered to. Material departures may call into question continued support.

HCA is developing revised operational monitoring arrangements for projects post financial close and the council will be expected to participate in these arrangements and provide periodic data and information as requested.

I know you will agree that this is good news and HCA looks forward to working with the council to achieve financial close.

Yours sincerely



Richard Hill