



## Little London and Beeston Hill & Holbeck Housing PFI Project

Pre Financial Close Final Business Case V1.06



Little London,  
Beeston Hill & Holbeck

ONLY FOR OFFICIAL USE

ASSESSMENT OF FINAL BUSINESS CASE

Scheme Name:  
Little London and Beeston Hill & Holbeck Housing PFI project

Project Manager	
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SCHEME			
Details of scheme		Demolition of 222 non-decent existing residential properties; Construction of 388 new Council dwellings; Refurbishment of 1245 existing Council dwellings, including the conversion of 31 units in a bed-sit sheltered scheme to 23 one and two bedroom dwellings; and improvements to the Little London and Holbeck estate areas.	
PFI Credits endorsed	Joint procurement total		
PRG endorsement date	LL OBC endorsed by PRG on 21/11/06 (part of Round 2 bid for PFI credits) and BHH OBC endorsed by PRG on 18/03/08 (part of Round 5 bid for PFI credits).		
Date application received		Anticipated signing date	

ISSUES			
Position against FBC criteria			
Other issues outstanding			

CONCLUSIONS			

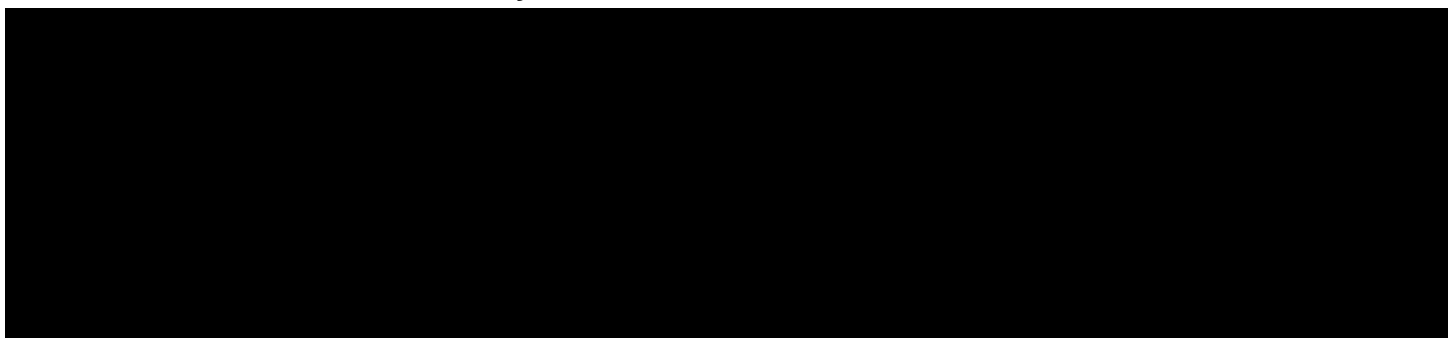
Application approved / rejected by :	Countersigned by :
Date	Date

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## 1.1 Revision History





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# 1 EXECUTIVE SUMMARY

## 1.1 Introduction

The Preferred Bidder was appointed at the end of January 2012 and is now fully engaged with their funders and sub-contractors in completing the remaining items of fine tuning and due diligence required to complete the contract documentation and is on track to reach financial close by the end of June 2013.

This Pre Financial Close Final Business Case (PFC FBC) seeks approval to invest [REDACTED] million PFI credits in a contract for 20 years with Sustainable Communities for Leeds (sc4L) in the Little London, Beeston Hill & Holbeck areas of Leeds.

The Little London, Beeston Hill & Holbeck Housing PFI project will deliver significant investment to address housing and regeneration needs in two of the city's most deprived communities. The City Council, with the support of Homes and Communities Agency (HCA) and Communities and Local Government (CLG), combined the two individually approved projects into a single, larger more efficient procurement and delivery arrangement.

The City Council completed its evaluation of final tenders in October 2010 and decided to recommend the appointment of Sustainable Communities for Leeds (sc4L) as its Preferred Bidder to take the project forward, subject to the approval of this Pre-Financial Close Final Business Case (PFC FBC).

The City Council's Final Tender proposals have subsequently been clarified as a result of the value for money (VFM) review required by CLG and the VFM proposals were approved by Treasury in October 2011.

Both the City Council and its Preferred Bidder are ready to proceed as soon as possible to reach financial close to the timescale set out in this PFC FBC and deliver the much needed and long overdue investment to deliver these key regeneration outcomes for the city.

## 1.2 Strategic case

### 1.2.1 The strategic context

The project has a strategic fit with the national regeneration framework and meets regional and local strategic objectives relating to housing and the environment.

The project responds to and fits with the prevailing strategic approach for the delivery and development of affordable housing and the regeneration of local communities. It will support the delivery of key regional and local policy objectives including:-

- the Yorkshire & Humber Regional Housing Strategy (2005-2021) which aims to create better places, deliver better homes, and ensure fair access to quality housing; and

- the emerging Leeds Sustainable Community Strategy (Vision for Leeds 2011-30), Council Business Plan (2011-15) and City Priority Plan for Housing & Regeneration (2011-15).

The project supports 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.

### **1.2.2 The case for change**

Most of the City Council stock included within the project has benefited from only limited life-cycle replacements since its construction. All properties now require extensive refurbishment in order to give them a suitable life. The housing estate environment also requires improvement to complement the planned stock investment.

The PFI route had been identified because of the high investment needs of the stock and the longer term regeneration objectives in each area, which would not be addressed solely by the investment available for the Decent Homes standard. The investment requirements include:-

- unsuitable stock that does not meet current needs or lend itself to conversion and multi-storey blocks which require replacement and re-provision with new homes that will better meet the future needs of the area; and
- the layout of some stock combined with the poor estate environment exacerbates community safety problems. This is a key issue for residents, and could not be resolved by service delivery changes alone. Comprehensive work to design out crime is required.

Neither of the above could be adequately resourced within the limitations of funding available to the ALMO to meet Decent Homes. The PFI scheme requires a higher level of funding to achieve a comprehensive refurbishment and upgrading of the estates, followed by sufficient investment to maintain the properties and surrounding environment at the improved standard for 20 years.

## **1.3 Economic case**

### **1.3.1 OBC long list and short list**



The option appraisal exercise at Outline Business Case stage for each project identified the following long list of options:-

- ALMO Decency option;
- PFI comprehensive regeneration option (with development agreement);
- Stock transfer; and
- Joint venture.

Following evaluation of these options and consultation with local residents, the City Council concluded that only two options should be shortlisted for further consideration as follows:-

- ALMO Decency option; and
- PFI comprehensive regeneration option (with development agreement).

A more detailed evaluation process was undertaken with the following outcomes. For the Little London project, the Decency Option scored 45% and the PFI Comprehensive Regeneration Option scored 71% of the available marks. For an option to be considered viable it had to score at least 50% of the potential score of 1,000. The Decency Option was therefore deemed not viable.

For the Beeston Hill & Holbeck project, the evaluation process considered proposals on a site by site basis and determined that the PFI Comprehensive regeneration option should be recommended for every site, except Ingram Court sheltered scheme which was proposed for conversion, and a number of bedsit properties which should be omitted from the contract. Further details are set out in the respective OBCs for each project.

### 1.3.2 The procurement

The two projects were procured initially on a lots basis under the Competitive Dialogue procedure, initially commencing in July 2007. Following endorsement by Treasury's Project Review Group in March 2008, the City Council opted to proceed with a single lot which brought together the two projects under a combined procurement exercise.

The combined project with an initial PFI credit allocation of [REDACTED] million was able to secure a small but highly experienced group of bidders with housing and regeneration experience, supported by experienced adviser teams. The early engagement of funders has helped to identify and resolve commercial issues and will ensure rapid progress at Preferred Bidder stage with only limited matters of fine tuning and clarification to resolve.

The procurement programme and stages are summarised below:

Date	Procurement stage	Number of bidders
Nov 2007- April 2008	Outline Solutions	4
June 2008 – Feb 2009	Detailed Solutions	3
March – October 2009	Refined Solutions	2
September 2010	Final Tender	2

It was clear at the Detailed Solutions stage that bidders would be unable to deliver the private housing for sale and additional City Council requirements through the separate development agreement as a result of housing market collapse. As a result, the City Council secured HCA agreement to re-scope the project, which resulted in a small net reduction of new build units and the inclusion of the Little London community hub works (comprising replacement retail, community centre and housing office) within the core project.

The strength of bidding competition was maintained to final tender stage and resulted in the submission of two high quality affordable bids with terms on market and fully supported by both consortium members and their funders. The City Council is confident that either of the two final bidders would have been capable of successfully delivering the project requirements, although the terms offered by the Preferred Bidder were significantly more competitive than that of the de-selected bidder.

The summary evaluation position at final tender stage is as follows:

<b>Award Criteria element</b>	<b>Maximum Available Score</b>	<b>Regenter</b>	<b>SC4L</b>
Bid Integrity	10%	████████	████████
Works	25%	████████	████████
Services	15%	████████	████████
Legal & Commercial	20%	████████	████████
Development Agreement	3.5%	████████	████████
Financial, Corporate Structure & Payment Mechanism	20%	████████	████████
<b>TOTAL</b>	<b>93.5%</b>	<b>63.47%</b>	<b>69.30%</b>

The maximum available score was reduced from 100% to reflect the removal of the Development Agreement requirements from the project.

The robust evaluation process employed has identified a Preferred Bidder with consistently high quality proposals which are well co-ordinated and deliverable. They have also demonstrated a high level of readiness for the operational stage and produced detailed resource plans for the remaining procurement process and into mobilisation and operational stages with an identified contract monitoring team in place.

### 1.3.3 Key findings

The City Council has undertaken an economic appraisal on the final tender bid submissions to confirm that the successful bidder offers value for money from both a qualitative and quantitative value for money perspective at the Final Tender stage of the procurement.

The short-listed option was also considered from a risk adjustment perspective to show that it offers value for money to the public sector by comparing the PFI delivery route to the equivalent Public Sector Comparator (PSC).

### **1.3.4 Overall findings: the preferred option**

The results of the quantitative and qualitative assessments along with the other tests carried out as part of the economic case confirm that the sc4L final tender bid submission remains the preferred option for the City Council.

## **1.4 Commercial case**

### **1.4.1 Agreed products and services**

The City Council has delivered the vast majority of the property outputs originally approved in each of the separate Outline Business Cases despite the de-scoping exercise undertaken as a result of financial and housing market collapse. Aspirations for a mixed development including some housing for sale have not been realised but development sites have been retained in both areas to provide opportunities for up to 75 new homes through alternative investment routes when market opportunities allow in the future. The de-scoping exercise was approved by HCA and introduced after the Detailed Solutions stage with the agreement of, all three remaining bidders at that stage.

As a result of DCLG's VFM review, following final tender evaluation, the City Council has confirmed with the Preferred Bidder that the Little London community hub element has been removed from the project requirements. This has resulted in the loss of an additional 12 new build flats, anticipated on the community hub site.

The project works therefore comprise the following works elements:-

- providing 388 sustainable new homes with increased provision for larger families
- demolition and replacement of 222 unsustainable non-decent homes;
- retaining and refurbishing 1,248 popular homes to above decent homes standards; and
- improving HRA estate infrastructure to support and sustain the housing investment.

The key changes to the proposed outputs from those indicated at Outline Business Case stage, are summarised in Appendix 2.1

51 leaseholder properties are affected by the proposed external works improvements (mainly tower blocks) and the costs of this work have not been included in the PFI credit calculation but will be met by the City Council and then recovered up to a maximum of £10,000 from individuals with the remainder of the costs being met from the City Council's ongoing revenue affordability contribution.

The services to be provided under the contract are as follows

- property repair and maintenance service to the prescribed availability standards;
- structural repairs and maintenance to retail units to the prescribed availability standards;
- re-servicing void properties inclusive of transfers and mutual exchanges;
- caretaking and cleaning services to the multi-occupancy blocks of dwellings and communal areas of sheltered accommodation;

- maintenance to housing estate areas indicated in the Output Specification;
- customer access and liaison; and
- contract management and reporting.

The City Council procured the project on the basis that housing management services would be retained and delivered by its existing Arms Length Management Organisations (ALMOs) as follows

- lettings;
- income collection and debt recovery;
- tenancy management; and
- neighbourhood management.

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; and
- leasehold management and service charges.

#### **1.4.2 Agreed risk allocation and charging mechanism**

The City Council has agreed a risk allocation position with the Preferred Bidder based on the standard Housing Procurement Pack, as amended in dialogue with them. The key changes in risk allocation are set out in section 4.3 and at Appendix 4.1 of the PFC FBC. The final risk allocation matrix reflects the position in the City Council's final tender base Project Agreement and any derogation from that position required by bidders are detailed in the HCA derogations tables and in the summaries provided. The Risk Allocation Matrix has been further updated to reflect the outcome of CLG's VFM review.

#### **1.4.3 Key contractual arrangements**

The City Council secured HCA (and DCLG / IUK where appropriate) approval to its own and bidder specific derogations during the Refined Solutions stage and has clarified that no further fundamental issues will need to be considered at the pre-Financial Close Final Business Case (PFC FBC) stage. Draft final derogations have been prepared for the PFC FBC, the majority of which are minor drafting updates requested by HCA and to reflect the outcome of the VFM review. An agreed Project Agreement, Funders' Direct Agreement and Payment Mechanism are all in place, subject to the population of gaps and the standard pre close checks.

The approach of the City Council to key contractual issues is summarised below:

- **Service Commencement and length of Contract:** Following Financial Close the Preferred Bidder has proposed a three month mobilisation period prior to full Service Commencement. The arrangements under the PFI Project will therefore expire 20 years and three months from the date of Financial Close.
- **Site Surveys:** HPP drafting has been incorporated and amended only as a result of the position reached in relation to "dark ground" risk. The City Council is taking "dark

ground" risk for Refurbishment Properties and for Demolition Sites, but not any risks disclosed by surveys, which the bidders were expected to price.

- **Stock Surveys:** The City Council is taking the risk of any defects in relation to the Refurbishment Properties which were not revealed by the Stock Condition Surveys, however the Contractor will take the risk in relation to the insufficiency of their surveys.
- **TUPE:** The City Council has adopted the standard HPP position.
- **Warranties:** Approach set out in HPP has been followed.
- **Refinancing:** The City Council has adopted standard SoPC refinancing drafting as published in the addendum to SoPC4 in April 2009 (and amended in 2010).
- **Hand-back:** The City Council has adopted the standard HPP position.
- **Change in Law:** The City Council has adopted the standard HPP position.
- **Termination Events, transfer of Assets to City Council and Compensation on Termination:** The City Council has adopted the standard HPP position.

#### 1.4.4 Agreed implementation timetable

The City Council has agreed a programme to Financial Close with the Preferred Bidder and both are fully committed to meeting the dates shown within it, subject to HCA / CLG approvals.

An agreed milestones programme is in place to ensure the efficient delivery of the investment programme within four years following financial close. Failure to achieve the agreed milestones programme could result in the City Council beginning the process for terminating the contract.

#### 1.4.5 Accountancy treatment

The City Council carried out a provisional assessment as part of the PPB FBC to determine that the project should not be shown on the public sector balance sheet for the purpose of the National Accounts (under ESA 95) but that it should be recognised on the balance sheet of the City Council (under IFRIC 12). There have been no material changes to the project in the period of time following approval of the PPB FBC and therefore this assessment remains unaltered.

## 1.5 Financial case

The City Council carefully managed the affordability of the project to ensure that bidders remained within the affordability envelope approved by the City Council's Executive Board. An analysis of final tender costs and value for money assessment for the project has been carried out and confirms that the level of credits remain appropriate. These calculations reflect the further value for money proposals submitted to HCA / CLG by the City Council in April 2011 and signed off by Treasury in October 2011.

The detailed financial information provided by the Preferred Bidder shows that the PFI credits requested will be used to meet only the capital costs of the project. The City Council's contribution will meet the operating costs of the project.

Following approval of the PPB FBC by HMT in October 2011, the financial analysis and affordability position was further compromised as a result of the latest global banking crisis which emerged in November 2011 and heightened banking sector volatility in respect of long term lending.

In addition to this, construction cost inflation has been applied by the Preferred Bidder to the latest version of the financial model received in January 2012 following the expiry of the bid price validity period in June 2011.

Further detail on these issues is contained within section 5 (The Finance Case). **The financial position of the project reflects the reduced credit support following the application of a capital contribution and the bond solution as referred to in the letter from CLG received on 8<sup>th</sup> April 2013.**

### 1.5.1 Overall affordability and balance sheet treatment

The project still remains within the affordability envelope authorised by the Executive Board of the City Council in February 2008 and July 2012 and is at a stage where the Preferred Bidder, it's funders and the Council have an agreed project which provides the opportunity to reach financial close quickly to ensure the current affordability and VFM position is maintained.

## 1.6 Management case

### 1.6.1 Project management arrangements

Over the past eight years the City Council has developed considerable expertise in procuring PFI schemes with thirteen PFI Projects and a combined capital investment value of over £1billion. Each project is delivered using PRINCE2 methodology and practice and project governance is provided through a Project Board, with key decisions taken by Executive Board or the Director of Environment & Neighbourhoods under delegated authority as necessary.

A nominated Project Director has responsibility for the overall delivery of the project and is supported by a dedicated project team which includes specialists from within the

Environment & Neighbourhoods Department, Public Private Partnerships Unit, the City Development Directorate, and both ALMOs.

The Project Team is supported by its experienced external legal, financial and technical advisers who have all been appointed under framework agreements (Legal – DLA Piper; Financial – PricewaterhouseCoopers; and Technical – E. C. Harris).

The City Council has put in place a detailed stage plan and allocated resources to complete the Preferred Bidder stage, and achieve financial close by June 2013, subject to approval of this PFC FBC. Remaining approvals have been delegated to the relevant Director by Executive Board and key milestones have been mapped within a detailed procurement programme agreed with the Preferred Bidder. Potential risks that if realised could impact on project affordability have been identified and can be either mitigated or met from within the City Council's overall financial contribution including contingency funding.

A full programme of stakeholder and community involvement and establishment of Community Advisory Groups (CAGs) in each project area has been highly effective in terms of community engagement, local feedback and support for the project. Both communities now look forward to the delivery of the proposed investment in their homes in a positive and informed manner. Arrangements are already in hand to establish new consultation structures to reflect the appropriate requirements as the project moves from the procurement to the operational phase.

Both parties have made suitable arrangements for a phased handover between the procurement and contract management teams, with continuity into the first year of the operational phase of the contract. The City Council's Contract Manager was appointed over 12 months ago and has played an active role in the procurement process throughout.

### **1.6.2 Benefits realisation and risk management**

A competitive procurement exercise has delivered a number of benefits including:

- Bidders meeting the project scope and the City Council's affordability threshold at final tender stage;
- Capital cost savings against the City Council's shadow bid model assumptions;
- Code for Sustainable Homes level 4 standard for new homes (against an original target of code 3) with the increased specification met by the Council;
- Significant improvements in the energy efficiency and internal specification of existing Council homes representing a significant improvement on the standards required by the Warmer Homes: Greener Homes green paper and achieving the target date five years early;
- Investment in the housing estate environment to address community safety and amenity;
- Delivery of all the proposed refurbishment and new build proposals within 3 and a half years of financial close and the impact of the value for money review some 18 months earlier than anticipated; and
- Securing commitment for local training and employment opportunities through the scale of the combined project;

A detailed benefits realisation plan has been developed throughout the procurement process and will be managed by the contract management team and Environment & Neighbourhoods from contract completion.

Risk management is embedded in project management processes and is regularly reviewed at Project Team with high, increasing and new risks reported to project Board on a regular basis. A project risk register is managed by the procurement team with arrangements being put in place to transfer this to the contract management team by contract close. A risk allocation matrix reflecting has been completed and reflects the commercial position agreed with the preferred bidder.

The Preferred Bidder, at its own risk, secured all further required planning approvals for its new build, refurbishment, conversion and estate improvements on 17th February and 3<sup>rd</sup> March 2011. They have also identified the necessary stopping up orders and highways closures required, together with alternative proposals should these become necessary to ensure that works can proceed to agreed timescales. The City Council had agreed with HCA that the risk of planning and stopping up challenge under Judicial Review would be managed in parallel with the preferred bidder and contract periods. The planning and Executive Board decisions challenge period expired in early June 2011 without a challenge being received.

Consultation with affected tenants, leaseholders and Trade Unions (on TUPE & Employment Issues) has all been carried out in accordance with agreed guidance. The project has all party agreement with unanimous Executive Board support and approval.

### **1.6.3 Post project evaluation arrangements**

The City Council is committed to undertaking independent project assurance for its complex procurement projects as part of its normal project management processes. In accordance with Treasury guidance, the City Council commissioned a Gateway Review 3 – Investment decision, through Local Partnerships between 25<sup>th</sup>-27<sup>th</sup> January 2011. The Review Team gave a Green Delivery Confidence assessment and full details of the outcome are reported in this PFC FBC.

Further post project evaluation activity will be carried out in accordance with the City Council's agreed project management methodology. A benefits assessment will be undertaken at the end of the investment period, between four and four and a half years following financial close.

## **1.7 Recommendation**

I can confirm as senior responsible officer that, (as Director of Environment & Neighbourhoods), I have delegated authority from Executive Board to submit this pre-Financial Close Final Business Case. The City Council requests formal authorisation for approval of this PPB FBC and credit support of £[REDACTED] million to enable the delivery of the Little London, Beeston Hill & Holbeck housing PFI project.

**Signed: Neil Evans**

**Date: 28<sup>th</sup> March 2013**



**Senior Responsible Officer:** Neil Evans Director of Environment & Neighbourhoods

**Project:** Little London, Beeston Hill & Holbeck housing PFI project

## **2 THE STRATEGIC CASE**

### **Introduction**

This Pre-Financial Close Final Business Case (PFC FBC) is for the provision of works and services to the Little London, Beeston Hill & Holbeck areas of Leeds under a housing PFI contract.

The PFC FBC has been prepared using the agreed standards and formats for business cases set out in the Treasury's Green Book guidance. The approved format is the Five Case Model, which comprises the following key components:-

- The strategic case section sets out the case for change, together with the supporting investment objectives for the scheme;
- The economic case section demonstrates that the City Council has selected the most economically advantageous offer, which best meets the existing and future needs of the service and optimises value for money (VFM);
- The commercial case section sets out the content of the proposed deal;
- The financial case section confirms funding arrangements, affordability and the effect on the balance sheet of the organisation; and
- The management case section details the plans for the successful delivery of the scheme to cost, time and quality.

This PFC FBC relates to two separate outline business cases developed for each project area (Little London and Beeston Hill & Holbeck respectively) which were originally developed under different funding rounds, following guidance from HCA/CLG, rather than adopting the format required under Treasury Green Book guidance. The City Council requested and received CLG and Treasury support (the latter confirmed at Project Review Group in March 2008) to combine the individual projects into a single procurement exercise. As a result, in some places there is a difference in the requirements or content anticipated between the department and Treasury. The City Council has sought to incorporate existing content required by CLG within the Five Case Model format.

### **Part A – The strategic case**

#### **2.1 Organisational overview**

Leeds is the third largest city and the second largest Metropolitan District Council in England. The population of the district is 718,000 in 320,000 households. 8% of the population are from black & ethnic minority communities. Approximately 457,000 people work in Leeds.

Leeds has continued to benefit from significant economic regeneration with 30,900 new jobs forecast to be created over the next 10 years as a result of this economic growth. The city centre landscape has been transformed in recent years. Nevertheless, it is a city of stark contrasts.

The city centre and the suburbs are comparatively prosperous, whilst some inner city communities contain high levels of economic deprivation, poor health, sub-standard housing and low educational attainment.

## **2.2 Business strategies**

### **2.2.1 CLG and sustainable communities**

This project supports a number of Government priorities for housing provision and creating and maintaining sustainable communities as set out in the green paper “Homes for the future: more affordable more sustainable”, and more recently the Government “Carbon Plan” and the “Greening Government Commitments: Operations and Procurement”. Specifically the project will:-

- Address and replace non-decent stock and provide refurbished and new replacement homes to above decent homes standards;
- Improve the energy efficiency of the current housing stock, reduce the carbon footprint of the stock and minimise the cost in use for the residents (ECO Homes XB Standard);
- develop brown-field sites to provide replacement homes;
- improve areas to provide settlements that are attractive places with good quality neighbourhoods and green public space that help create healthy communities;
- implement the works programme and operational services to minimise the carbon impact through the operations, minimise waste and landfill, and increase recycling, both within the contract and by local residents;
- provide new housing which is more sustainable for the future;
- provide well designed sustainable new housing to improve the quality of life for all members of the community, as well as improving the environment, creating safer and stronger communities and reducing our carbon footprint (Code for Sustainable Homes Standard);
- develop more affordable homes both to rent and to buy, including increasing provision of family housing, and
- ensure wider delivery of affordable housing in mixed communities.

## **2.3 Other organisational strategies**

### **2.3.1 Regional and regeneration strategies**

The project responds to and clearly fits within the prevailing strategic approach for the delivery and development of affordable housing and the regeneration of local communities. It will support the delivery of key, regional and local policy objectives including:-

- the Yorkshire & Humber Regional Housing Strategy (2005-2021) which aims to create better places, deliver better homes, and ensure fair access to quality housing;
- the Leeds City Council Business Plan (2008-2011) and Leeds Strategic Plan (2008-2011) have strategic outcomes relating to improved quality of life, improved housing options, better access to services, reduced social exclusion, safer environments and reductions in crime; the Strategic Plan also has specific priorities to increase the number of decent homes as well as the number of affordable homes;

- the emerging Leeds Sustainable Community Strategy (Vision for Leeds 2011-30), Council Business Plan (2011-15) and City Priority Plan for Housing & Regeneration (2011-15).
- The Leeds Regeneration Plan highlights investment opportunities for Leeds to be gained through housing PFI. It is supplemented and supported by five District Plans which identify the key challenges and opportunities to narrow the gap within each District.

## **Part B – The case for change**

### **2.4 Investment objectives**

The Little London, Beeston Hill & Holbeck housing PFI scheme is a major opportunity to improve housing conditions and to assist achieving long-term regeneration objectives of each area. The proposed scheme is focused on the clearance of unsustainable properties; the construction of new housing; and refurbishment of property to achieve decent homes with high standards of sustainability.

The specific investment objectives of the scheme should also support the City Council's wider regeneration objectives including:-

- to contribute towards the delivery of sustainable, long-term regeneration;
- to contribute to work to address environmental and community safety issues within the residential area, improve accessibility within the areas and connectivity with the City Centre and Holbeck Urban Village as appropriate;
- to stimulate long-term partnership activity;
- to work with the local community to develop high standards of development which meet the aims outlined in the regeneration plans and link to other developments and local priorities in the surrounding areas; and
- to foster a mixed community by diversifying the tenure of the area by increasing the range of housing that is available, including affordable housing for sale.

Another key objective of the scheme was to encourage tenure diversification, due to the relatively low level of owner occupation compared to city averages. This objective had to be removed from the projects following the housing market collapse during 2008. A number of future development sites in each area will be developed once the housing market improves to address this long standing objective.

### **2.5 Existing arrangements**

This section describes the existing situation with regard to the scheme and associated investment.

When the City Council undertook its strategic option assessment to achieve decent homes, it was clear that there would be a significant shortfall in the resources available. Within the ALMO area covering the Little London project, the investment gap was £59.3m, and around 25% of that requirement related to improvements within the Little London area.

Similarly, most of the City Council stock included within the Beeston Hill & Holbeck project had benefited from only limited life-cycle replacements since its construction. All retained properties require extensive refurbishment in order to give them a suitable life.

The high investment need of the stock in these areas was the result of:-

- The poor layout of housing stock on the estates;
- The poor environmental layout which exacerbated community safety problems;
- The high proportion of non-traditional construction multi-storey blocks which require comprehensive refurbishment of the external structure, communal areas and services; and
- The historic lack of investment in stock and the absence of previous comprehensive renewal programmes.

In both cases, the high investment needs of the stock, could not be addressed solely by the investment available for the Decent Homes standard as decency would not address the cost of some stock types, or conversion and multi-storey blocks which require replacement and re-provision with new homes that will better meet the future needs of the area.

Within each area, certain existing unpopular stock exhibited much higher turnover and void rates than for equivalent stock in other parts of the city e.g. multi-storey flats (19% versus city average 6%) and maisonette blocks (23% against 17% city average).

## **2.6 Business needs**

This section provides a detailed account of the problems, difficulties and service gaps associated with the existing arrangements in relation to future needs.

The other investment driver related to the future housing demand for each project area, compared to the existing stock available in each area. Both areas had examples of low demand for certain stock types and in both areas there was demand for family housing provision (and in the case of Beeston Hill & Holbeck larger family housing) in order to meet local needs.

The limited opportunities to meet these needs were met with heavily over-subscribed applications from the housing waiting list. The City Council undertook housing need assessments at the time of development of each of its OBCs which demonstrated that demand existed for property types which would be developed as part of the scope of the project.

## **2.7 Potential business scope and key service requirements**

### **2.7.1 Contract works**

The Project proposes a PFI contract for a period of 20 years. All Demolition Works, New Build Dwellings, Conversions and Refurbishment will be carried out on a phased basis

during the first three and a half years of the contract. The works encompass all activities relating to the:-

- demolition of 222 residential properties;
- construction of 388 new Council Dwellings;
- refurbishment of 1222 existing Council dwellings together with the conversion of 31 bed-sits to 23 one bedroom dwellings making a total of 1,248 improved existing dwellings;
- external property works to 51 leasehold homes forming part of City Council-owned multi-occupancy blocks; and
- improvements to the housing related estate infrastructure of the Little London and Holbeck.

The key changes in outputs proposed from those indicated at Outline Business Case stage are noted in Appendix 2.1.

### **2.7.2 Leaseholder works**

The contract proposes to delegate to the appointed contractor all the required works and services to the blocks of flats in the project areas. The City Council will however retain the formal role of consulting with its leaseholders and the recovery of service charges. The contractor will support the City Council in that role by providing timely and accurate information on the extent and cost of the proposed works and services, to permit the City Council to levy and recover the appropriate service charges from the leaseholders within the blocks of flats.

51 leaseholders are affected by the City Council's works and services proposals. Refurbishment proposals will include upgrade works the structural elements to the blocks of flats (e.g. roofs, external walls and insulation, rainwater goods and block drainage), works to the communal areas (internal and external to the blocks (e.g. communal entrance doors, communal lobbies, communal stairs, entrance footpaths, boundary fencing to the blocks and soft landscaping around the blocks) and communal services to the blocks (e.g. lifts, communal lighting, door entry systems).

The total cost of structural and communal works to the 811 flat properties within the PFI proposals amounts to █████ of the total £142m of works capital costs for the project, of which █████ relates to the 51 leasehold flats. The leaseholder capital costs of █████ (which equates to an average cost of █████ per Leaseholder) will be incurred on behalf of leaseholders. These costs will be recovered in part by service charges, which will be capped at █████ per Leaseholder, with the balance of costs falling to the City Council to fund.

There are no refurbishment works proposed to the private internal space of leaseholders' dwellings, although the Preferred Bidder has proposed to offer to all leaseholders and freeholders, within the Project Areas, the opportunity to purchase works privately, separate from the PFI contract. There is no requirement on the contractor, under the PFI contract to undertake any additional work to leaseholders' properties other than works required of the City Council as freeholder of the blocks of flats.

Each leaseholder will be required to contribute to the cost of the communal and structural works undertaken, in accordance with the requirements of their lease. The service charge will include all capital costs to the structure of their building and to the communal facilities and services, and all revenue costs such as communal repairs, caretaking, communal cleaning as well as relevant costs such as ground rent, building insurance and utility costs for communal areas.

The likely major works costs related to the leaseholder properties will vary according to the type of flat block. The highest costs will relate to the high rise blocks, where the extent of capital renovation works and on-going revenue costs are highest. Capital cost liability will vary between [REDACTED] and [REDACTED] per leasehold flat (average of [REDACTED] per leasehold flat), with annual revenue charges, similar to current levels, of between [REDACTED] to just over [REDACTED] per leasehold flat depending on the level of service and communal maintenance required per block.

The service charge liability will not exceed the liability as set out in each lease, or in the case of recent sales as set out in the sale agreement where the charges will be contained within the 5 year service charge estimate provided to the right to buy purchaser.

The City Council is aware that the high cost of the major works may well give rise to financial hardship to a number of the leaseholders. Therefore it will apply service charge capping under the provisions of the Social Landlords Mandatory Reduction of Service Charges (England) (No2) Directions 1999. A cap on service charge liability under these directions will limit the cost of works to a maximum of [REDACTED] in any period of 5 years.

The City Council will meet the cost of all charges above the cap, currently estimated at around £580k. The leasehold service is funded from within the Housing Revenue Account, therefore this cost will be met from that budget.

Notwithstanding the approach on capping service charges, the City Council will, in accordance with current policy, also make provision to consider the individual financial circumstances of each leaseholder as part of its approach to seeking to recover the capped service charge liability.

In accordance with the Housing (Service Charge Loans) Regulations 1992 (as amended), the City Council offers a range of methods for payment of any service charge liability due, including the offer of mandatory and discretionary loans to take account of the vulnerability and ability to pay of the leaseholders involved. Payment of the service charge liability can be deferred through the use of mandatory or discretionary loan facilities, including interest only loans or equity loans, all potentially available from the Council subject to a means test.

### **2.7.3 Services**

The Contractor will maintain properties through the provision and delivery of the following Services:-

- property repair and maintenance service to the prescribed availability standards;
- structural repairs and maintenance to retail units to the prescribed availability standards;

- 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;
- maintenance to housing estate areas indicated in the Output Specification;
- customer access and liaison;
- undertake operations sustainably, by operating to minimise energy use, carbon impact, waste production and impact on the environment; and
- undertake effective contract management and reporting.

#### 2.7.4 Retention of housing management

The two ALMOs – Aire Valley Homes and West North West Homes, will retain the responsibility for the provision and delivery of the following tenancy management services:-

- lettings;
- income collection and debt recovery;
- tenancy management; and
- neighbourhood management.

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; and
- leasehold management (including all formal consultation) and service charges.

#### 2.7.5 Scope changes from OBC to FBC

##### 2.7.5.1 Original Project Scope

The original project scope was set out in two separate Outline Business Case approvals for the Little London and Beeston Hill & Holbeck projects. Both approvals anticipated the disposal of Council owned land through a related Development Agreement in order to provide additional private housing across both project areas as part of a mixed tenure approach to regeneration. The original project scope assumed the following:

**Figure 2.1 – Original scope of refurbishment and new build Council homes**

Area	Little London	Beeston Hill & Holbeck	Total
<b>Refurbishment and conversion</b>	922	320	1242
<b>New build</b>			
2 bed	90	230	320
3 bed	20	80	100
4 bed	15	30	45
5 bed	0	10	10



Sub-total	125	350	475
<b>Grand total</b>	<b>1047</b>	<b>670</b>	<b>1,717</b>

Bidders were also asked to include replacement retail provision, community facilities and housing office within the 'community hub' in Little London, in line with the approved Planning Development Framework, to be funded through a land value return arising from sale of development sites under the Development Agreement.

Since the Outline Business Case approvals the Council has reconsidered project scope in response to two separate but significant external impacts; housing market collapse during 2008/09 and the CLG value for money review in March 2011.

**Appendix 2.1** provides a detailed summary of the output changes from Outline Business Case stage to the current proposals.

### **2.7.5.2 Market Change: ISDS to ISRS**

During the ISDS phase of procurement over the course of 2008, the full effects of the dramatic and rapid decline in the housing market and the associated restrictions on mortgage and credit lending became apparent, resulting in major cut backs across the sector and a significant slowdown in house building.

Following submission of Detailed Solutions for the PFI scheme in October 2008 by the three bidding consortia, it was clear that each of their proposals was exposed to the wider downturn in the national economy and the 'credit crunch'. This was reflected in the pricing of proposals relating to the Development Agreement; each of the bids showing significant negative values for the development land, based on residual open market valuations.

As such the ISDS submissions in respect of the Development Agreement could not meet the City Council's needs and requirements and there was little or no prospect that the housing market would improve significantly prior to the planned date for final tenders to be submitted. The City Council would not achieve best consideration or value for money for the development sites in the short-medium term. This required reconsideration of the inclusion of a Development Agreement in project scope and contingency arrangements for other elements of the project as the procurement progressed into the ISRS stage.

Changes to the project scope have been made based on the principle of minimal impact on the PFI property outputs to the scheme compared to those identified in both the Little London and Beeston Hill & Holbeck OBCs. As changes have been brought forward for consideration by the City Council they have been discussed and agreed with the HCA.

The scope changes in response to market change at ISDS stage were discussed with the HCA on 29th January 2009 and set out in a letter on 12th February 2009. The letter set out detailed advice from the City Council's external legal advisors and also the views of bidders on the approaches available. The changes were approved by the City Council's PFI Housing Project Board on 2nd February 2009 and the City Council's Executive Board on 4th March 2009. HCA confirmed and agreed the scope changes and approach proposed on 18th March 2009.

There have been some other minor adjustments to the scope as a result of freehold right to buy purchases and slight changes to the proposed conversion of 16 existing bedsits (now to be demolished as a better value for money solution) and the conversion works to change 32 bedsits in the Ingram Court sheltered housing scheme into 23 one & two bed flats. A more detailed description of the earlier scope changes is contained within **Appendix 2.1**.

### **2.7.5.3 CLG Value For Money Review**

In consultation with the HCA, the City Council closed its competitive procurement dialogue in September 2010 and selected the Preferred Bidder in October 2010. Following the Comprehensive Spending Review in October CLG announced a review of the national PFI Housing programme to establish value for money benchmarks in a significantly altered financial environment to guide the allocation of PFI credits. The results of this were given to the Council in late March 2011.

The Council reacted positively and quickly to address the outcome of the review, acknowledging the revised difficult financial context. It has comprehensively reviewed project costs and options for delivering further efficiencies within constraints imposed by the late stage of procurement, planning requirements and the evolving relationship between programme to close and affordability. In so doing it has been necessary to further review aspects of the project scope.

These were submitted to the HCA on 26<sup>th</sup> April 2011 accompanied by further detailed financial information and supporting advice from the Council's external legal advisors. A copy of the Council's VFM proposals paper is attached at **Appendix 2.2**.

The extent to which the Council was able to make changes to the project scope at this stage of procurement was limited due to the potential risk of challenge. The Council considered the implications of all the options for making VFM savings for the procurement process and has produced a note setting out its view in respect of the legal and procurement regulations at **Appendix 2.2**. The scope changes were confirmed by the Director of Environment & Neighbourhoods under delegated authority from Executive Board previously approved on 9<sup>th</sup> March 2011. A copy of the report, minutes and delegated decision are attached at **Appendix 2.3**.

The City Council was informed that the Minister for Housing had approved the VFM proposals on 20<sup>th</sup> June 2011. A copy of the approval letter is attached at **Appendix 2.4**.

### **2.7.5.4 Scope Change**

The table below summarises the changes in outputs since OBC approvals, with further detail noted in Appendix 2.1.

**Figure 2.2a – Revised scope for refurbishment of Council homes**

Area	Houses	Bungalows	Flats	Total Council Homes	Leaseholders in flat blocks (in addition)
Little London	243	0	605	<b>848</b>	41
Beeston Hill & Holbeck	178	25	171	<b>374</b>	10
Holbeck conversions	0	0	23	<b>23</b>	0
<b>Sub-Total (refurb)</b>	<b>421</b>	<b>25</b>	<b>799</b>	<b>1245</b>	<b>51</b>

Three houses have been sold under the Right to Buy, reducing the total stock to be refurbished.

**Figure 2.2b – Revised scope for new build Council homes**

Area	Little London	Beeston Hill & Holbeck	Total
2 bed	78	155	233
3 bed	20	80	100
4 bed	15	30	45
5 bed	0	10	10
<b>Sub-total (new build)</b>	<b>113</b>	<b>275</b>	<b>388</b>

**Figure 2.2c – Revised scope comparison to original scope.**

Area	Little London	Beeston Hill & Holbeck	Original scope	Revised scope (incl leaseholders)
Refurbishment and conversion	922	320	1242	1296
New build	125	350	475	388
<b>Grand total</b>	<b>1047</b>	<b>670</b>	<b>1,717</b>	<b>1,684</b>

In overall terms there has been a reduction of 87 new build homes and a compensating increase of 57 refurbished homes leaving a net reduction in inputs of 30 units overall which equates to around 1.75% of the original outputs envisaged for the project at OBC stage.

The change to scope in response to the CLG VFM review requires a change to the Preferred Bidder's anticipated provision of an SPV office, the site for which is no longer included in the project. An alternative site will be identified by the Council and Bidder, though there is very limited immediate impact or risk, as the proposed programme already envisages use of temporary facilities for the first 3 years of the contract.

The changes to scope have also resulted in a reduction in the previously envisaged land take to deliver the project. This creates residual development opportunities to provide other new homes and to address the need for replacement community facilities in Little London. The City Council estimates that there is capacity for around 75 new homes to be delivered on the undeveloped land remaining once the PFI proposals have been delivered and it will seek alternative delivery mechanisms for this outside of the PFI contract.

### 2.7.5.5 Early Demolition works undertaken by the City Council

The Arms Length Management Organisations providing tenancy and housing management across the two project areas had made rapid progress in re-housing tenants and purchased all leasehold 'right to buy' interests on the Carlton Gate and Holbeck Towers sites, with the result that the two sites achieved vacant possession by the summer of 2009.

The 7 tower blocks and 3 maisonette blocks (comprising 442 units) were empty and would have to be kept secure until the PFI contract could be let and a start on site achieved. Retaining the blocks in an empty state risked serious issues of vandalism and anti-social behaviour, which in turn could have resulted in additional management problems and costs. There was also strong local pressure for demolition of these buildings as soon as could be practicably achieved.

The City Council therefore identified funding, through prudential borrowing, to undertake the early demolition and clearance of these sites in order to support regeneration of the areas and prevent continued negative impacts on local amenity. This was approved at the City Council's Executive Board on 9th December 2009; demolition has subsequently been undertaken and was completed in July 2010.

The demolition was undertaken in full consultation with the two ISRS Bidders and has met the agreed Demolition Standard, with areas of floor slab to two of demolished buildings to be cleared as part of redevelopment work (the floor slabs were retained to allow completion of the on-going Japanese Knotweed eradication programme by those buildings).

**Figure 2.3 – Properties demolished by the City Council (early demolition)**

Area	Houses	Bungalows	Flats
Little London – Early Demolition	0	0	142
Holbeck - Early Demolition	0	0	300
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>442</b>

The City Council has incurred initial capital expenditure of £1.9m in completing this first phase of the demolition programme in advance of the PFI contract, which includes minimal works to topsoil and secure the sites for the interim period. There has been widespread community support for The City Council's demolition and clearance of the empty properties at Holbeck Towers and Carlton Gate.

Removal of the early demolition costs from the PFI financial model means that these costs do not form part of the Revenue Abatement calculation of PFI credits and are treated as "sunk costs" contributing to the [REDACTED] annual City Council affordability contribution.

### 2.7.5.6 Demolition works to be undertaken by the Contractor

A small part of the Holbeck Towers site remains to be demolished and will remain a requirement of the PFI contractor. This is the City Council-owned shop, which the City Council has sought to keep open to provide for local services until the commencement of

the PFI contract. The tenant has entered into a new lease contracted out of the 1954 Landlord and Tenant Act for these purposes, enabling the Council to secure vacant possession at the appropriate time.

All other demolition required to enable new build works in the Project Areas will be undertaken by the PFI contractor to standards set out in the Output Specification and in accordance with a programme that will be developed and agreed with the City Council, in keeping with timescales for vacant possession of properties and sites set out in procurement documentation. The remaining properties to be demolished by the Preferred Bidder are shown below.

The reason for the difference between the OBC and PFC FBC positions is due to the removal of 99 units originally planned for demolition as a result of retaining and refurbishing Meynell Heights and the removal from the project of 87 units across two sites previously proposed for demolition only works.

This reduction is partially offset by the additional demolition of all 16 bedsits, 8 of which were originally proposed for conversion and additional loss of 8 bed-sits units as part of the conversion works planned for the Ingram Court sheltered housing scheme.

**Figure 2.4 – Properties to be demolished by the contractor**

Area	Houses	Bungalows	Flats
Little London – Bedsit demolition within refurbishment works	0	0	16
Beeston – Demolition in advance of PFI new build	0	0	198
Holbeck – remodelling of sheltered scheme and conversion of bed-sits to self contained flats	0	0	8
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>222</b>

**Figure 2.5 – Demolition properties comparison OBC v PPB FBC**

Area	Little London	Beeston Hill & Holbeck	Total
OBC approval	142	685	827
Early demolition by City Council	142	300	442
Future demolition by LCC	0	87	87
PFI demolitions at PPB FBC	0	222	222
<b>Variance from OBC to PPB FBC</b>	<b>-142</b>	<b>-463</b>	<b>-605</b>

## 2.8 Main benefits criteria

### 2.8.1 Benefits plan

A detailed plan has been developed to identify the benefits that will derive from the scheme. This contributes to the City Council's strategic aims in respect of the following categories:-

- Improved quality of life through mixed neighbourhoods offering good housing options and better access to services and activities;
- Reduced ecological footprint through responding to environmental and climate change and influencing others;
- Enhanced safety and support for vulnerable people through preventative and protective action to minimise risks and maximise wellbeing; and
- More inclusive, varied and vibrant communities through empowering people to contribute to decision making and delivering local services.

The impact in respect of the scheme’s investment objectives is as follows:

**Figure 2.6 – Investment objectives and benefits**

<b>Key benefit</b>	<b>Benefit by stakeholder group</b>
Higher energy efficiency of new build properties in the scheme to reduce CO2 emissions from Council buildings and support reduction in the cost of fuel bills.	Tenants Cash releasing savings per dwelling p.a
Higher energy efficiency of refurbished properties in the scheme to reduce CO2 emissions from council buildings and support reduction in the cost of fuel bills.	Tenants Cash releasing savings per dwelling p.a
Improved road safety around the community hub area (Little London only) leading to fewer accidents in the area. - REMOVED	PCT Cash releasing savings in attending accidents and hospital/GP visits Update – this benefit is unlikely to be realised as it related to the community hub and the new one way road layout and traffic calming measures that were proposed within the site. The proposed controlled crossing on Lovell Park Road will not have any impact on accident rates
Investment in public, semi private and private green spaces and outdoor activity areas to improve the quality of these areas through environmental works and ongoing maintenance throughout the life of the contract.	Tenants Non-cash releasing – improved quality of life and environment
Legible and useable cycle and pedestrian routes through the areas improving connectivity with the city centre, which are maintained throughout the life of the contract.	Tenants Non-cash releasing – improved quality of life and environment
Increased access to recycling and waste management facilities (sorting, kerbside or communal areas) providing the infrastructure to support and enable	Council Cash releasing benefits in supporting the integrated waste strategy reducing the Impact on landfill

Key benefit	Benefit by stakeholder group
residents to recycle household waste.	
Increased ecological initiatives in the project areas.	Tenants Non-cash releasing – improved quality of life and environment
Improved communications with local residents and stakeholders during the service period through regular newsletters and tenant liaison meetings leading to local residents who are involved in the regeneration of their neighbourhood.	Tenants Non-cash releasing – improved communications
New training and employment opportunities created.	Council and Tenants Non-cash releasing, improved skills and employment
Improved perception of the neighbourhoods, contributing to the positive image and identity of Leeds.	Council and Tenants Non-cash releasing, improved likelihood of let and property values
Implementation of secured by design measures contributing to improved community safety in the project areas.	Tenants Non-cash releasing – improved quality of life and environment
Demolition of unsustainable properties to create the opportunity future mixed tenure development opportunities	Council and Tenants Non-cash releasing, improved likelihood of let and property values

## 2.8.2 Efficiencies that will derive from the project

### 2.8.2.1 Efficiencies identified at Outline Business Case stage

The City Council sought approval for the joint procurement of the Little London and Beeston Hill & Holbeck projects to realise a number of efficiencies and procurement benefits. The key benefits that the City Council expected to secure and the outcome achieved can be summarised as:-

- **Efficiency in project delivery** – all works will be completed in three and half years some 18 months earlier than originally anticipated due to the scale of operations and parallel construction phasing across both project areas;
- **Reduced Council procurement costs** – reductions in Council internal costs and external advisor fees as measured against two separate procurements (although the extent of these have been reduced by delays in the overall procurement programme);
- **Improved terms for project financing** - the procurement of the combined scheme has reduced the level of due diligence and ensured risk can be managed effectively and has achieved improvements against the Council's shadow Financial model assumptions; should result in cost savings being generated from the financing package;

- **Reduced Capital, FM and lifecycle costs** - the competition process combined with the scale of the jointly procured project have encouraged both bidders to access economies of scale in relation to capital costs, hard FM and lifecycle services;
- **Reduced SPV bidding and operating costs** – a single SPV for both projects has reduced procurement and ongoing administration costs as measured against the same costs for two separate projects and
- **Greater community benefits** – the greater scale of the combined project has led to greater employment and training benefits locally than would have been possible through individual procurement exercises delivered at different times through different contractors.

### 2.8.2.2 Efficiencies identified at Final Business Case stage (Feb 2012)

The City Council placed efficiency in delivery and operation of the project at the centre of its original project scope and has retained these as guiding principles as the scope has evolved and changed. It has also responded positively to the CLG value for money review to identify further savings and efficiencies in the delivery of the project, whilst retaining affordability and deliverability. Subject to approval, the Council expects to see the achievement of a number of significant efficiencies, which can be summarised as follows;

- **Preferred Bidder Final Tender savings** - the Preferred Bidder, SC4L, demonstrated significant savings at Final Tender stage as follows:
  - [REDACTED] savings against the total anticipated project finance costs in the Council's shadow bid model
  - [REDACTED] savings against the total anticipated project input costs in the Council's shadow bid model;
  - [REDACTED] more efficient in project finance costs [REDACTED]
  - [REDACTED] lower first year unitary charge compared to the affordability target;
  - [REDACTED] (nominal) saving on the unitary charge over the total contract life compared to the affordability target; and
  - a comprehensive and commercial payment mechanism position which absorbed [REDACTED] of risk pricing across the life of the project.
- **Capital cost efficiencies** - A direct comparison between the project capital costs assumed at OBC and PPB FBC stage could not be made due to scope change over that period. The City Council believes it has been able to achieve savings of approximately 10% of capital costs (circa [REDACTED]) compared to those assumed in its shadow financial model prior to commencing the refined solutions stage of procurement. Additionally and in response to the CLG value for money review, the Council has removed works to the Little London Community Hub and some demolition works from the project and in so doing removed [REDACTED] of capital infrastructure expenditure not directly associated with the delivery of housing outputs. A further [REDACTED] of minor works savings have also been identified through clarifying the Final Tender new build specification proposals.



- **Operational efficiencies** – the Council has identified further operational efficiencies in response to the CLG value for money review. These amount to savings of [REDACTED] over the contract period through;
  - 3<sup>rd</sup> party damage – the Council has increased its risk share to create a saving of [REDACTED]
  - TUPE transferred staff – the Council has opted to retain risks on employer contribution rates and fund the termination/sufficiency risks for employees in the pension scheme at contract award to create a saving of [REDACTED]
  - Community Hub maintenance – removal of maintenance liability for whole site creates a saving of [REDACTED] and
  - Window cleaning – amendment to an input standard based on set number of cleans per annum, removing half of current cost to create a saving of [REDACTED]
- **Contract management efficiencies** – the Council has applied a ‘zero debtor days’ model to the payment of the Unitary Charge which will enable immediate payment of on a monthly basis of base line unitary charge, with all in month variations, following verification, netted off in future monthly payments on a rolling basis. This provides for an efficient and smooth cash flow through the contract, reduced interest payable on outstanding borrowing and delivers a reduction in the Unitary Charge amounting to [REDACTED] pa.
- **PFI Credit savings** – an overall reduction of £9m in PFI credit support to the project from those allocated at OBC stage including equivalent Council contributions of [REDACTED] to meet additional new build space standards above CLG benchmarks and [REDACTED] to meet costs associated with uplift from CSH3 to CSH4. These contributions will be met from the City Council’s annual revenue affordability contribution to meet the costs of the project, and not by capital contribution.

**A further reduction of [REDACTED] in PFI credit support has been applied by CLG to reflect further reductions in the cost of the project as a result of the capital contribution and bond finance solution.**

- **Energy efficiency (new homes)** - The environmental performance of all new homes constructed in the project will meet the requirements of Code for Sustainable Homes Level 4. Achieving the higher standard will help improve the overall longer term environmental sustainability of these new homes and assist the City Council in it’s drive for carbon reduction. Additionally the higher standard will bring significant reductions in energy costs to heat and run homes with positive benefits longer term for household budgets. Based on costs identified in ‘Cost Analysis of the Code for Sustainable Homes’ (CLG, 2008) this investment represents a 9% “step up” in the environmental sustainability of new homes. The Council will be meeting the cost difference for this uplift in standards from the CLG benchmark from the Code 3 standard approved as part of the original Outline Business Case.
- **Energy efficiency (existing homes)** - Significant improvements in the energy efficiency and internal specification existing Council homes will bring about a significant improvement on the standards required by the Warmer Homes: Greener Homes green paper and achieving the target date for these standards five years earlier than required. The works specification and standards to be achieved on existing homes will see

significant reductions in running costs due to enhanced insulation and reduced energy consumption through the achievement of EcoHomes XB standards.

### 2.8.2.3 Training and employment benefits

The Preferred Bidder will work closely with the City Council’s Skills & Employment service, Job Centre Plus, local schools and colleges and local third sector partners such as Construction Leeds, that are already involved in training and skills activities in the Project Areas to deliver an ‘Opportunities and Learning Strategy’.

This will establish a ‘gateway’ employment model to provide a clear routeway for local tenants and residents (including traditionally hard-to-reach groups) to access the full range of opportunities generated by the PFI investment through taster sessions, basic skills and interview support, basic training, apprenticeships and into sustainable employment within the SPV, its sub-contractors and the supply chain.

The Preferred Bidder anticipates that their proposals will safeguard up to 160 existing jobs within the local economy and create up to 219 new skilled posts through operational works and 41 through services delivery. Over the project lifetime up to 41 Level 1 training outputs will be achieved, 70 Level 2 training outputs or apprenticeships; 48 placement opportunities will be provided during the works period.

The Preferred Bidder has also committed to develop social enterprise within the project areas, through which it estimates additional opportunities may be created. An additional 13 staff will benefit from TUPE transfers. All of the training and employment outputs will be targeted for local people.

The sub-contractor for the Preferred Bidder has a well established supply chain approach taking account of its sustainability objectives and ethical sourcing policy, with an established local supply chain including SME providers, which it would seek to employ as part of the delivery of the programme for the project.

The combination of training, employment and supply chain is part of the Preferred Bidders approach to utilise the investment it undertake to help shape sustainable communities for the future.

### 2.8.3 Project dis-benefits

The main dis-benefits identified are as follows

**Figure 2.7 – Project dis-benefits**

Dis-benefit Category	Dis-benefit Description
Quality of Service	The demolition of current council homes will result in the disturbance and rehousing of existing tenants.

Dis-benefit Category	Dis-benefit Description
Quality of Service	There will be a reduction in the number of council homes and social stock available to rent.
Strategic Fit	As a result of the project there will be an overall loss of green space within the LCC area.
Strategic Fit	The use of land for council housing will prevent land sale that could have generated income to improve environments and/or deliver other council priorities.

## 2.9 Main risks

The main business and service risks (design, build and operational over the lifespan of the scheme) associated with the scope for this project are shown below, together with counter measures. Further details are shown in the project risk register attached at **Appendix 2.5**.

The Project Team has identified a number of potential risks (and related mitigation strategies to manage them) as part of moving forward to financial close as follows

**Figure 2.8 – Key project risks to financial close (April 2013)**

Potential risk	Risk rating	Mitigation
Financial (project costs) increase or not in line with assumptions	Medium	<p>The competitive dialogue process is closed meaning that only matters relating to fine tuning, clarification or confirmation can be progressed prior to contract close.</p> <p>The tender provides for a fixed price with no room for further negotiation except in the circumstances identified below.</p> <p>The main risks relate to;-</p> <ul style="list-style-type: none"> <li>• SWAP rates (for which a buffer currently exists);</li> <li>• bid price validity (which expired in mid-June 2011) was governed by a tender price review linked to BCIS from the end of December 2011</li> </ul> <p>[REDACTED]</p> <ul style="list-style-type: none"> <li>• Construction Inflation where financial close goes beyond March 2012 based on BICS uplift</li> <li>• funding terms worsening (these are kept under review and are subject potentially to a debt funding competition</li> </ul>

Potential risk	Risk rating	Mitigation
		<p>if required) – this risk has increased as evidenced by figure 5.9;</p> <ul style="list-style-type: none"> <li>• Council specification change (not anticipated other than those agreed as part of the VfM exercise); and,</li> <li>• right to buy purchases (a mechanism is in place to protect the City Council from significant losses).</li> </ul> <p><b>PFC FBC further update March 2013</b></p> <ul style="list-style-type: none"> <li>• This risk has been downgraded as the financial model to close has now been produced and all the costs relating to a bond funded solution have been provided and verified;</li> <li>• The preferred bidder has also confirmed that there will be no further application of construction cost inflation prior to financial close; and</li> <li>• There is now a lower risk of funding terms worsening prior to financial close under a bond funded solution.</li> </ul>
<p><b>Amendments are made to contract documents</b></p>	<p><b>Low</b></p>	<p>The Preferred Bidder has provided a full mark up and commentaries of all documents and the vast majority of bidder specific derogations have been signed off. A small number of final derogations, mainly as a result of the VfM review, have already been submitted in draft for comment by HCA.</p> <p>Sub-contractor documentation has not been updated for either bidder since the ISRS submission in the summer of 2009 and will be resolved during the Preferred Bidder period.</p> <p>Insurance advice has been received from the City Council's external advisers Willis on the bid proposals and leave no outstanding issues of concern moving forward.</p> <p><b>PFC FBC further update March 2013</b></p> <ul style="list-style-type: none"> <li>• All derogations (including those in respect of the transparency drafting), with the exception of bond funding related derogations have now been signed off by the preferred bidder and bond funders. A revised PA and schedules was issued to sc4L on 27.03.13;</li> <li>• The remaining derogations will be submitted to HCA/CLG for review by [<b>date to be confirmed by sc4L</b>]; and</li> <li>• The Council has been informed by sc4L that the majority of remaining derogations related to the bond funding solution are in line with issues previously discussed and approved by IUK and should therefore be</li> </ul>

Potential risk	Risk rating	Mitigation
		straightforward to approve.
<b>Unexpected commercial issues arise</b>	<b>Low</b>	<p>This risk is not expected to materialise as the Preferred Bidder has already identified a number of project specific issues which relate to their proposed technical and service solutions which are accounted for in their final tender as follows:-</p> <ul style="list-style-type: none"> <li>• Support with relocation of sub-stations (but with a [REDACTED] contingency which could off-set the Unitary charge if the risk is not realised);</li> <li>• Collateral warranty relating to City Council structural surveys and some risk transfer back to The City Council around survey provisions;</li> <li>• Compensation events for failure to treat Japanese knotweed effectively;</li> <li>• Risk transfer to the City Council for two large development sites in respect of town and village green risk (although this risk will diminish and expire at an early stage of the operational phase of the contract);</li> <li>• Cap and collar approach to pension contributions;</li> <li>• A number of changes to protocols although the majority of these are not viewed as significant; and</li> <li>• A number of other issues where caps on liabilities, provision for compensation events or limits to approaches resulted in a mark down of the overall proposals.</li> </ul> <p><b>PFC FBC further update March 2013</b></p> <ul style="list-style-type: none"> <li>• There is no change to this risk; and</li> <li>• Assured Guaranty has confirmed that they will adopt the previously agreed commercial positions on the project.</li> </ul>
<b>Technical proposals are not clarified</b>	<b>Low</b>	<ul style="list-style-type: none"> <li>• Agreement has been reached on the quantity and quality of technical reference data to be provided by the Preferred Bidder for the City Council to review and approve prior to financial close;</li> <li>• Works and Services fine tuning issues have been identified and will be addressed during the Preferred Bidder period to agreed timescales; and</li> <li>• The risk has reduced due to progress on issues since Final Tender stage.</li> </ul> <p><b>PFC FBC further update March 2013</b></p> <ul style="list-style-type: none"> <li>• There is no change to this risk.</li> </ul>
<b>Planning and</b>	<b>Low</b>	<ul style="list-style-type: none"> <li>• Reserved matters planning approval has been secured</li> </ul>

Potential risk	Risk rating	Mitigation
statutory processes not effectively managed		<p>for all new build, refurbishment and estate proposals. In addition, plans are already in place to progress stopping up requirements, with identified programme mitigation strategies already in place if required.</p> <p><b>PFC FBC further update March 2013</b></p> <ul style="list-style-type: none"> <li>• There is no change to this risk.</li> </ul>
Communications failure	Medium	<ul style="list-style-type: none"> <li>• Briefing with community representatives and elected members has clarified the impact of the VfM exercise on the project scope and timetable. Whilst the reputational risk increases in parallel with the delay to the project, this is being managed and contained at present; and</li> <li>• The risk has reduced due to no major issues to date despite delays to the project.</li> </ul> <p><b>PFC FBC further update March 2013</b></p> <ul style="list-style-type: none"> <li>• There is no change to this risk.</li> </ul>
Inadequate resources and programme	Low	<ul style="list-style-type: none"> <li>• Despite the delays to the project, both the City Council and Preferred Bidder remain committed and have identified significant resources for the procurement and operational phases of the contract. Project management and governance systems are well established with a clear path of approvals mapped prior to financial close;</li> <li>• Critical risk areas have mainly been resolved (programme, planning) or remain on track (rehousing); and</li> <li>• The risk has reduced due to both the Council and Preferred Bidder ready to complete work to close and none into operational phase.</li> </ul> <p><b>PFC FBC further update March 2013</b></p> <ul style="list-style-type: none"> <li>• There is no change to this risk; and</li> <li>• Sc4L has noted that the bid team and all advisor appointments have been confirmed and the project is resourced for financial close by June 2013.</li> </ul>
Lack of readiness for operational phase	Medium	<p>The risk is mitigated as follows:-</p> <ul style="list-style-type: none"> <li>• established and informed contract monitoring team in place;</li> <li>• contract monitoring and reporting systems and operational procedures drafted;</li> <li>• Both ALMOs have been engaged in development of protocols and interface arrangements;</li> <li>• TUPE transfer proposals have been identified and the relevant unions consulted;</li> <li>• IT interface arrangements need to be properly</li> </ul>

Potential risk	Risk rating	Mitigation
		<p>formalised during the Preferred Bidder period; and</p> <ul style="list-style-type: none"> <li>• Programme to mobilise the ALMO's and others has been developed but is being delayed but is being addressed with a detailed mobilisation stage plan.</li> </ul> <p><b>PFC FBC further update March 2013</b></p> <ul style="list-style-type: none"> <li>• There is no change to this risk.</li> <li>• The mobilisation programme is fully developed and just awaiting confirmation of the date for financial close.</li> </ul>

## 2.10 Constraints

The project is subject to the following constraints

### 2.10.1 Time

The Final Tenders were submitted on the basis that financial close could be achieved by December 2010, with a tender price validity period extending 6 months to mid-June 2011. The terms of the Preferred Bidder appointment also assume an overall tender validity period which expires in mid- December 2011.

As Financial Close has been delayed until June 2013 an agreed cost increase mechanism has been agreed with the Preferred Bidder. Any variances to the procurement programme have been reported to Project Board.

### 2.10.2 Cost

CLG set out in the Beeston Hill and Holbeck OBC approval letter on 1<sup>st</sup> April 2008 that Leeds could jointly procure the Beeston Hill & Holbeck scheme with the Little London scheme within a total PFI credit allocation of [REDACTED] HCA/CLG has subsequently approved the City Council's VfM proposals which have reduced the credits allocation to [REDACTED]

The City Council's maximum affordability contribution level of [REDACTED] for the first year of the contract was approved by Executive Board in February 2008. Bidders were required to meet the year 1 and year 6 (first full year of operation) targets as part of their final tender submissions. Any variance beyond the affordability envelope would require Executive Board consideration.

A procurement budget has been agreed with Environment and Neighbourhoods taking account of the delay to the project resulting from the VfM review. The project (affordability) and procurement budgets are both reviewed on a monthly basis by the Project Board.

### 2.10.3 Quality

Quality levels are expressed through the Output Specification at Schedule 2 of the Project Agreement. The Preferred Bidder's final tender proposals meet these requirements and are incorporated into the Contractors Proposals at Schedule 3 of the Project Agreement.

#### **2.10.4 Procurement process**

The procurement process is governed by the Public Contracts Regulations 2006 which provide that, following receipt of final tenders, the City Council may only 'clarify, specify or fine tune' a tender, and that following the identification of the most economically advantageous tender, to 'clarify or confirm commitment' in the tender.

The City Council interpret this to mean that during evaluation it can ask for details which describe the object in question more clearly or more precisely, provided that such clarifications and confirmation do not:-

- have the effect of modifying substantial aspects of the tender or of the call for tender;
- risk distorting competition or causing discrimination;
- alter any element which makes up the evaluation criteria;
- reopen discussion; and
- generally require anything more than a "yes" or "no" answer.

The City Council interpret this to mean that after the appointment of the preferred bidder, it can:-

- undertake detailed design works;
- complete approvals or permit processes;
- confirm arrangements with third parties (e.g. sub-contractors and funders); and
- submit detailed planning applications.

provided that such actions are in accordance with the form of final tender and the principles set out above.

#### **2.11 Dependencies**

The project is subject to the following dependencies that will be carefully monitored and managed throughout the lifespan of the scheme. The City Council has identified the following dependencies (external factors) in order to successfully progress the Preferred Bidder Stage:-

- timely approval of the Pre Preferred Bidder FBC (confirmed on 18<sup>th</sup> October 2011);
- timely approval of the Pre Financial Close FBC, Section 27 consent and issue of the promissory note by HCA;
- the preferred bidder's approvals process running to time;
- timely resolution of fine-tuning issues with the preferred bidder;
- no challenges during the Alcatel and Judicial Review periods.

#### **Section 2 Appendices**



- Appendix 2.1 – Scope changes since OBC**
- Appendix 2.2 – Value for money proposals for HCA/CLG – April 2011**
- Appendix 2.3 – City Council approvals to submit the revised PPB FBC**
- Appendix 2.4 – CLG/HCA approval of VFM proposals – June 2011**
- Appendix 2.5 – Project risk register (updated)**

### **3 THE ECONOMIC CASE**

#### **3.1 Introduction**

A detailed option appraisal has been undertaken by the City Council to analyse the range of options for achieving the housing and regeneration objectives identified for the projects.

This section describes the process which has been followed and presents the outcomes of the option appraisal process. The appraisal included a strategic assessment and detailed evaluation of options available for each element of the stock.

#### **3.2 Critical success factors**

The critical success factors identified for the project were as follows:-

- Regenerate the neighbourhoods to produce sustainable communities as part of the process to improve the social and living conditions in the areas (Areas in lowest 10% of social deprivation);
- Provide a sustainable mix of housing and housing tenure through replacement of low demand unsustainable Council housing;
- Bring the remaining Council housing stock up to the Decent Homes Standard
- Improve the energy efficiency of the housing stock and minimise fuel poverty in the areas;
- The programme of change should seek to design in improved security for the homes and neighbourhoods and thereby reduce the incidence and fear of crime.
- The programme of change should improve environmental sustainability across the neighbourhoods through reduced waste, increased recycling, improved amenity space and contribute to sustainable transport arrangements;
- The regeneration programme should benefit the local communities through contributing to improved access to training, employment and the reduction reliance on means tested benefits to supplement household income.

#### **3.3 The long listed options**

The city-wide option appraisal to select the investment route to achieve the Decent Homes Standard was undertaken in 2001/02. The outcome of this appraisal resulted in the formation of the six ALMOs in February 2003. It included an appraisal of the 'Do Nothing' approach, which was not considered viable. The number of ALMOs was reduced to three in 2007.

The long list of options for funding and delivering the outcomes from the stock appraisal exercise were:-

- ALMO Decency option using Supplementary Credit Approvals (SCAs) as the source of additional funding;

- Regeneration via a PFI contract and complementary Development Agreements with the private sector;
- Stock transfer; and
- Joint venture partnership.

The following table summarises the assessment of each:-

**Figure 3.1 – Long list of options**

<b>Option</b>	<b>Comments</b>
<b>ALMO Option</b>	<ul style="list-style-type: none"> <li>• ALMO Decent Homes option already approved by CLG as an option.</li> <li>• ALMOs have secured two star rating following 2004 inspection and as a result can access additional funding available to high performing ALMOs.</li> <li>• Potential funding to carry out Decent Homes works where required.</li> <li>• Some funding for environmental improvements, but very limited.</li> <li>• New build only possible to replace stock through separate affordable housing bids.</li> <li>• Separate arrangements/delivery vehicle required for development sites – comprehensive scheme more difficult to develop.</li> <li>• Compilation of required funding to cover all needs more complex and could not be assured.</li> <li>• Shortest time scale of all options to commence action.</li> </ul>
<b>PFI with Development Agreements</b>	<ul style="list-style-type: none"> <li>• Leeds has already developed a viable scheme under the CLG housing PFI programme.</li> <li>• PFI approach offers option to undertake comprehensive programme of action across all required areas of improvement: Decent Homes, new affordable homes, sustainable housing mix, environmental and energy sustainability improvements.</li> <li>• Potential to secure required level of funding via PFI credits to carry out required refurbishment of retained homes, to build new City Council homes, and for significant environmental improvements</li> <li>• Potential to create new mixed tenure housing and neighbourhood developments, via a linked Development Agreement.</li> <li>• Market interest established in comprehensive development.</li> <li>• Longer time scale than Decent Homes option to implement, but lower than other two options.</li> </ul>
<b>Stock Transfer</b>	<ul style="list-style-type: none"> <li>• Negative Value Stock – a significant dowry would be required.</li> <li>• Option may only tackle the housing stock issues.</li> <li>• Requires majority of tenants to support the option in a ballot as a change of ownership is involved.</li> <li>• Strategic option of stock transfer not supported by tenants under the Leeds ‘Going Local’ consultation in 2001/2.</li> <li>• Extended timescale and resource requirement to prepare business case and implement proposal.</li> </ul>

<b>Joint Venture</b>	<ul style="list-style-type: none"> <li>• Suitable to deliver private sector development and new homes.</li> <li>• Does not deliver investment in the City Council stock, which has a high investment need.</li> <li>• Comprehensive scheme linking investment in City Council stock with other redevelopment more difficult to develop.</li> <li>• The development opportunity is too small to attract private sector interest – insufficient ‘critical mass’ compared to other regeneration projects e.g. EASEL (East and South East Leeds Regeneration Project).</li> <li>• Significant timescale to get partnership in place, but lower resource requirement than Stock Transfer Option).</li> </ul>
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Taking into account the factors described above, two options were considered realistic and worthy of full evaluation, Decency via the ALMO Option and the PFI Option.

### 3.4 The short listed options

The detailed option appraisal analysis for each element of the project was undertaken at different times and on a slightly different basis. This was in part driven by the different nature of the project areas, with the Little London project confined to a single estate and the Beeston Hill & Holbeck project comprising a large estate and a number of dispersed infill development sites.

For the Little London project, the shortlisted options were assessed against the extent to which they supported strategic regeneration objectives as outlined in the table below:

**Figure 3.2 – Shortlisted options – Little London**

Strategic Objective	Comprehensive Regeneration	Decency
<p><b>Regeneration Plan Objective: Community</b> – stable mixed community with the opportunity for people to live healthy, safe and successful lives</p> <p><b>Housing Strategy Objective</b> - To ensure that all neighbourhoods across the City are “decent places” where people want to live To achieve decent homes for all Leeds residents</p>	<ul style="list-style-type: none"> <li>• Refurbishment of 922 Council homes to Decency Plus standards - 100% renewals of most major components by 2013; maintained at improved standard for 20 years.</li> <li>• Demolition of 40 maisonettes at Carlton Gate and Carr and 102 multi-storey flats at Carlton Towers and replacement with 125 new Council</li> </ul>	<ul style="list-style-type: none"> <li>• Refurbishment of approx 1300 Council homes to Decent Homes Standard – renewal of major components where required to meet the standard (i.e. not 100% renewals) by 2010; normal repairs and maintenance continues after 2010.</li> <li>• Demolition of Carlton Gate and Carr maisonettes being considered, but would not be replaced with</li> </ul>

	homes to modern standards	new Council homes.
<p><b>Housing Strategy Objective</b> - To tackle difficulties or disadvantages in accessing housing or housing services</p>	<ul style="list-style-type: none"> <li>• Increased choice and changes to tenure mix by disposal of 297 multi storey flats at Lovell Park Grange, Heights and Towers for refurbishment for sale with a high proportion being affordable and for low cost home ownership</li> <li>• Increased choice and changes to tenure mix by disposal of sites in Council ownership for development of an estimated minimum of 90 new homes for sale, a high proportion of which are to be affordable and for low cost home ownership</li> </ul>	<ul style="list-style-type: none"> <li>• Existing stock largely retained</li> <li>• Limited opportunities for redevelopment to increase choice and accessibility (e.g. if Carlton Gate &amp; Carr maisonettes demolished)</li> </ul>
<p><b>Regeneration Plan Objective Environment</b> – safe, clean areas and well maintained environment</p> <p><b>Housing Strategy Objective</b> - To ensure that all neighbourhoods are ‘decent places’ where people want to live</p>	<ul style="list-style-type: none"> <li>• Comprehensive environmental, permeability and access, parking, and community safety improvements across the area</li> <li>• Redevelopment and redesign of neighbourhood centre site to improve community safety and provide mix of local amenities, including shops, community centre, outlet for housing management services, and potentially GP services (subject to GP/PCT support)</li> </ul>	<ul style="list-style-type: none"> <li>• Limited programme of environmental improvements</li> <li>• Limited works to shops on neighbourhood centre site</li> </ul>

For the Beeston Hill & Holbeck project, individual sites were assessed against the potential options with the following outcomes:

**Figure 3.3 – Site by site options – Beeston Hill & Holbeck**

Stock Type/Site	Overall Outcome of Main Panel	Rationale for decision
A - Holbeck Towers (Myton High Rise)	PFI Clearance and redevelopment	Clearance and redevelopment was the overall recommendation of the sub panels. This was based on the high costs of refurbishment and the environmental and housing improvements that would be achieved including new council homes for rent and improvements to the physical environment. The consultation result supported redevelopment.
B – Meynell Heights (Wimpey High Rise)	PFI Clearance and redevelopment	Clearance and redevelopment was the overall recommendation of the sub-panels. The main panel considered cost and life-cycle issues and agreed that despite costs of both options being similar, redevelopment and replacement of the City Council units within the scheme was preferred as it secured new City Council properties that would be sustainable over a much longer period (approx 60 years). The panel also considered the overall benefits of redevelopment in relation to the proximity of the Holbeck Towers site. The consultation result supported redevelopment.
C – Bismarcks (Brick built maisonettes and flats)	PFI Clearance and redevelopment	Clearance and redevelopment was the overall recommendation of the sub-panels. Although the consultation result was in favour of retaining the properties and undertaking decency works, this was not considered a sustainable option in the long term due to high turnover within existing properties and environmental issues including poor layouts and a lack of defensible space.
D - Malvern Rise (Brick built maisonettes and flats)	PFI Clearance and redevelopment	Clearance and redevelopment was the overall recommendation of the sub-panels. Although the consultation result was in favour of decency works to the properties, the result was close with the second preference being clearance and redevelopment. The Main Panel considered the high turnover levels, environmental issues and the potential to create improved housing through redevelopment.
E - St Luke's Green (Brick built maisonettes and flats)	PFI Clearance and redevelopment	Clearance and redevelopment was the overall recommendation of the sub-panels. The Main Panel also considered the low response to the consultation and the relatively small number of residents affected.
F - Malvern Road	PFI Clearance and	Clearance and redevelopment was the overall recommendation of the sub-panels. The Main Panel

Stock Type/Site	Overall Outcome of Main Panel	Rationale for decision
Maisonettes (Brick built maisonettes)	redevelopment	noted that the consultation result was in favour of decency improvements but also considered the low response and the small number of residents affected. The Main Panel also considered the poor layout of the properties.
G - Fairfax Road (A1Fs)	PFI Clearance and redevelopment	The Main Panel considered the sub-panel recommendation and the consultation result for decency improvements but agreed that the preferred option was for clearance and redevelopment. This decision was taken following further assessment of the costs involved and consultation with local ward members.
H - Maisonettes, Area Wide (Brick built maisonettes)	PFI Clearance and redevelopment	The Main Panel ruled out the sub-panel's result of decency as it was not a sustainable option for these properties. Following further assessment of the feasibility of conversion and consultation with local ward members, Main Panel agreed the preferred option of clearance and redevelopment for these properties.
I - Bed-sits, Area Wide (Brick built bed-sits)	Omit from PFI contract	The Main Panel has concluded that these properties should be excluded from the PFI contract and that a conversion option should be considered.
J - Ingram Court (Sheltered housing)	PFI Conversion	Conversion was the overall recommendation of the sub-panels. Decency was ruled out as it was not a sustainable option for sheltered provision. The Main Panel also noted the support of tenants for the conversion option.
K - Holbeck Low Rise Stock (Traditional brick built)	PFI Refurbishment: Decency improvements through PFI	The recommendation of the sub-panels was for decency improvements through PFI scheme. The Main Panel considered the popularity and stability of this stock type when agreeing this level of investment in the properties.
L - Holbeck Back To Backs (Brick built terraced housing)	PFI Refurbishment of Type IIIs and through terraces	The Main Panel agreed to the refurbishment using PFI credits of the Type III Back-to-Backs and terraced properties. They considered that these properties were sustainable in the long term with some investment. Some Type II properties were removed from the PFI scheme and will be brought to Decency Standards by Aire Valley Homes Leeds.

The City Council concluded in the case of both projects that the preferred option would be to proceed on the basis of the PFI with Development Agreement approach. This was therefore the basis for the procurement approach which commenced in July 2007.

Following the impact of the housing and financial market collapse in 2008 a review was undertaken in March 2009 on the proposed scope of the regeneration to be undertaken by the PFI option (as noted in 3.5.5 below). Overall there was no change to the preferred strategic option, however the goals of the extent of regeneration capable of being achieved under the then current housing and financial market conditions. The following changes were made to the overall approach:-

- Removal of the linked Development Agreement for the creation of new private sector homes for sale or rent , to be separately developed once the housing market conditions had improved;
- Change of option for one site (B – Meynell Heights (Wimpey High Rise) – Figure 3.3 above) from redevelopment to refurbishment, reflecting the results of costs values and outcomes received as part of the ISDS procurement submission at that time;
- Inclusion of the redevelopment of the Little London Community Hub neighbourhood centre into the PFI contract proposals (now omitted as part of the 2011 VFM proposals).

### **3.5 The procurement process**

#### **Little London OBC**

The Little London OBC was endorsed by Treasury Project Review Group (PRG) on 21st November 2006 and was part of the round two bids for PFI credits. PRG approved [REDACTED] of credits subject to the City Council completing a detailed stock condition survey for the tower blocks prior to launching the procurement.

PRG subsequently approved a proposal by the City Council which allowed the survey work to be completed in parallel with the procurement commencing.

An OJEU notice, setting out a lots approach was published on 20th July 2007. This approach enabled the City Council to progress the Little London project independently or as part of a larger project with Beeston Hill & Holbeck, subject to government approval.

#### **Beeston Hill & Holbeck OBC**

The Beeston Hill & Holbeck project was included as part of the round 5 programme of PFI credits in early 2007 and the City Council developed its OBC and submitted this in November 2007.

The City Council, with the support of CLG, developed the OBC with an additional chapter setting out the case for the joint procurement of the Little London and Beeston Hill & Holbeck projects. The OBC and the procurement approach were endorsed by PRG on 18th March 2008.



### 3.5.1 Procurement approach and Award Criteria (long list criteria)

The project has been promoted under the competitive dialogue procedure in accordance with the Public Procurement Regulations. Bids have been developed and evaluated in a series of stages (PQQ, ISOS, ISDS, and ISRS/Final Tender). The main bid requirements at each stage are shown at **Appendix 3.1**.

The project award criteria and sub-criteria were approved by Project Board on 16 November 2007 and issued to bidders at ISOS, ISDS and ISRS. The criteria have been developed (but not changed) to take account of the more detailed bid deliverable requirements at successive stages.

Amendments were made to take account of the de-scoping exercise and this resulted in elements of the Development Agreement award criteria not being scored at Final Tender, reducing the total from 100% to 93.5%.

The main award criteria used throughout the project along with the relevant weightings are shown below:

**Figure 3.4 – Award criteria – Final Tender stage**

<b>Award Criteria</b>	<b>Weighting</b>
<b>Bid Integrity</b>	
Overall capacity and co-ordination of consortium	5%
Completeness and deliverability of proposals and programme	5%
<b>SUB-TOTAL</b>	<b>10%</b>
<b>Works</b>	
New Dwellings – Design & Construction Requirements	5%
General Design, Construction, Refurbishment and Maintenance	10%
Environmental Improvements	3%
Resident Liaison & Customer Services	7%
<b>SUB-TOTAL</b>	<b>25%</b>
<b>Services</b>	
Service design & delivery statement	5%
Service delivery plan	10%
<b>SUB-TOTAL</b>	<b>15%</b>
<b>Legal and Commercial</b>	
Land issues	3%
Works arrangements	2%
Services (including TUPE/pensions/employees)	2%
Payment & re-financing	1.5%
Termination and compensation on termination	1.5%
Indemnities, Insurance, Damage	3%
General (excl, Indemnities, Insurance & Damage)	3%
Protocols	4%
<b>SUB-TOTAL</b>	<b>20%</b>
<b>Development Agreement</b>	

Award Criteria	Weighting
Deliverability (Financial and Technical)	1%
Commercial and Risk	2.5%
<b>SUB-TOTAL</b>	<b>3.5%</b>
<b>Finance, Corporate Structure &amp; Payment Mechanism</b>	
Payment Mechanism and Right to Buy	8%
Financial Robustness	10%
Acceptance of Risk transfer (inc. insurance, cost movement and affordability)	2%
<b>SUB-TOTAL</b>	<b>20%</b>
<b>GRAND TOTAL</b>	<b>93.5%</b>

### 3.5.2 Pre-qualification stage

Four Pre-qualification Questionnaires (PQQs) were received on 4th September 2007 from well-developed experienced bidding consortia. The evaluation team, led by the Project Director, considered all four should be recommended to proceed to the next stage. This was approved by the PPP/PFI Housing Project Board on 8th October 2007. Details of the consortia shortlisted at PQQ stage are included below:

Figure 3.5 – PQQ approved bidding consortia

Consortium name	Relevant Organisations	Advisers
Community Solutions for Regeneration Limited (CSR)	[REDACTED]	[REDACTED]
Sustainable Communities for Leeds (sc4L)	[REDACTED]	[REDACTED]
Solutions for Leeds <sup>3</sup>	[REDACTED]	[REDACTED]

[REDACTED]

Consortium name	Relevant Organisations	Advisers
(S4L)	[REDACTED]	[REDACTED]
Regenter Limited	[REDACTED]	[REDACTED]

### 3.5.3 Outline Solutions stage (ISOS)

The Outline Solutions stage commenced in November 2007 and assessed bidders' responses to the following areas:-

- approach to risk allocation, phasing, surveys, future development sites;
- certain specific provisions/requirements in the Output Specification;
- approach to delivering the output specification for specific archetypes, including working with tenants in-situ;
- designs for two exemplar sites; and
- proposals on how works and services would be delivered for an exemplar site.

Design workshops commenced at this stage using the established Design Champion process to assist the bidders in the design development for the two exemplar sites. Outline solutions were submitted in February 2008, and bidders presented the main elements of their bids to key members of the evaluation team, prior to the submissions being evaluated by the relevant workstreams.

Bids were considered on the basis of the lots published in the OJEU, but bidder rankings were the same irrespective of the lot selected. Following the outcome of Project Review Group (PRG) and the approval of the Beeston Hill & Holbeck OBC, The City Council confirmed to bidders that it would only proceed with Lot 3; namely joint procurement of the two schemes. On 8<sup>th</sup> April 2008 Project Board approved the evaluation team's recommendation that the top three scoring bidders proceed to ISDS as shown in figure 4.2 below:

---

[REDACTED]
------------

Figure 3.6 – ISOS evaluation outcome

LOT 1 - LITTLE LONDON	CSR	REGENER	S4L	SC4L
Bid Integrity	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Works	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Services	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Legal & Commercial	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Development Agreement	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Financial, Corporate Structure & Payment Mechanism	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>TOTAL</b>	<b>57.19%</b>	<b>67.60%</b>	<b>55.62%</b>	<b>63.48%</b>
<b>Ranking</b>	<b>3</b>	<b>1</b>	<b>4</b>	<b>2</b>
LOT 2 - BEESTON HILL & HOLBECK	CSR	REGENER	S4L	SC4L
Bid Integrity	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Works	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Services	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Legal & Commercial	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Development Agreement	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Financial, Corporate Structure & Payment Mechanism	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>TOTAL</b>	<b>56.04%</b>	<b>66.95%</b>	<b>54.89%</b>	<b>62.90%</b>
<b>Ranking</b>	<b>3</b>	<b>1</b>	<b>4</b>	<b>2</b>
LOT 3 - JOINT PROCUREMENT	CSR	REGENER	S4L	SC4L
Bid Integrity	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Works	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Services	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Legal & Commercial	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Development Agreement	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Financial, Corporate Structure & Payment Mechanism	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>TOTAL</b>	<b>56.69%</b>	<b>67.10%</b>	<b>55.12%</b>	<b>62.98%</b>
<b>Ranking</b>	<b>3</b>	<b>1</b>	<b>4</b>	<b>2</b>

At this stage, the relative composition of the bidding consortia moving forward had been updated as follows.

Figure 3.7 – ISOS approved bidding consortia

Consortium name	Relevant Organisations	Advisers
Community Solutions for Regeneration	[REDACTED]	[REDACTED]

Consortium name	Relevant Organisations	Advisers
Limited (CSR)	[REDACTED]	[REDACTED]
Sustainable Communities for Leeds (sc4L)	[REDACTED]	[REDACTED]
Regenter Limited	[REDACTED]	[REDACTED]

Detailed feedback sessions were held with both the shortlisted and unsuccessful bidders.

### 3.5.4 Detailed Solutions stage (ISDS)

The Detailed Solutions stage commenced in June 2008, and a briefing session was held with the bidders to update them on the current position, the ISDS process and the key deliverables. A key element of the ISDS stage was developing the designs to RIBA stage C or D, and an intensive series of design meetings took place with bidders.

Bidders submitted their proposals in October 2008 and each presented the key elements of their bid to the City Council's project team. Each workstream group completed a report and scored its area of expertise, and these were considered by a Main Evaluation panel on 22nd December 2008. The ISDS evaluation outcome is shown at figure 4.4 below.

**Figure 3.8 – ISDS evaluation outcome**

	CSR	REGENER	SC4L

<b>Bid Integrity</b>			
<b>Works</b>			
<b>Services</b>			
<b>Legal &amp; Commercial</b>			
<b>Development Agreement</b>			
<b>Financial, Corporate Structure &amp; Payment Mechanism</b>			
<b>TOTAL</b>	<b>53.88%</b>	<b>57.76%</b>	<b>55.22%</b>
<b>Ranking</b>	<b>3</b>	<b>1</b>	<b>2</b>

It was clear at this point that bidders would be unable to deliver the private housing for sale and additional City Council requirements as a result of housing market collapse. As a result, the City Council began dialogue with HCA around the options for progressing the project.

The panel concluded that whilst all three bids received were capable of being taken forward to the next stage, its recommendation to Project Board was that the top two scoring bidders only, [REDACTED] and Sustainable Communities for Leeds (sc4L) should proceed to ISRS. This was approved on 2nd February 2009.

Detailed feedback was provided to both the short-listed and unsuccessful bidders on the strengths and weaknesses of their submissions. Bidders were also given the opportunity feed back on the ISDS stage and this was taken into consideration at ISRS. It was at this stage that the de-scoping of the project took place.

### 3.5.5 Refined Solutions stage (ISRS) (short list)

The Refined Solutions stage commenced in March 2009, following Executive Board and HCA approval of the de-scoping exercise proposed by the City Council. The key requirements of the ISRS stage are summarised below:-

- Details of how they had worked with the Community Advisory Groups and how they had taken their comments into consideration;
- Additional objectives in terms of supporting Council regeneration partnerships, supply chains & purchasing and their training & employment strategy;
- Detailed programmes in relation to RDD, mobilisation & delivery;
- Full Property information;
- Development of design solutions to a sufficient level to achieve planning approval;
- Additional legal bid deliverables such as Heads of Terms, Credit Agreement key terms and parent company guarantee;
- The Development Agreement section tested bidders on their overall approach to the Community Hub requirements including whether it is fit for purpose, flexible, functional and with regeneration benefit. It also tested their approach to retail provision; and
- An interim financial model.

### 3.5.6 Competition, quality and outputs at final tender stage

The City Council believes that the strength of the bidding consortia at refined solutions stage assisted its ability to secure high quality final tenders across every aspect of the bid requirements.

Interim submissions of the Final Tender bid deliverables were requested in August and October 2009 and assessed by each of the workstreams. This process gave the City Council an opportunity to review the majority of the bid deliverables and to check that bids remained within the approved affordability thresholds required. Bidders also attended Plans Panel meetings in September 2009 to discuss and receive feedback on their designs, which was then taken into consideration in subsequent iterations of their designs.

The City Council used the interim submission assessment to give detailed feedback to bidders so that they could strengthen their bids and made them fully aware of the evaluation impact that their technical proposals and commercial positions would have on final tender scores.

The City Council has taken a hard negotiating position in terms of the affordability targets it expected bidders meet which has had the effect of forcing capital costs down by around 15% against the City Council's shadow financial model estimates, whilst continuing to meet and in some case exceed initial quality standards.

The Design Champion process has been used to achieve high quality outcomes in terms of urban design and to secure Code for Sustainable Homes level 4 for new build properties and EcoHomes XB standards for refurbishment properties and to make both sets of bidder proposals suitable for submission for detailed planning at final tender stage.

A highly detailed output specification has ensured that a broad range of other important quality standards e.g. Lifetime Homes, Secured by Design, Building for Life have been achieved.

The inclusion of specific bid deliverables and the active engagement of the City Council's Jobs and Skills Service has helped to provide a higher degree of certainty around the opportunities to promote employment and training opportunities through the project.

### **3.5.7 Call for Final Tenders**

Bidders effectively completed the design and technical proposals for their final tenders by the end of February 2010. At that point, other than refinements to the bid deliverables, the focus switched to completing the bidder derogation process with HCA. Final versions of the bidders' Project Agreements were sent to HCA in May 2010.

The bidder derogations were satisfactorily resolved with HCA in August 2010, and at this time, the Director of Environments and Neighbourhoods gave approval in principle to Call for Final Tenders, subject to obtaining formal approval to proceed from HCA and CLG.

There was a delay in obtaining this approval as a result of CLG requirements in relation to the Comprehensive Spending Review. However, HCA advised the City Council that it could proceed to Call for Final Tenders on 7th September 2010 and the Director gave formal approval to allow the call to be made on 8th September. Bidders agreed that they

were in a position to submit their final tender proposals within two weeks as a result of the earlier preparation undertaken.

The final composition of the bidding consortia (including funders) for each of the final two bidders was as follows

**Figure 3.9 – Final tender consortia**

<b>Relevant Organisations</b>	<b>Advisers</b>
<b>Sustainable Communities for Leeds (sc4L)</b>	
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
<b>Regenter Limited</b>	
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]

The final composition of the preferred bidding consortia (including funders) is as follows:

**Figure 3.10 – Post Final tender consortia**

<b>Relevant Organisations</b>	<b>Advisers</b>
<b>Sustainable Communities for Leeds (sc4L)</b>	
<b>Equity providers:</b> Keepmoat, Equitix, Lloyds Bank	<b>Finance</b> - BDO Stoy Hayward <b>Legal</b> - Kirkpatrick & Lockhart



Relevant Organisations	Advisers
<p><b>Cyril Sweett Ltd</b> –Bid &amp; Project Management  <b>Frank Haslam Milan</b> – Design &amp; Build contractor  <b>Keepmoat</b> [REDACTED] - FM contractor  <b>Michael Hyde</b> – Architect  <b>Gillespies</b> –Landscape architect</p> <p><b>Funders:</b>  <u>Bond finance organised through Assured Guaranty</u></p>	<p>Preston Gates Ellis LLP  <b>Technical</b> – Cyril Sweett  <b>Insurance</b> – Willis Ltd</p> <p><b>Legal</b> - Camerons Mackenna</p>

### 3.5.8 Evaluation methodology

The City Council received two compliant, affordable Final Tenders on 22<sup>nd</sup> September 2010. These were subject to a detailed evaluation process undertaken in accordance with the approved evaluation methodology and scoring system as required by the City Council's governance procedures.

The Final Tender Evaluation Methodology document is attached at **Appendix 3.2** and describes the approach adopted. The methodology confirms the role, membership and areas of responsibility for each of the workstreams assigned to review specific areas of the final tender submissions.

The evaluation teams included members of the procurement/contract management teams, staff with specialist or specific knowledge from within the wider Council around sustainability, I.T pensions and insurance. Evaluation groups were supported by the City Council's external legal, financial and technical advisers.

In line with approved City Council guidance, relevant Trade Unions received anonymised copies of the final tender submissions relating to TUPE transfer for review and some sessions were attended by a Union representative.

CAG members were also given the opportunity to review the sections of the bid submissions which were of most interest to them and their comments informed the City Council's evaluation process. Representatives from each CAG group, accompanied by the ITA, attended the relevant evaluation session as observers.

### 3.5.9 Evaluation Outcome – Final Tender stage

A final evaluation panel was held on 18th October 2010. Both bids received very high overall scores and represented significant qualitative improvements on the bids evaluated at ISDS. Both met the City Council's requirements, with only fine tuning issues remaining, and Project Board would have been able to recommend either of the bidders to take the project forward, noting that the quality of bidder submissions was amongst the highest seen across all projects in recent years.

However, the qualitative assessment demonstrates a significant margin between the bidders and confirms that the highest placed bidder was assessed as providing the best

solution against each of the main award criteria as well as the highest overall qualitative score making it comprehensively the better bid as summarised below for each bidder:

**Figure 3.10 – Final tender evaluation outcome**

	Maximum Available Score	Regenter	SC4L
<b>Bid Integrity</b>	10%	██████████	██████████
<b>Works</b>	25%	██████████	██████████
<b>Services</b>	15%	██████████	██████████
<b>Legal &amp; Commercial</b>	20%	██████████	██████████
<b>Development Agreement</b>	3.5%	██████████	██████████
<b>Financial, Corporate Structure &amp; Payment Mechanism</b>	20%	██████████	██████████
<b>TOTAL</b>	<b>93.5%</b>	<b>63.47%</b>	<b>69.30%</b>

Based on the above, the recommendation of the City Council was that SC4L should be appointed as preferred bidder for the project.

### 3.5.10 Recommended Preferred Bidder

The following summary provides the main reasons why SC4L have been proposed as preferred bidder for the Little London, Beeston Hill & Holbeck project

#### Bid Integrity

- a high level of detail combined with a significant SPV resource provided a high level of certainty that the project outcomes could be delivered;
- roles, responsibilities and resources were appropriately allocated according to each stage of the contract;
- a comprehensive and robust preferred bidder and mobilisation programme gave confidence that the bidder would be able to manage the ambitious timescales leading to financial close and into service commencement;
- the approach to communications is seen as a particular strength; and
- the proposed approach to training and employment was considered deliverable and realistic;
- the overall consistency demonstrated throughout the bid gave confidence of a well organised and co-ordinated approach to ensure project delivery.

#### Works

- all of the Output Specification's challenging performance standards have been met and some exceeded;
- a very good response to the new build design requirements in both project areas with a high degree of certainty received through the active involvement of the building sub-contractor in developing and pricing proposals;
- the proposals for management of the construction programme were coherent and comprehensive;
- proposals for Resident Liaison were considered to be of a very high standard.

## Services

- very high standard generally leaving few issues that required further development into fine tuning, with the exception of the approach to IT and TUPE;
- customer access and liaison elements of the bid are seen as a particular strength;
- contract management reporting proposals were clearly evidenced, accurate and properly developed; and
- A number of value added proposals have also been proposed.

## Development Agreement

- the community hub proposals integrate well with existing uses and diverse building forms and uses are knitted well together;
- retail units appear capable of delivering rental values at market rates and will be of a higher environmental specification;
- a local SPV office should provide operational benefits
- the works phasing for the community hub offering continuity of all existing services, with only the housing office requiring a temporary facility was highly valued
- future development capacity was appropriate in scale, deliverable and will integrate well with existing uses.

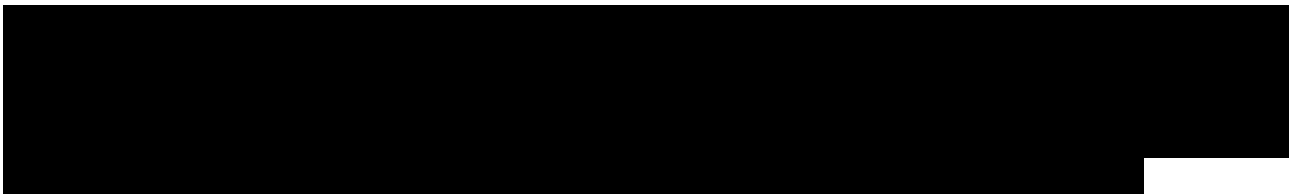
## Finance, corporate structure and payment mechanism

- the City Council's commercial position for the payment mechanism was accepted without issue;
- the financial robustness of the bid was seen as strong with all the main sub-contractors having very positive credit ratings;
- the funding proposals and terms were on market and robust; and
- overall comprehensive, robust and well evidenced with a high level of certainty.

### 3.5.11 Preferred Bidder – draft appointment letter

The City Council has updated the Preferred Bidder appointment letter and a revised copy is attached at **Appendix 3.3**. The appointment letter identifies the remaining issues that require fine tuning or clarification with the Preferred Bidder following appointment.

### 3.5.12 VfM scope changes and procurement risk analysis



[Redacted]

[Redacted]

[Redacted]

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

[Redacted]

[Redacted]

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

[Redacted]

[Redacted]



## **3.6 Economic appraisal**

### **3.6.1 Introduction**

The City Council carried out a comprehensive options appraisal of the Little London and the Beeston Hill and Holbeck procurements at their separate OBC stages as highlighted above.

In this section we will consider the economic appraisal carried out on the final tender bid submissions to confirm that the successful bidder offers value for money from both a qualitative and quantitative value for money perspective at the Final Tender stage of the procurement.

The short-listed option will then be further considered from a risk adjustment perspective to show that it offers value for money to the public sector by comparing the PFI delivery route to the equivalent Public Sector Comparator (PSC).

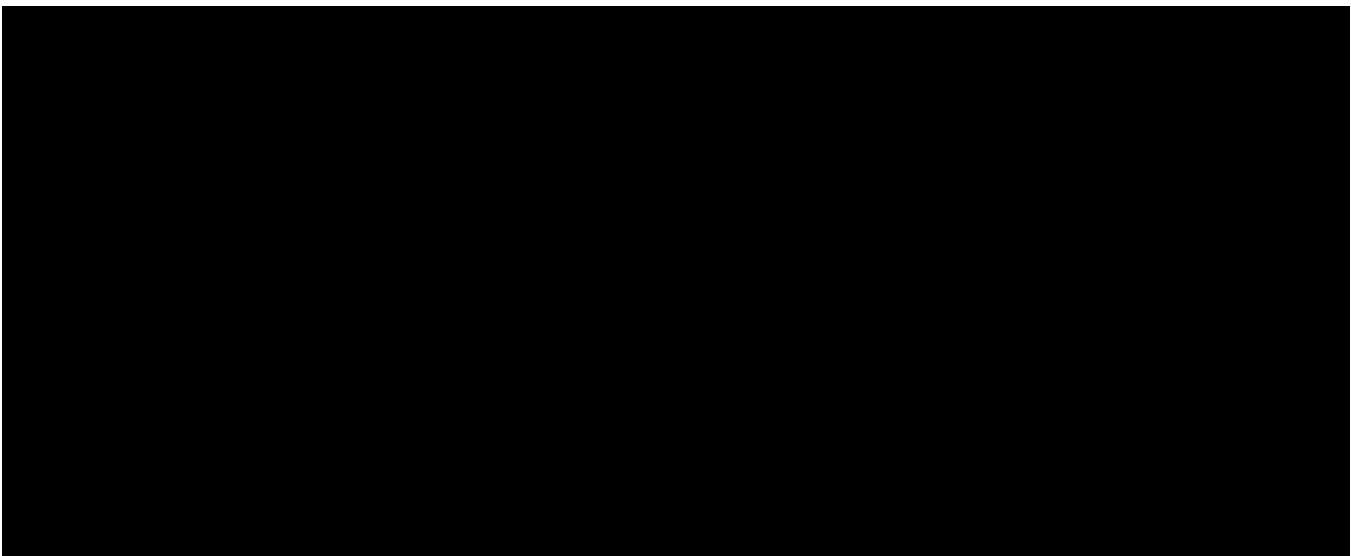
### **3.6.2 Estimating benefits**

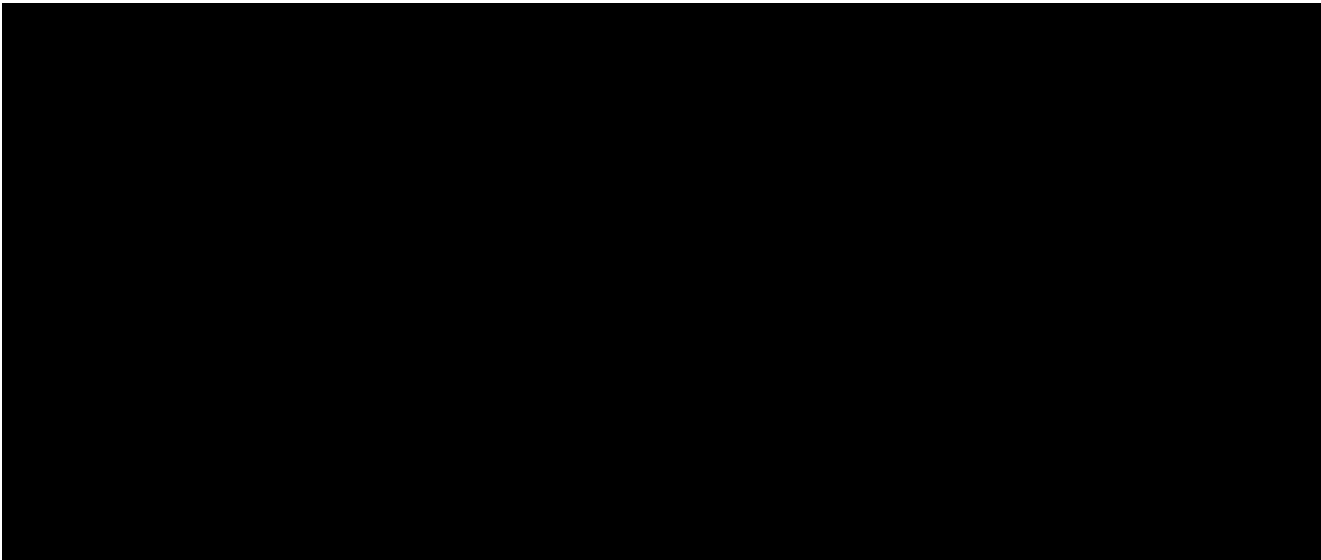
As shown above in figure 3.10 the Sc4L bid achieved a higher score than Regenter in each of the 6 evaluation categories, with further justification and reasons given in section 3.5.10. This shows that the Sc4L bid provided the best option from a qualitative point of view.

### **3.6.3 Estimating costs**

A summary of the Bidders' project costs and revenues is shown in the table below, analysing the underlying costs and revenues at a high level. It is this build up of cost that determines the price over the course of the concession.

#### **Figure 3.11 – Summary of Project costs and income (Nominal)**





As evidenced from the above table, sc4L has a higher cost for initial capital expenditure but lower lifecycle spend as compared [REDACTED]. This position was consistent throughout the dialogue phase of the Project and has been explained as [REDACTED] taking the view that certain dwellings would not require a full refurbishment package during the core investment period and as such proposed to defer expenditure to their lifecycle programme.

With respect to other material cash flow differences the following comments can be made:-

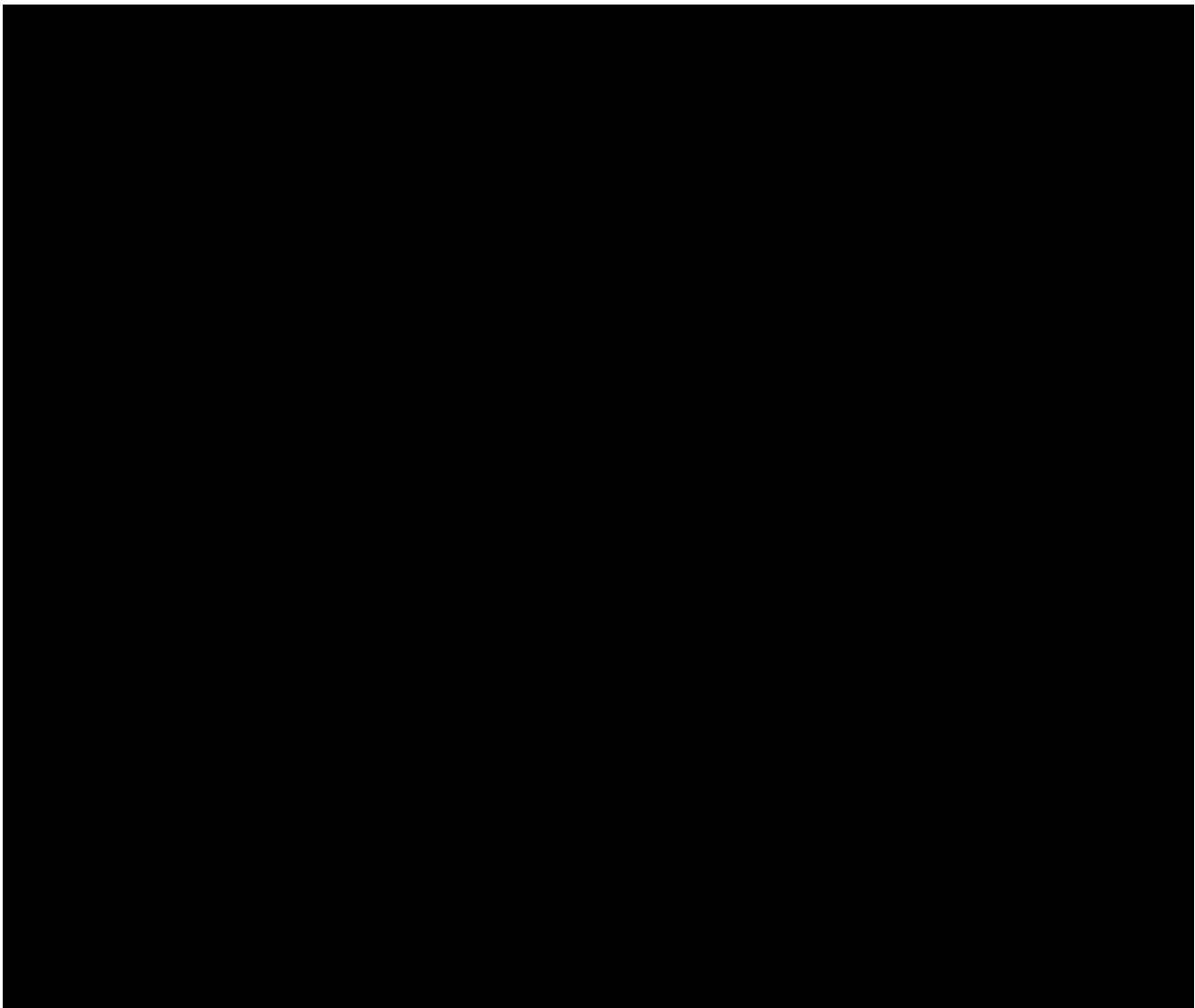
- **Taxation:** As explained later in the report, the difference in the tax charge is a function of the higher Unitary Charge required by [REDACTED] albeit [REDACTED] have sought to capitalise a proportion of their lifecycle expenditure in order to reduce taxable income;
- **Financing costs:** It is noticeable that [REDACTED] have higher financing costs (c. [REDACTED] in nominal terms) as compared to sc4L although given the level of capex spend it would be usual to expect the position to be reversed. On closer examination the difference relates to higher senior debt interest costs incurred by [REDACTED] as a result of them drawing down more senior debt during the core investment period;
- Review of the funding requirements for each Bidder indicates that Regenter are having to drawdown more senior debt due to: higher maintenance reserve account requirements which is a function of their profiled lifecycle costs; payment of equity bridge loan interest as compared to sc4L who are rolling up interest; and rolling up senior debt interest prior to the end of the construction period (31 December 2013) as compared to sc4L who have rolled up senior debt interest until the end of their construction period;
- All these factors result in [REDACTED] having a lower quantum of unitary charge to finance the cost cash flows during the core investment period and therefore requiring more senior debt finance; and
- **Interest on cash balances:** [REDACTED] has higher interest on cash balances due to year on year higher maintenance reserve account. This is a function of their lifecycle cost approach.

In conclusion, the sc4L bid submission offers a more favourable quantitative value for money solution to the City Council by virtue of having a lower total expenditure base and lower unitary charge position than [REDACTED]

### **3.6.4 Net present cost findings**

Figure 3.12 below shows the summary of project costs and income translated into NPV terms and once again confirms that the Sc4L bid presents the best option to the City Council from a quantitative value for money perspective.

**Figure 3.12 - Summary of Project costs and income (NPV)**



### **3.6.5 Option ranking**

The results of the qualitative and quantitative evaluation of the final tender bid submissions can be summarised in the following table:

**Figure 3.13 – Summary of results**

	Qualitative Ranking	Quantitative Ranking (total expenditure)	Quantitative Ranking (unitary charge)
	2	2	2
Sc4L	1	1	1

Qualitative ranking is based on the final tender evaluation scores as shown in figure 3.10 where sc4L achieved a higher score in each of the 5 scoring categories. The quantitative ranking is based on base total expenditure and unitary charge totals over the life of the contract (nominal and NPV values) as shown in figure 3.11 and 3.12.

### 3.6.5 Option appraisal conclusions

The results show that the sc4L submission provided the most economic solution at the final tender evaluation stage.

## 3.7 Qualitative benefits appraisal

### 3.7.1 Methodology

The qualitative approach that has been adopted has been in two stages. At Outline Business Case stage the options appraisal considered the costs and benefits initially of the strategic options as outlined in section 3.3 and 3.4 above.

Subsequently the qualitative assessment utilised the procurement approach outlined in Figure 3.4 above.

### 3.7.2 Qualitative benefits criteria

The criteria adopted for the procurement, as noted in figure 3.4 above sought to test the detail of the critical success factors required to be met, namely:-

- **The integrity of the overall bid** – was the bid proposal overall complete and deliverable, were there any significant weaknesses in any areas that could jeopardise overall delivery, was the project and the consortium overall adequately resourced and experienced to deliver the required outcomes;
- **The scope and quality of the works proposals** – was the bid able to meet the requirements that had been set, the quality standards required and were plans and programmes robust and deliverable;
- **The scope and quality of the operational services** – was the bid able to meet the required service and performance standards, was it adequately resourced, with adequate method statements to be able to meet the bid proposals;
- **The commercial approach to the proposed contract** – was the approach to risk and mitigation as contained within the legal agreements and protocols adequately balanced between the Council and the contractor;
- **The approach to the wider development of the estates** – were the proposals (initially on the overall private development and latterly only on the Little London Community Hub) deliverable, offered best value and were marketable;



- **The approach to financial arrangements** – were the proposals on funding and payment for the scheme balanced with regard to risk and contingency between the Council and the contractor.

### 3.7.3 Qualitative benefits scoring

The qualitative assessment scoring has been outlined above at each of the various stages of the process. As noted in section 3.5.9 the final tender evaluation results were:

**Figure 3.14 – Final tender evaluation outcome**

	Maximum Available Score	Regenter	SC4L
<b>Bid Integrity</b>	10%		7.13%
<b>Works</b>	25%		18.57%
<b>Services</b>	15%		11.84%
<b>Legal &amp; Commercial</b>	20%		13.43%
<b>Development Agreement</b>	3.5%		2.68%
<b>Financial, Corporate Structure &amp; Payment Mechanism</b>	20%		15.65%
<b>TOTAL</b>	<b>93.5%</b>	<b>63.47%</b>	<b>69.30%</b>

### 3.7.4 Analysis of key results

The overall result and reasons for the choice made are noted in detail at section 3.5.10 for the qualitative evaluation and at figures 3.11 and 3.12 for cost and price.

### 3.7.5 Treasury stage 3 qualitative VfM assessment

The VfM offered by the project has also been assessed by means of undertaking a Treasury Stage 3 qualitative assessment. The City Council is satisfied that the objectives of the Treasury assessment have been met namely:-

- That a competitive procurement process has taken place and there is a healthy level of competition;
- The financial viability and capability of bidders are sufficient to achieve VfM;
- To confirm that the proposed risk sharing is appropriate and deliverable;
- That the procurement process is efficient and equitable so that the costs emerging from competition are reasonable and stable;
- To determine if there is market abuse or failure; and
- To determine the appropriate project structure and level of financial flexibility.

The detailed Stage 3 VFM assessment is attached at **Appendix 3.4**. An analysis based on the detailed methodology for stage 3 assessments has also been completed and the results are summarised below:-

- **Market Failure** - The City Council and its team of advisors are satisfied that there has been sound competition throughout the procurement process which has been ultimately evidenced by the receipt of two strong final tender bids which accept the City Council's risk profile and have competitive prices based against the City Council's own benchmarks;
- **Efficiency of the procurement process** - The City Council has a history of successful procurement for a number of PFI projects over a range of sectors. In line with this approach, the procurement has been structured to ensure an efficient process which has had the effect of controlling bid costs from both a City Council and bidder perspective. Where delays have been experienced on the project, the City Council has ensured proper market engagement to retain bidder interest. The City Council continues to resource the procurement appropriately and has set out the remaining governance requirements as part of its proposed programme to financial close. On this basis the City Council is satisfied that the procurement process will not have an adverse impact on the delivery of VfM; and
- **Risk Transfer** - The City Council considers the proposed risk transfer achievable and takes comfort that through the dialogue process that bidders and their funders have undertaken a significant amount of due diligence over the contractual documentation and confirmed in writing to their acceptance of the risk transfer profile which is in line with HPP/SoPC4, except where a number of project specific derogations have been sought and agreed. No further issues will be raised prior to financial close. Overall the City Council is satisfied that the risk transfer proposed is achievable, and reflects the commercial position achieved through a competitive procurement process.

### **3.8 Risk appraisal – (PSC v PFI)**

#### **3.8.1 Methodology**

Following the results of the options appraisal of the final tender bid submissions further consideration is now given to the applicability of the preferred option from a value for money perspective by testing it against a Public Sector Comparator.

This assessment is based on the DCLG Housing PFI model for the public sector comparator costs and **Appendix 3.8** which summarises the bid costs for the PFI project. The DCLG Model includes a version of the HM Treasury quantitative VfM model for use with housing projects only. This model provides the value for money net present value cost of public sector procurement (the "PSC Option") for comparison against the net present value cost of a PFI vehicle (the "PFI Option"). The DCLG Housing PFI model is attached as **Appendix 3.5** – please refer to sheet VfM (3) for the PSC NPV cost. Summary details of the assumptions and rationale used in the quantitative assessment are contained within sheet VfM (2) to the DCLG model.

The Public Sector Comparator option is based on a project procured from similar types of contractors who bid for the PFI scheme, with the PSC costs adjusted down, in accordance with **Appendix 3.7**, reflecting the additional risk cost to be found in the PFI bid costs. The PSC Option would involve a design and build approach for the new build housing and a partnership (with open book accounting) for the refurbishment works and operational services, reflecting current procurement practice for the Decent Homes programme, Repairs Partnership and Council new Build programmes of recent years.

Optimism bias (OB) has been applied to the costs. For Pre FBC OB it assumes that final tenders have been received with final areas of clarification to be undertaken prior to contract letting, similar to the PFI option. The following principle areas of cost uncertainty would remain:

- The detailed condition of the new build sites, site utilities and properties for refurbishment
- Final the design costs for the works proposals reflecting the above
- Impact of external factors on the contractors programme and methods of works
- The impact of user expectations and demand remain a client risk and
- The impact of inflation on works, lifecycle and operations

For the Post FBC OB the areas of cost uncertainty reflect the reduced risk transfer to the contractor under conventional procurement and the partnership arrangement of such contracts where final costs are determined on a managed basis within the contract. There would be further mitigation achieved by contract letting, but the main risks noted above would remain.

The financial costs underpinning the PFI Option are based on the sc4L financial model bid submission which are summarised in figures 3.11 and 3.12 earlier. Optimism bias (OB) has been applied to the bid costs for comparison purposes to the PSC Option, see **Appendix 3.6**. The Pre FBC OB is based on the final tenders, as adjusted following the Value for Money Review. The remaining cost uncertainty relate to finalisation of the contract arrangements and costs for financial close, together with the Post FBC OB issues noted below.

The Post FBC OB is based on the remaining cost uncertainty, where project risk remains with the City Council following financial close. The remaining areas of cost uncertainty relate to works costs ('dark ground' on new build sites, latent defects on the existing stock, sub-station location on new build sites) and on operational costs (tenant and third party damage, elements of disrepair and litigation liability)

Funding terms in the model have been determined using latest market intelligence as advised by PricewaterhouseCoopers, the City Council's financial adviser, with reference to recently offered terms and closed transactions of a similar scale. The swap rate is based on a similar premise and for pricing purposes includes a buffer of around 50 basis points.

As noted above optimism bias has been applied, in line with Treasury guidance, to reflect the additional risks associated with procurement under the PSC option. This analysis is summarised within sheet I (Gen) and VfM (1) to the DCLG model at **Appendix 3.5**, as summarised in the table below. Further details relating to the justification of the optimism bias values can be found in **Appendix 3.6** (Calculation of Optimism Bias Pre and Post

FBC) which were completed initially following an optimism bias risk workshop which was held in June 2011 and further reviewed following issue of the updated Treasury Guidance 'Implications for DCLG PFI Projects in Procurement – TAP' September 2011.

**Figure 3.15– Optimism bias values (PFI)**

	<b>Pre FBC Factor</b>	<b>Post FBC factor</b>
Capital expenditure	1.5%	1.1%
Lifecycle Costs	1.5%	1.1%
Operating Costs	0.7%	0.7%
Transaction Costs	0%	0%
Third Party Income	0%	0%

**Figure 3.16– Optimism bias values (PSC)**

	<b>Pre FBC Factor</b>	<b>Post FBC factor</b>
Capital expenditure	15.6%	9.2%
Lifecycle Costs	15.6%	9.2%
Operating Costs	31.3%	27.1%
Transaction Costs	10%	10%
Third Party Income	0%	0%

Calculation of the PSC Optimism bias values shown in Figure 3.16 above was carried out in conjunction with DCLG Briefing Note, 7<sup>th</sup> September 2011, updated v.3. In Annex2, paragraph 6 of this document emphasis is placed on the assumption that OB Pre-financial close should reduce slightly from OBC to FBC stage reflecting better knowledge of costs from the PFI procurement. In relation to OB Post financial close emphasis is placed on the fact that these are not expected to change at all, although there may be a slight reduction to reflect better risk cost assessment.

The following table shows the movement of PSC OB values from the OBC to the FBC stages of the project.

**Figure 3.17 – Optimism bias values (May 2013)**

	<b>OBC Stage</b>		<b>FBC Stage</b>	
	Pre FC	Post FC	Pre FC	Post FC
<b>Capex</b>	22.50%	11.60%	15.60%	9.20%
<b>Opex</b>	37.70%	20.30%	31.30%	18.90%
<b>Lifecycle</b>	21.90%	10.80%	15.60%	9.20%

As you can see the Council has derived a set of PSC OB values which are consistent with the guidance issued, i.e. OB values are lower at a later stage in the procurement process reflecting better information etc.

In respect of the PFI OB values shown in Figure 3.15 the justification for not showing the relevant values as nil rests on probability of various residual risks materialising. For example: design risk is not completely mitigated until all detailed design work is completed

by the Contractor; any dark ground issues would ordinarily impact on the Council; and inflation risk rests with the Council. While some of these risks can be mitigated through the procurement cycle certain risks will exist throughout the contract (e.g. inflation risk).

The underlying detail to support the PSC and PFI FBC OB values is shown in the updated **Appendix 3.6**.

### **3.8.2 Risk scores**

As part of the risk appraisal process the City Council and its advisors have undertaken 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, which is broadly reflective of risks transferred to PFI contractors on other HRA PFI projects. The workshop identified that the PFI contractor would include an additional risk pricing premium of 2.38% in respect of initial capital costs, a premium of 1.52% for facility management and 1.50% for lifecycle costs. The risk pricing relates to issues in deriving a fixed price construction contract, potential liquidated damages against delays to completion and underestimation of abnormal ground conditions. The results of this risk workshop are contained within the Final Tender risk pricing assessment attached at **Appendix 3.7**.

## **3.9 The preferred option – selected supplier**

The overall comparison of the options is noted in **Appendix 3.8**. The Unitary Charge for the PFI Option has a total nominal cost for the project of ██████████, which translates to an NPV of ██████████ inclusive of optimism bias. By comparison the NPV cost of the PSC Option is calculated to be ██████████. Based on a pre-tax Equity IRR target of ██████████ an indicative VfM of ██████████ in favour of the PFI option. This suggests that, based on the input values used, the PFI option would deliver better VfM than the PSC option for the project under consideration.

It should be noted that the overall U.C. NPV total of ██████████ shown in Appendix 3.8 is based on a nominal discount rate of ██████████ as advised within paragraph 4, Annex 2 of the DCLG Tap Approval Note issued on 7 Sept 2011. This is in contrast to the overall U.C. NPV total of ██████████ shown within paragraph 5.1.3, table 5.2 and Appendix 5.1, which is based on the DCLG Housing PFI model and utilises a nominal discount rate of ██████████.

## **3.10 Sensitivity analysis**

HM Treasury guidance also recommends that the VfM figure be tested against a series of sensitivities to understand the impact of variables in both the assumptions used and the calculations performed by the model. This analysis is shown in the PFI sensitivity table contained in sheet “(VfM) 5”.

All other things being equal, the capital expenditure under the PSC option would have to decrease by [REDACTED] while the capital expenditure under the PFI option remains unchanged, for the City Council to be financially indifferent between the two procurement methods.

Paragraph A.37 of the HMT Quantitative Assessment User Guide indicates that sponsoring departments should work to assist procuring authorities to establish certain benchmark tolerances for indifference points. While the City Council is not aware of any benchmark tolerances, the indifference point for capital expenditure is outside the default benchmark tolerance of [REDACTED] as indicated in table A1.2 of that guidance.

The indifference point analysis shows that, all other things being equal, the unitary charge under the PFI option would need to increase by [REDACTED] whilst costs under the PSC option remain unchanged, for the City Council to be financially indifferent between the two procurement methods. Again, this lies outside the default benchmark tolerance of [REDACTED]

### **3.10.1 Results of switching values**

The sensitivities outlined in the Outline Business Cases remain relevant at this Final Business Case stage, both from a VfM point of view and overall affordability to the City Council.

From a VfM point of view there remain a number of areas of cost uncertainty that could potentially alter the proposed contract costs and affordability of the project in the period up to financial close. These are considered in more detail as part of section 5.5 (financial impact of remaining risks) and summarised below as follows:

- procurement delays (resulting in increased contract costs);
- interest swap rates (with increases impacting adversely);
- senior debt funding terms (worsen prior to financial close);
- inflation (increases in inflation are not matched by funding increases);
- available PFI credits (support towards the project is reduced).

The PPB FBC financial assumptions relate to the end of September 2011 however the revised final close date is now forecast for March 2012. The City Council, along with its Preferred Bidder are sharing the risk of further construction price inflation up to that point and have an agreed process for further indexation of the construction price beyond that point.

Once the preferred bidder appointment has been confirmed, a revised financial model will be produced to bring the financial close date in line with Appendix 6.2 (programme to close) to close and update the affordability position.

### **3.10.2 Key observations**

The key issues for the project relate mainly to overall affordability.

The VfM analysis has shown that the project is susceptible to a number of financial risks that could adversely affect the affordability of the project prior to financial close.

Capital costs and procurement costs have been confirmed as part of final tender submissions, by contractors who would typically deliver capital works contracts through conventional public sector tenders. The competitive procurement process has driven the capital works costs from both bidders below the Council's shadow capital works estimates for the project.

The other main factor is inflation, which the City Council has sought to mitigate by use of an average rate of [REDACTED] for the duration of the contract. Although current rates of inflation are the higher than this average, the contract has a life-span of 20 years and there is no indicated trend that values will remain at this level.

### 3.10.3 Results of scenario planning

As seen in section 5.5 later, any combination of lower level changes could result in the project becoming unaffordable in the period prior to financial close. The scenario below shows the impact on the base case (2011/12) City Council affordability contribution of each of these changes occurring on an individual basis and the point at which each would result in the overall affordability threshold being breached.

**Figure 3.16 Switching Values – Affordability Breached Scenario (final tender stage).**

Change in Costs	Financial (£k)	Impact	Affordability Breached
<b>Procurement Delay</b> (each month delay to financial close)	[REDACTED]		[REDACTED]
<b>Swap Interest Rate</b> (Interest rates contained within project buffer)	n/a		n/a
<b>PFI Credit Support</b> ( £1m reduction in support)	[REDACTED]		[REDACTED]
<b>Inflation</b> (1% increase above the average of 2.5%)	[REDACTED]		[REDACTED]

### 3.10.4 Key observations

As the project has secured final tenders, the remaining uncertainty to the costs are as noted above, namely

- delays to the completion of the procurement;
- the availability of PFI credit support;
- increases in annual inflation above the base case average of 2.5%; and
- any significant change to the rate of funding, swap rate interest, available from the market at financial close.

The most sensitive variations are procurement delays, inflation increases and PFI credit support availability.

## 3.11 Preferred option

The results of the Stage 3 VfM assessment, along with the other tests carried out as part of the Economic Case confirm that the sc4L final tender bid submission remains the preferred option for the City Council.

### 3.12 CLG VfM review and scope changes

As set out in section 2, the PFI outputs to be delivered by the project have remained largely unaltered from the original project scope approved in each of the Outline Business Cases for Little London and Beeston Hill & Holbeck. As a result, the City Council does not believe there has been a material change to the PFI element of the project necessitating a re-running of the Stage 2 VfM appraisal.

### 3.13 CLG VfM review and cost analysis

The approach to re-categorising costs from refurbishment to infrastructure was undertaken in full discussion with HCA and provides, in the City Council's opinion, a clearer and more accurate separation between refurbishment works which are specific to properties and those relating to estate infrastructure works. The costs of the works are set out on the relevant HCA/CLG proformas (with updated lifecycle data) referred to later in this PFC FBC. The funding for all these works, with the exception of leaseholder costs, is anticipated through PFI credits unless stated otherwise.

#### 3.13.1 Refurbishment scope of works

The scope of refurbishment works includes:-

- **Dwelling Refurbishment.** The scope of refurbishment outlined in the Refurbishment Template includes all necessary works to tenanted dwellings and flat blocks. The scope follows the approach outlined in the HPP Model Output Specification. In summary, the refurbishment will bring the tenanted dwellings up to the Decent Homes standard; meet the appropriate Housing Quality Indicators, Eco-Homes XB and Secure by Design;
- **External works** - this will include necessary re-roofing or roof refurbishment, structural repair, insulation works to walls and lofts (over cladding for high rise and non-traditional stock), new external windows and doors, replacement or upgraded entrance canopies (where installed), boundary fences and gates to dwellings;
- **Internal works** - this will include rewiring, replacement heating, new kitchens and bathrooms, necessary damp proof treatment, repairs or renewals as necessary to plasterwork and internal doors;
- **Communal works** - The works to the flat blocks includes all necessary works to communal areas (entrance doors, lobbies, stairs), communal facilities and services (lifts, door entry and communal TV systems, lighting, fire protection systems, refuse disposal systems, drainage and water supplies). The costs for these works exclude service charge liable costs for leaseholders – see below.



### 3.13.2 Infrastructure scope of works

costs were re-categorised from refurbishment works to infrastructure works as they do not relate to specific dwellings, but are works of common benefit to the refurbishment properties. The re-allocation of these costs allows for a more accurate comparison of the average dwelling refurbishment costs and of specific elements of works and was undertaken following dialogue with HCA. The detail of the wider infrastructure works has been noted on Template 2c and fall into 4 categories:-

- **Work to the external communal areas** of the flat blocks to be refurbished (including works to provide or renew existing boundary fences, renew communal footpaths, resurface the communal parking areas and undertake areas of soft landscaping as part of an overall upgrade scheme);
- **Work to the HRA estate** including demolition of some redundant estate garages, refurbishment of some retained garages and garage forecourts, resurfacing of estate forecourt areas following garage demolition, upgrade and resurfacing of estate courtyard areas, closure of some estate ginnels or provision of security gates to ginnels (secured by design upgrade), resurfacing of retained estate ginnels, complimentary soft landscaping to un-adopted estate areas;
- **Work to remove 16 bed-sit flats** that over sail estate ginnels (bed-sit flats are unsustainable for letting and over sailing provides cover for the congregation of youths / anti-social behaviour);
- **There is some complimentary work on the adopted highways** and footpaths to support traffic calming, with areas of re-surfacing abutting areas of demolition and estate garage forecourt upgrading.

As noted in the City Council's full response to the VfM review, infrastructure works relating to the Little London Community Hub (replacement of housing office, community centre and retail units) and demolition of two areas of non-decent housing (for future development outside of the PFI) have been omitted from the contract proposals and are no longer shown on the pro-forma.

### 3.13.3 Leaseholder scope of works

The cost of leaseholder works has been excluded from the refurbishment template, bar a note at the bottom of that template. These costs relate to the work on communal areas, facilities and services to the blocks of flats which contain leaseholders. The is the proportion of the communal works costs that relate to the 51 leaseholders.

The communal works to the flat blocks includes all necessary works to communal areas (entrance doors, lobbies, stairs), communal facilities and services (lifts, door entry and communal TV systems, lighting, fire protection systems, refuse disposal systems, drainage and water supplies). The leaseholder costs have also been excluded from the totals used for the calculation of PFI credits.

**Recovery of leaseholder costs** - The City Council has confirmed that it is not seeking PFI credit support for the leaseholder works and will meet the cost of these works from its

affordability contribution. The City Council will recover leaseholder contributions up to a maximum of £10k in line with the details set out at section 2.7.2 of the PFC FBC.

### **3.13.4 Maintenance works**

The details provided in the pro-forma have split off capital replacement items incurred as part of planned maintenance and included the costs within the life cycle plan. It is not anticipated that further capital works will be incurred from within the operational repairs or cyclical maintenance budgets. Where the operational sub-contractor incurs costs for ad-hoc renewal of items (during repairs, voids or cyclical maintenance) to sustain the Availability Standard, these costs will be reimbursed from the life cycle fund

### **3.13.5 Lifecycle works**

#### **3.13.5.1 General approach**

The life cycle proposals are the contractor's response to the requirement to ensure that all the properties are retained at the required Availability Standards following the initial capital works period, and to mitigate against the financial risk of failing to retain the properties at the required standard over the 20 years of the contract. There are no additional Hand Back Standards required other than meeting the contract Availability Standard.

The life cycle proposals have been refined during the procurement period, as part of the competitive dialogue, and were reduced in scope from the original full replacement of most building elements, to replacement only of the necessary elements required to meet Availability Standards.

As part of the Value for Money Review the contractor has revised the life cycle programme to take account of essential renewal work undertaken by the Council during the procurement period. (This is essential work already undertaken by the Council not work deferred to await the contract start). The contractor has therefore omitted these works from their initial works proposals and include them in the life cycle programme. These deferred works will be reviewed by the contractor during the initial works period to ensure that no further action is required to ensure full compliance with the Availability Standards Following that review the exact timing of future renewal will be confirmed as part of their life cycle programme.

The contractor submitted proposals by sub-element, as part of a proposal to undertake one works operation e.g. kitchen lifecycle refurbishment is one operation made up of 4 sub-elements of work.

A revised lifecycle sheet has been submitted showing the sub-elements grouped into the proposed work operations each year during the life cycle period. The following sub-elements have been grouped together to more accurately show the life cycle operations.

- **Windows and Balcony Doors** – Lines 24, 25 & 26 on original pro-forma now shown as one line 24;

- **Roofing element refurbishment** - Lines 28 & 29 on original pro-forma now shown as one line 26;
- **Kitchen Refurbishment** - Lines 24, 25 & 26 on original now shown as one line 31;
- **Bathroom Refurbishment** - Lines 41 to 44 on original pro-forma now shown as one line 34; and
- **Boiler Replacement.** - Lines 53 and 54 on original pro-forma now shown as one line 43.

The contractor has made provision for the maintenance of furniture fixings and equipment (FF&E) within the communal areas of the sheltered housing schemes within the project. This FF&E provision will cover all required renewal of floor coverings, window blinds, tables, chairs and soft furnishings, kitchen white goods and laundry white goods. Although included in the life cycle template, these costs are revenue life cycle costs within the contract to be met by Council revenue contribution. The current timing of renewal in the life cycle template will be expanded for the contract documents for Financial Close, with a more specific schedule of life cycle renewals specific to each room data sheet for each scheme.

### **3.13.5.2 Windows and Balcony Doors**

The contractor proposes to refurbish all windows and linked balcony doors during the life cycle period. Sub-elements of 'window glazing', 'mastic pointing' and 'patio doors' are in fact all part of a single programme of works. The proposal assumes that the window frames will have sufficient life for the duration of the contract, but that the windows and linked balcony doors will require refurbishment works.

The contractor has allowed for a proportion of double glazing units (30%) to be replaced. The provision also includes all necessary renewal of gaskets and seals, renewal of mastic sealant and renewal of handles and locks. The provision for replacement of double glazing units is reasonable as the contract includes over 500 high rise flats (>30% of the overall PFI units) where the life expectancy of windows due to higher wind pressures is much lower than for low rise housing. Lines 24, 25 & 26 on original pro-forma now shown as one line 24.

Experience across the housing stock in Leeds has shown that the reliability of replacement windows is highest for low rise housing. The installation of upvc double glazed units commenced on the Council housing stock in the mid 1990s. Current indications are that the Decent Homes life expectancy of the overall window unit should be close to the Decent Homes standard of 40 years. However for high rise blocks the City Council's experience is that window units have not met the Decent Homes expected life duration of 30 years, with early failure of window frames, some of the early installations with as little as 10 years life. More common however is the need to refit window seals and ventilation units, which are prone to early failure with the higher wind pressures evident in high rise blocks.

The contractor has proposed deferring part of the initial capital works programme to windows, in response to details provided from the Council on works undertaken during the procurement period. A total of 52 dwellings have benefited from new window installations

and 77 have benefited from new door installations since 2003. The contractor proposes to inspect the works as part of the contract mobilisation to determine whether any further works are required to meet the contract availability requirement and to confirm future life cycle time scales for the remainder of the existing installation.

### **3.13.5.3 Kitchens**

The contractor has proposed not to fully renew the kitchens within the lifecycle period, but to refurbish the kitchens and replace those elements that will be at the end of their useful life. Sub-elements of 'doors and hinges', 'work tops, 'vinyl flooring' 'tiling and grouting' and 'decoration' are in fact all part of a single programme of works. Lines 24, 25 & 26 on original pro-forma now shown as one line 31

The contractor is required to ensure that the kitchens are sustained at the required availability standard for the duration of the contract period. They have not included for complete renewal of the kitchens as a life cycle action, but have assumed that all kitchens will require a comprehensive life cycle refurbishment whilst retaining the base design and core fittings provided at initial refurbishment.

The life cycle refurbishment will include renewal of all kitchen fitting doors onto the existing base units, new work tops, replacement tiling and re-grouting (as necessary), new flooring (as necessary). As part of that work they are required to make good the decorations spoilt by these refurbishment works.

### **3.13.5.4 Bathrooms**

The contractor has proposed not to fully renew the bathrooms within the lifecycle period, but to refurbish the bathrooms and replace those elements that will be at the end of their useful life. Sub-elements of 'showers', 'vinyl flooring' 'tiling and grouting' and 'decoration' are in fact all part of a single programme of works. Lines 41 to 44 on original pro-forma now shown as one line 34.

The life cycle refurbishment will include renewal of all showers, refitting and sealing baths and basins as necessary, new tiling, new flooring as necessary. As part of that work they will make good the decorations spoilt by these refurbishment works.

The contractor has proposed deferring part of the initial capital works programme to bathrooms, in response to details provided from the Council on works undertaken during the procurement period. The work to bathrooms includes adaptation work where a new level access shower bathroom has been installed to meet required household needs. A total of 50 bathrooms have been subject to renewal work since 2005. The contractor proposes to inspect the works as part of the contract mobilisation to determine whether any further works are required to meet the contract availability requirement and to confirm future life cycle time scales for the remainder of the existing installation.

### **3.13.5.5 Heating Systems**

The contractor proposes to renew all gas central heating boilers during the life cycle period. The original pipe work and radiators fitted during the initial works period will however be retained. As part of the fitting of the new boiler the pipe work and radiators will require a thorough flush through to remove all accumulated detritus. This cleaning operation is part of the required boiler renewal works. Lines 53 and 54 on original proforma now shown as one line 43.

### **3.13.5.6 Focal Point Fires**

The current housing stock has as standard a focal point fire, either gas or electric. The fires will be renewed or refurbished as part of the initial capital works. There is no proposal to remove these fires as part of the initial refurbishment works. The provision allows for each fire to be replaced at least once during the 20 year contract period, ensuring that all fires are sustained in a safe condition throughout the contract period.

The proposed programme of capital works will include the retention of existing focal point fire installations in addition to ensuring that all homes are provided with full central heating. No focal point fire installations are proposed for the new build housing provision. The new build stock will rely wholly on the central heating installation for heating to the home.

### **3.13.6 Annual provision for unplanned renewals**

Although the contractor has made provision for predicted planned renewal of elements and fixtures to be sustained through the contract, there is a need to provide funds for unplanned failures.

The provision will include for renewal of elements identified as part of annual planned maintenance and annual cyclical servicing work and will include renewal of heating system radiators, focal point fire flue liners (gas fires), electric storage heater renewal, boiler pumps, communal window failures. Provision is made in each year to accommodate for these unplanned failures. The approach matches current practice in making capital provision for ad-hoc renewal works linked to planned maintenance.

Capital programme provision for unplanned works is made currently by both Aire Valley Homes and West North West Homes including works to heating installations and plant, windows and doors, communal facilities and other capital works to tenanted homes of just under 15%. (2010/11 Aire Valley Homes 15.8% and West North West Homes 14.0%).

Additionally capital programme provision for capital works in void properties adds a further 14.7% of the capital programme allocation annually, giving a total provision for unplanned renewal works to just under 30% of the programme allocation. The contractor's provision of 16.6% of the life cycle allocation is considered to be adequate given the extent of refurbishment and new build work to be sustained.

### **3.13.7 Furniture, fittings and fixtures**

The contractor has made provision for predicted planned renewal of furniture, fixtures and fittings to the communal areas of the sheltered housing schemes, alongside its role of maintenance, caretaking and cleaning and to these areas..

As these works are not capital works, the costs although included into the life cycle programme will not be included in the request for PFI credits and will be met by Council revenue contribution. The further adjustment on eligible costs for PFI credits will be made excluding these revenue costs within the Pre-Financial Close Final Business Case submission.

### **Section 3 Appendices**

**Appendix 3.1 - Bid requirements at each procurement stage**

**Appendix 3.2 - Final Tender Evaluation Methodology**

**Appendix 3.3 – Draft Preferred Bidder appointment letter**

**Appendix 3.4 – Treasury stage 3 qualitative VfM assessment**

**Appendix 3.5 – DCLG Housing PFI model**

**Appendix 3.6 – Calculation of Optimism Bias pre and post FBC**

**Appendix 3.7 – Final Tender risk pricing assessment**

## **4 THE COMMERCIAL CASE**

### **4.1 Introduction**

This section of the PFC FBC sets out the negotiated arrangements. This scheme requires the provision of a Project Agreement and Funder's Direct Agreement based on the Local Partnerships/CLG Housing Procurement Pack Version 3 updated November 2007 ("HPP"), which itself complies with Standardisation of PFI Contracts Version 4 ("SoPC4").

Whilst HCA confirmed that the City Council was not required to adopt the latest HPP pack in respect of this procurement, some provisions have been drawn from the new model Project Agreement, and this approach has been approved by HCA in relation to the specific matters raised in the derogation table. The Project Agreement also takes into account the mandatory HPP drafting referred to in HCA's letter to Local Authorities with Housing PFI projects in procurement dated 05.10.11, the IUK amendments to SoPC4 which were provided by HCA in November 2011 Transparency and Information drafting from Part K of Standardisation of PF2 Contracts and drafting resulting from DCLG's Interim HRA Housing PFI Property Insurance Provisions (26 March 2012) (other than as specified in the Derogations Tables (see section 4.6 below).

Project specific provisions / amendments have been included as appropriate to reflect the nature of the Project and in respect of which the City Council has agreed an appropriate derogation with HCA and/or PUK as highlighted below.

### **4.2 Required services**

#### **4.2.1 Output Specification**

The works and services are set in the City Council's Output Specification which is in line with guidelines contained within the CLG's Housing PFI Procurement Pack November 2009 and sets out the City Council's overall requirements for works; services; availability and performance standards.

The Output Specification has been used to calculate the costs of the project and incorporates lessons learnt and experience obtained from the delivery of the Swarcliffe HRA Pathfinder Scheme. Members of the contract management team have been fully involved in developing the Output Specification to ensure that experience gained from the operational phase can also be included.

Linking into the payment mechanism, the design and technical requirements form the basis for certification and availability standards for the project, with key performance indicators in respect of each of the services. This approach ensures value for money is achieved through providing appropriate incentives for the service provider across all aspects of the project, and requiring the City Council to only pay for the level of performance actually delivered.

The products and services under contract comprise the following works and services

- demolition of 222 residential properties;
- construction of 388 new Council Dwellings;
- refurbishment of 1276 existing Council dwellings (including external property works to 51 leasehold homes forming part of City Council-owned multi-occupancy blocks);
- improvements to the housing related estate infrastructure of the Little London and Holbeck; and
- conversion of 31 bed-sits to 23 one bedroom dwellings.

#### 4.2.2 Design guidance and design aspirations

The City Council set clear, design standards for the bidders to achieve within their proposals at each stage of the procurement process. A range of national quality standards and local planning guidance has been used to provide benchmarks for bidders to meet. Key national standards that have been applied are set out below. There are strong relationships between these - they are mutually reinforcing and have offered consistent guidance during the design of the proposals:

- **Scheme Design Standards/Housing Quality indicators (HCA)** – the Council has applied the HCA’s standard approach to assessing design quality; bidders self-assessed proposals against set HQI criteria relating to site characteristics and the size, layout and design of individual units. The assessments have been checked by the Council and the Preferred Bidder has complied with the HQI house type core standards.

The size of some unit types is towards the upper end of the HQI range. The majority of sites within the project are ‘infill’ sites, constrained in both size and shape. To deliver the range of dwelling types in the Council’s Output Specification has required a design response on these sites that produces additional internal space for some property types, through the use of three storey houses to achieve the appropriate range of bed spaces.

- **Code for Sustainable Homes (CLG)** – an assessment for each site has been provided that shows how the Preferred Bidder’s proposals will achieve Code Level 4.
- **Building for Life (CABE/House Builders Federation)** – this provides an assessment of each site against 20 criteria measuring the quality housing through assessment of context, character and functional relationships. It is a measurement of ‘fit’ within the neighbourhood and how a scheme meets social and physical needs as well as architectural quality and approach to materials/specification. The Preferred Bidder has achieved ‘gold’ standard on the four largest sites within the project, ‘silver’ standard on two sites and ‘pass’ standard on the remaining smaller infill sites.
- **Secured by Design (Association of Chief Police Officers)** – an assessment for each new build site (and property conversion) shows how the proposal meets Secured by Design standards, to design-out opportunities for crime and enhance community safety. The Preferred Bidder has demonstrated that it has considered the



requirements and has designed a scheme that would be capable of obtaining SBD certification.

Local guidance for design quality is set out in the City Council's adopted Supplementary Planning Document, 'Neighbourhoods for Living (2007)'. It draws out in more detail the principles established through the national guidance used and is based on four key themes, within which a series of objectives are set out. It has provided a working 'checklist' for design development through a tailored Design Champion process that has supported dialogue with bidders (more detail on this is provided in Section 9). The table below shows these themes and objectives.

**Figure 4.1 – Table showing themes and objectives for design development**

Theme	Objectives
Use	<ul style="list-style-type: none"> <li>• Creating neighbourhoods</li> <li>• Density and mixed uses</li> </ul>
Movement	<ul style="list-style-type: none"> <li>• Making connections</li> <li>• Developing the movement network</li> </ul>
Space	<ul style="list-style-type: none"> <li>• Making attractive spaces that work</li> <li>• Safer places</li> <li>• Private spaces</li> <li>• Publicly accessible spaces</li> <li>• Wildlife</li> <li>• Designing for parking</li> </ul>
Form	<ul style="list-style-type: none"> <li>• Local character</li> <li>• Scale and massing</li> <li>• Landmarks, views and focal points</li> <li>• Quality buildings</li> <li>• Homes for the future</li> <li>• Privacy and intrusion</li> </ul>

Bidders were also required to demonstrate how they co-ordinated multi-disciplinary design teams and to show a clear understanding of context and character within their proposals, such that these were specific to the locality, project requirements and the needs of the project areas. To support their approaches to this, more specific local guidance in the form of formal and informal Design and Development Frameworks for the project areas was made available, which have the benefit of substantial local consultation.

Environmental sustainability is central to the City Council's design aspirations. A Sustainability Statement has been provided by the Preferred Bidder to state their approach to these issues and the methodologies to be employed. Specific details are given in regard to the design of energy efficient buildings, sources of energy and pollution, the proportion of energy to be derived from renewable sources, energy and waste management, improvements to biodiversity, approach to drainage and approach to sustainable transport. Each new build archetype proposed will be provided with an Energy Performance Certificate.

The design approach has also benefited from input from elected members through ongoing briefings to the Council's Plans Panels, which have ultimately validated the application of the applied standards through unanimous approval of all the Preferred Bidder's planning applications.

The Council recognises that the application of some design standards has resulted in new build proposals that in places exceed CLG benchmarks, as advised in the value for money review. In view of the position in procurement and planning permissions now in place the Council has opted to retain all its original standards and pay for the cost difference arising through its own affordability contribution. Specifically, the additional cost arising from increased internal dwelling space and uplifting from Code for Sustainable Homes Level 3 to Level 4 have been removed from the PFI credit calculation.

#### **4.2.3 Services transferred to the provider**

The Contractor will maintain properties through the provision and delivery of the following Services:

- property Repair and Maintenance Service to the prescribed Availability Standards;
- structural repairs and maintenance to retail units to the prescribed Availability Standards;
- 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;
- maintenance to housing estate areas indicated in the Output Specification;
- customer Access and Liaison; and
- contract management and reporting.

#### **4.2.4 Services retained by the City Council/ALMOs**

The ALMOs will retain the responsibility for the provision and delivery of the following tenancy management services-

- lettings;
- income collection and debt recovery;
- tenancy management; and
- neighbourhood management.

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; and
- leasehold management and service charges.

### **4.3 Agreed risk transfer**

The apportionment of risk between the PFI Contractor and the City Council is essential to achieving good value for money for the Public Sector.

A Risk Allocation Matrix was produced and issued by the City Council at ISOS Stage and this has been updated by the Project Team to highlight any additional points which have arisen, and instances where risk allocation has changed, as the documentation has been developed.

The instances in which the risk allocation position has departed from that envisaged at ISOS are clearly identifiable by the shading and bold type in the matrix. The key changes in risk allocation are also summarised in the (LCC Derogations) below, as these shifts required the City Council to depart from the standard HPP risk allocation, which was the City Council's starting point. The Risk Allocation Matrix is attached at **Appendix 4.1**.

The Risk Allocation Matrix reflects the position in the City Council's final tender base Project Agreement and any derogation from that position required by bidders are detailed in the HCA derogations tables and in the summaries provided. The Risk Allocation Matrix has been updated to reflect the outcome of CLG's VFM review.

#### **4.4 Payment mechanism**

The Payment Mechanism for this project (attached at **Appendix 4.5**) has been developed in line with 4ps/DCLG Housing Procurement Pack Version 3 updated November 2007 ("HPP"), which itself complies with Standardisation of PFI Contracts Version 4 ("SoPC4").

In addition to this the City Council has developed considerable expertise in delivering PFI projects to financial and commercial close, in particular the Independent Living Project which closed in 2008. This expertise has been utilised to develop and strengthen the Payment Mechanism standard documentation on this project.

A key feature of the success of the City Council in producing Payment Mechanism documents across a number of sectors, has been their interaction with the Output Specification and Project Agreement on the projects. The City Council understands the importance of this interaction to achieve a practical and workable solution for all parties concerned in the procurement process,

With specific reference to the availability and performance regime, the following core concepts have been included within the Payment Mechanism, which is consistent with standard form drafting:-

- **availability tests** - each of the dwellings will be subject to the availability standards, as contained in the City Council's Output Specification. In order for the PFI contractor to be paid the unitary charge, a dwelling must be a) initially certified as being available as part of the tests of completion, and b) continually meet the relevant availability criteria. The Output Specification will set out The City Council's ongoing availability criteria that the properties must adhere to over the concession length;
- **rectification periods** - the PFI contractor will be allowed an initial repair period in order to make a temporary repair to a dwelling. A further period will then be allowed in order for a permanent repair to take place;

- **base deduction** - a base deduction will apply if properties fail to meet the availability criteria after the applicable rectification period. The base deduction will be made on a daily basis and linked to the amount payable per dwelling each day. Each dwelling will be deemed to attract the same deduction per day regardless of the size or type of dwelling. This is to ensure that the PFI contractor is incentivised to repair all dwellings without bias towards larger dwellings or certain archetypes. Rather than using the concept of consequential unavailability, any communal facilities that are unavailable (e.g. lifts, exit doors, front entrance etc.) will carry a set monetary deduction per day;
- **unavailable but used (UBU)** - the principle of UBU will come into effect when the tenant or the City Council choose to use the dwelling (with appropriate consideration being given to health and safety assessment) despite the fact that it does not meet the availability criteria, and the rectification period has expired. The full deduction will not apply under such circumstances. The Payment Mechanism will conform to the procurement pack and deduct [REDACTED] of the applicable payment for a dwelling;
- **ratchets** - deductions for availability will increase by the application of duration ratchets for continuing or repeated availability failure on any given dwelling or facility;
- **temporary alternative accommodation** - the position in relation to temporary alternative accommodation follows that set out in the standard model Payment Mechanism;
- **excusing events** - the project contains a list of excusing events that comply with the HPP; and
- **performance** - the PFI contractor will also be required to meet a set level of performance standards across a range of areas covering housing management, repairs management, ground and estate maintenance, void turnaround works and soft services in respect of the communal areas.

The City Council has prepared a suite of performance indicators that set a target threshold of performance. If the PFI contractor can meet the target performance level, then no deductions will apply. However, failing to meet a target threshold will mean a deduction will occur. The level of deduction will depend on the extent to which the PFI contractor failed to meet the target threshold. Once this level has been breached the PFI contractor would then start to make deductions up to an agreed percentage of the annual unitary charge.

For continuing poor performance against an individual performance indicator, a ratchet of deductions will apply. It should be noted, that in keeping with other HRA PFI projects, performance deductions are capped as a proportion of the unitary charge (20% in the case of the Preferred Bidder).

These values were discussed and agreed with both bidders during dialogue and represent the proportion of the service fee included within the overall unitary charge. As indicated by the bidders, setting a performance deduction cap in excess of the FM service fee would result in bidders including a risk pricing premium to cover the excess between deduction and the FM service fee. As such the City Council do not believe adopting such an approach would offer value for money.

#### 4.5 Agreed contract length

The Project proposes a PFI contract for a period of 20 years. All Demolition Works, New Build Dwellings, Conversions and Refurbishment will be carried out on a phased basis during the first three and a half years of the contract.

The City Council considers a 20 year contract period to represent the best combination of value for money (VFM) and affordability. This was supported by the City Council considering VFM (as measured by the HM Treasury quantitative model) of the preferred option based on a 20 year and 30 year concession length. The CLG model has been structured such that a 20 year and 30 year project can be run in order to derive the indicative VFM figures detailed below.

Running the different contract periods through the HM Treasury quantitative model produces the following results: a 20-year contract period has an indicative VFM of [REDACTED]; and a 30 year project produces an indicative VFM of [REDACTED]

A key factor influencing the indicative VFM position is the timing of maintenance and lifecycle works. Experience on other projects indicates that a number of components (e.g. windows, doors, lifts etc.) have a useful economic life no greater than 20 years. As a result it is normal to expect bidders to undertake significant maintenance and life-cycle work towards the latter stages of a 20 year contract period to ensure components are used up to the end of their useful economic life and hence avoid Unavailability and Performance deductions.

From a qualitative perspective a 20 year project ensures that bidders are focussed on investing and maintaining assets throughout the contract period and therefore providing a high quality service. As a result the City Council believes it will get tangible benefits and hence real value for money in transferring the life-cycle and maintenance risks to the private sector partner.

A 30 year project has a lower indicative VFM which reflects residual life-cycle works, which may be undertaken by the bidder in years 21 to 30 of the project. However, given that most of the life-cycle expenditure would have been incurred in years 15 to 20 then it is possible that forecasted life-cycle expenditure post-year 20 would be regarded as a bidder's risk premium and retained as additional equity return. In effect the City Council could be paying the Unitary Charge without securing additional investment in the housing stock on the grounds that dwellings are compliant with the City Council's output specification.

The City Council's adoption of a 20 year contract length can also be justified from a marginal cost perspective. If the contract period was extended from 20 years to 30 years then the City Council has estimated that it would need to commit an additional contribution (of [REDACTED] or [REDACTED] in the case of the Beeston Hill & Holbeck element of the scheme alone). Accordingly, on this basis and in light of the comments above regarding the certainty of investment by the PFI Contractor, a contract length of 30 years does not represent good value for money.

When the contract terminates, the City Council then has a number of options, including retention by the ALMO, a stock transfer, or a new PFI contract. Present funding mechanisms enable the City Council to contemplate any of these choices, and it is assumed that similar considerations will apply in the future. In particular, if the ALMO were

to retain the stock, Major Repairs Allowance would resume enabling lifecycle investment to be funded.

#### 4.6 Key contractual clauses

The approach of the City Council to key contractual issues is summarised below:

- **Service Commencement and length of Contract:** Following Financial Close the Preferred Bidder has proposed a three month mobilisation period prior to full Service Commencement. The arrangements under the PFI Project will therefore expire 20 years and three months from the date of Financial Close.
- **Site Surveys:** HPP drafting has been incorporated and amended only as a result of the position reached in relation to "dark ground" risk. The City Council is taking "dark ground" risk for Refurbishment Properties and for Demolition Sites, but not any risks disclosed by surveys, which the bidders were expected to price.
- **Stock Surveys:** The City Council is taking the risk of any defects in relation to the Refurbishment Properties which were not revealed by the Stock Condition Surveys, however the Contractor will take the risk in relation to the insufficiency of their surveys.
- **TUPE:** The City Council has adopted the standard HPP position.
- **Warranties:** Approach set out in HPP has been followed.
- **Refinancing:** The City Council has adopted standard SoPC refinancing drafting as published in the addendum to SoPC4 in April 2009 (as amended).
- **Hand-back:** The City Council has adopted the standard HPP position.
- **Change in Law:** The City Council has adopted the standard HPP position.
- **Termination Events, transfer of Assets to City Council and Compensation on Termination:** The City Council has adopted the standard HPP position.

##### 4.6.1 Leeds City Council derogations

The City Council submitted its required derogations from HPP and SoPC4 as part of the ISDS process. The majority of these were approved by CLG and PUK between May and July of 2008. As the dialogue process progressed, limited further derogations were required by the City Council at the ISRS stage and these were submitted to HCA and PUK in April 2009 together with further information in respect of the outstanding ISDS derogations.

All such City Council derogations were resolved in August 2010, and the approved derogations tables are set out in Table 1 (LCC HPP Derogations) and Table A (LCC SoPC Derogations) of the document. Further derogations queries were raised on these tables by CLG in April 2011, and responded to on 12 May 2011 and all of the above derogations have been incorporated into the document at **Appendix 4.2**.

The key City Council derogations relate to the following:

- retention of the majority of the housing management functions by the City Council / ALMO;
- due to the nature of the proposed Works (which includes New Build Works, Refurbishment Works and also separate packages of Demolition Works and

Environmental Works), there are no “phases” of works. Therefore the concept of “Milestones” and “Default Termination Points” is introduced to incentivise the Contractor and to give the City Council a remedy in the event of continued late completion;

- the City Council has provided comprehensive information to bidders in respect of title and the bidders have had ample opportunity to investigate title in conjunction with their designs and mitigate the risk of the same. The City Council has adopted the approach in new HPP and has provided comprehensive disclosures against warranties;
- the City Council elected to take Judicial Review risk, to provide for a more efficient means of reaching Financial Close, offering a gain of at least 3 months (equivalent to the Judicial Review risk window) on the commencement of Works and Services against the position as set out in HPP. This position is consistent with The City Council's approach to Judicial Review on all its previous PFI procurements. Further detail can be found in section 9 of this PFC FBC;
- HPP standard form drafting in relation to market testing (clause 27) has been included in the Project Agreement, however given the scope of services within the project, and in particular the impact of retention of significant housing management powers, many service functions were considered not to be sufficiently separate from the core-functions of the SPV to allow for significant market-testing. Therefore the Market Tested Services are limited to grounds maintenance and cleaning.

A small number of additional post final tender derogations were submitted to HCA/CLG in February 2011, primarily as a result of HCA requirements and are set out in the table at **Appendix 4.2**.

#### **4.6.1.1 Derogations resulting from the CLG VfM review**

The CLG VfM review required certain amendments to the Project Agreement. Many of these amendments were in fact a removal of a previously approved derogation (e.g. the previously approved derogations in respect of the Community Hub are now redundant). The VfM amendments have been finalised with sc4L and HCA have had sight of such derogations. These have been incorporated into the previously submitted bidder derogations table and is submitted to HCA in the form set out in **Appendix 4.2** alongside this pre-Financial Close Final Business Case (PFC FBC).

#### **4.6.1.2 Additional SoPC derogations**

HCA advised the City Council on 10<sup>th</sup> June 2011 that further IUK SoPC4 Amendments dated November 2011 were to be included in the Project Agreement. The City Council has discussed these with the Preferred Bidder and incorporated them in the Project Agreement as appropriate.

#### **4.6.1.3 Insurance derogations**

As HCA are aware, the insurance derogations have been dealt with separately with IUK. For the sake of completeness, we have taken the table returned to us by Bruce McGregor on 13.08.11 (with his comments dated 08.09.11) and added in the 3 insurance

derogations from the February 2011 Table as approved by e-mail on 13.09.11 and attach this table for information at **Appendix 4.2b**.

#### **4.6.1.4 Funders Direct Agreement derogations**

The City Council has enclosed sc4L's derogation table in respect of the Funder's Direct Agreement at **Appendix 4.2c** for information.

#### **4.6.1.5 Transparency and Information and "Self-Insurance" derogations**

[The City Council has enclosed the derogation table in respect of Transparency and Information drafting from Part K of Standardisation of PF2 Contracts and drafting resulting from DCLG's Interim HRA Housing PFI Property Insurance Provisions (26 March 2012) at **Appendix 4.2d** for information.]

#### **4.6.1.6 Bond finance solution derogations**

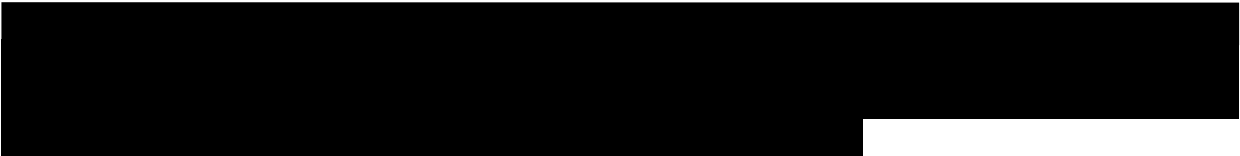
The City Council will be submitting a table of derogations which will set out the amendments required to the Project Agreement to reflect the bond finance solution as set out in [section 5 or **Appendix 5.2**] for approval by HCA and IUK. This will be appended at **Appendix 4.2e** for information.

#### **4.6.2 Bidder derogations and key commercial issues**

The City Council has endeavoured to keep bidder derogations to a minimum and where derogation has been accepted, the bidder has been required to justify it on a value for money or project specific basis. A table of derogations for each bidder has been submitted to and approved by HCA. The details in respect of the Preferred Bidder, sc4L, are included in Table 2 and Table B of **Appendix 4.2**.

The details for the de-selected bidder, Regenter, are enclosed at **Appendix 4.4**.

Derogations and / or project specific issues raised by the Preferred Bidder which are of commercial significance to the City Council are set out below: Full details are contained in the derogations tables and have been accepted by HCA.

- **LADs** - In relation to delays to handover, LADs of £15 per week per dwelling have been agreed and additional provisions inserted requiring temporary provision to be maintained pending handover of the new facilities. In relation to demolition sites (which are not new build) and estate area works there are no additional handover incentives (Clause 21);
- 
- **Judicial Review** - sc4l have also introduced a requirement that a Change be processed should judicial proceedings not be resolved within twelve (12) months of a



Suspension Notice being served. A further risk has also been passed to The City Council in relation to judicial proceedings following the stopping up processes;

- **Cap on uninsured losses** - sc4I have introduced a cap on uninsured losses for breach of statutory duty claims (£750,000 on a rolling 5 year basis), and have indicated that the approach is value for money but have not provided a figure, however the approach is supported by HPP and BSF and is considered acceptable (clause 58);
- **Japanese Knotweed** - sc4I have placed further obligations on the City Council and Compensation Events in the event that the City Council's Japanese Knotweed treatment programme does not work or their works or services are impeded (clause 6.9);
- **Substation Relocation** - sc4I have inserted a requirement for City Council assistance in relocating substations, including a risk on costs if third party land is included (sc4I had assumed £200,000 within their model for such costs which will be re-paid to the City Council if not used).
- The City Council will submit further drafting (and a derogation request prior to pre-financial close FBC stage) to omit this provision from the contract and will meet the cost of sub-station relocation as a pass through cost;
- **Stopping Up Orders** - sc4I have inserted a new clause dealing with risks in relation to stopping up orders. The full detail is contained in a separate schedule which, whilst this reflects dialogue, pushes some residual costs and redesign risk onto the City Council (although this is shared) and impacts significantly potentially on one site;
- **Town and Village Green Application** - sc4I have inserted drafting placing risk in relation to town and village green applications back to the City Council for two sites (one of which is more significant than the other). sc4I proposed a design solution which whilst in accordance with the Little London Development Framework but does not design around the potential issue on one of the sites. The period during which a village green application can be raised expires on 21 July 2011;
- **Structural Survey** - sc4I require a collateral warranty in respect of the City Council's structural survey of tower blocks.

#### 4.6.3 Protocols

HCA has agreed that the full details of amendments to the HPP Protocols and the Change Protocol do not need to be derogated against, although a summary of key changes to the new Standard Form has been provided. The City Council can confirm that the principle risk allocation in the HPP Protocols, where still relevant, has been followed, and additional protocols have been used as advised to HCA through the ISDS derogations process and detailed below. Other than those highlighted below and fully detailed in the derogations tables, no further changes have been introduced to the HPP standard form contract.

The City Council has based its protocol development on the suite of protocols included in HPP. The City Council marked up and developed those protocols where necessary to reflect present City Council procedure and experience and in particular how it is envisaged that the obligations of the Contractor will work with the retention of many housing management functions by the City Council/ALMOs. Therefore the following HPP protocols (as amended) are included:

- Access Protocol
- Tenant Waiver Protocol

- Decant Protocol
- Disrepair Actions Protocol
- Tenant and Third Party Damage Protocol
- Trees Protocol

In addition the City Council have introduced the following additional protocols:

- **Adaptations Protocol** - This protocol is required as the City Council is retaining the housing management function and assessment of when an adaptation is required. It is therefore necessary to set out the liaison process between the Contractor and City Council where either party identifies (or has identified to them by a Tenant) a possible or assessed need for an adaptation.
- **Tenant Improvements Protocol** - As the City Council is retaining the housing management function, applications for consent to tenant improvements under s.97 Housing Act 1985 (or for leaseholder improvements under a lease) will be dealt with by the City Council. The protocol provides a liaison procedure between the parties over these issues where it appears that such an application would impact on the delivery of the Works or Services under the Project and provides a procedure to engage the Contractor on those issues.
- **Litigation Protocol** - As the City Council is retaining housing management functions there will be situations where litigation is required to assist the Contractor and the Contractor does not have the required standing to bring the litigation. There are also other situations where the City Council may be required to act as the statutory authority. The Litigation Protocol outlines the main situations where it is envisaged that litigation is likely to occur and details the parties likely responsibilities and risks in this regard.
- **Media and Marketing Protocol** - To set out the obligations on communication and media contact.
- **ICT Protocol** – This protocol sets out the IT requirements of the contract.

#### 4.7 TUPE and Employment Issues

The City Council, Aire Valley Homes Limited (AVHL) and West North West Homes Leeds (WNWHL) have considered the TUPE implications of entering into the PFI contract. TUPE transfers are 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.

The City Council and WNWHL have identified a number of posts affected by TUPE. No staff are expected to TUPE from AVHL.

The posts affected by TUPE are as follows:

- 12 part time cleaning operative posts employed by LCC - currently providing a cleaning service to the multi-storey blocks of flats, which will be refurbished and maintained by the PFI contractor
- 1 caretaker employed by WNWHL – currently providing a caretaking service to multi-storey flats which will be refurbished and maintained by the PFI contractor

The City Council has significant experience of transferring staff to new service providers. Around one thousand staff have been successfully transferred since 2000. This includes education services, voluntary/care sector and ALMOs.

The City Council has utilised its considerable experience of transferring staff in developing a consultation strategy with both employees and trade unions which has ensured that they have been involved in every stage of the procurement process for the PFI project.

Preliminary staff consultation has been carried out in accordance with Government Guidance. The bidders, as part of their Final Tender submission, have provided details of the detailed consultation they will be undertaking with the current employers, staff and their trade unions to ensure an effective and efficient transfer of staff to the new service organisation.

The process for selecting the PFI Contractor has included an appraisal of the prospective service organisation's employment policies including its industrial relations track record, training and staff development policies, consultation strategy with staff and Trade Unions and ability to ensure that the TUPE regulations are applied.

This has ensured that they 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.

The Code of Practice on Workforce Matters in Public Sector Service Contracts (2006) has been followed throughout the process to date.

#### **4.8 Procurement route and implementation timescales**

The project was procured under the Public Procurement Regulations using the competitive dialogue process. The implementation milestones agreed for the scheme with the service provider take account of the type of project, involving the transfer of existing stock requiring improvement and the requirement to provide new homes during a three and a half year investment period. At contract close, all existing dwellings and the majority of new build development sites will be transferred to the service provider. An interim availability payment will be made on existing homes prior to improvement works being carried out.

Following contract close, a 10 week mobilisation period has been allowed during which time the arrangements for service delivery will be established. Following the mobilisation period, there will be a further 12 week "bedding-in period" to allow the service provider to establish services without facing the full impact of potential service deductions for under-performance. Following that point, the service provider will be expected to deliver to the full service requirements.

There are in addition a number of implementation timescales written into the contract to ensure that all works (whether to existing or new homes) are completed within the required

investment period. The milestones agreed ready for Financial Close are set out below, they are to be updated at actual financial close:

**Figure 4.2 – Milestone programmes (April 2013)**

<b>Number of Dwellings – Cumulative – refurbishment (including leaseholders)</b>	<b>Number of Dwellings – Cumulative – new build</b>	<b>Milestone Date</b>
0	0	
383	23	
468	47	
536	66	
708	114	
881	238	
1,091	297	
1,204	297	
1,257	337	
1,296	356	
1,296	358	
1,296	388	

These implementation milestones are linked to default termination clauses in the contract and if five default points are breached, the City Council is able to commence termination proceedings.

**SECTION 4 Appendices**

- Appendix 4.1 Risk Allocation Matrix**
- Appendix 4.2 Proposed Final Derogations tables (LCC and preferred bidder)**
- Appendix 4.2b Insurance Derogations table**
- Appendix 4.2c Funders Direct Agreement derogations**
- Appendix 4.2d Transparency and Information and Self-insurance derogations**
- Appendix 4.2e Bond finance solution derogations**
- Appendix 4.3 Not Used**
- Appendix 4.4 ISRS derogations (de-selected bidder)**
- Appendix 4.5 Payment Mechanism (updated)**



The project has undergone significant challenges throughout this period. In May 2012 one of the three senior lenders withdrew from the project leaving a [REDACTED] funding gap. Having considered the available options, the Council requested and received approval from HCA/CLG and IUK to provide a capital contribution to plug this gap in July 2012.

During Autumn 2012, the senior debt terms worsened adding around [REDACTED] to total project costs whilst at the same time additional costs were incurred as a result of delays to the project. The Council was advised in late January 2013 that Treasury would not accept the increased funding terms and an alternative funding solution through the bond market was sought.

The application of a bond funded solution over the latest and unacceptable bank funded solution identifies the following key issues:

- At high level, the “all in” lending rate for the bond solution is approximately [REDACTED] compared to around [REDACTED] for the bank funded solution;
- The bond solution has reduced total project costs by [REDACTED] compared to the most recent bank funded solution;
- However the bond solution has incurred additional costs of around [REDACTED], partly to develop the bond related documentation and partly in respect of duplicated (adviser and bid development) costs, as a result of abortive work undertaken on an almost complete bank funded solution. In addition, further delays to timescale have added costs to the project;
- The project continues to benefit from a Council capital contribution of [REDACTED], which compromises [REDACTED] of Council funding and the remainder funded through the DCLG provided PFI support grant and related interest. This provides a lower cost alternative to senior lending or bond finance and without which the project would be unaffordable;
- The capital contribution also supports a positive investment credit rating for the bond finance which would otherwise further increase the cost of the project and obviates the need for a treasury guarantee;
- The Council’s net affordability contribution from the Housing Revenue Account (HRA) reduced as a result of the capital contribution being applied reducing from around [REDACTED] to [REDACTED] throughout the project life (a reduction from a year 1 affordability contribution of [REDACTED] at PFC FBC stage to [REDACTED]);
- The Council has identified the benefits achieved by the application of the capital contribution and bond funding solution and the impact that a reduced call on PFI credits would have for the Council’s affordability contribution, taking account of opportunity costs incurred by the Council in providing its own contribution of [REDACTED] during the first 5 years of the contract;
- The Council has identified at Table 5.2 below that the maximum benefit of the application of the capital contribution and bond funding is [REDACTED] million PFI RSG income or [REDACTED] PFI credits;
- CLG Investment Sub-Committee (ISC) agreed an affordability position for the project and issued a letter to the Council on 8<sup>th</sup> April 2013, appended at **Appendix 5.1**, which outlined the CLG ISC decision to reduce the PFI credits to the Council to [REDACTED] reflecting the benefits of the current funding arrangements (the application of the capital contribution and bond funding is [REDACTED] PFI RSG income or [REDACTED] PFI credits; and

- CLG ISC has also agreed that to the extent the gilt rate buffer is not required at financial close, this will be reflected in a further reduction of funding support for the project, though still sufficient to ensure its affordability (figure assumed to be a [REDACTED] surplus at the end of the contract period in line with HCA guidance).

## **5.2 Background and original PFC FBC position**

The Little London, Beeston Hill & Holbeck projects were approved by HCA/CLG/Treasury in March 2007 with an initial PFI credit allocation of £190.15 million. The City Council's Executive Board approved an annual affordability target of £1.4 million in year 1 to support the contract.

The PFI credit allocation was subsequently reduced, after final tenders were evaluated and the Final Business Case submitted, to £176.5 million as a result of the CLG value for money review during 2011, but the Council did not reduce its commitment to the project.

The Pre-financial Close Final Business Case (PFC FBC) submission was approved by HCA/CLG in February 2012 with the financial model assuming a close date of March 2012, year 1 affordability of £1.386 million and the same level of PFI credits. The total City Council contribution from the HRA was £37.7 million over the 20 year concession period as set out below.

## **5.3 Withdrawal of senior lender and project delays**

At PFC FBC stage, the project was marginally affordable on the basis that senior debt funding would be provided by a club of 3 funders. The three funders were providing £45 million each towards a £135 million total senior debt facility with an additional £16 million subordinated debt provided by equity investors through an equity bridge facility (where the investment takes place at the end of the investment period). The total debt requirement was therefore £151 million at that time.

Financial close was then delayed as a result of funder due diligence requirements in respect of the merger of the construction company Keepmoat Group with another major contractor Apollo, which was completed in March 2012.

The funders aimed to ensure a satisfactory security package could be put in place for the contract. However, at the end of May 2012, one of the funders, Norddeutsche Landesbank Girozentrale (Nord) Bank withdrew as a funding partner. The remaining funders initially indicated that they could increase their maximum senior lending facility to £100 million, but then subsequently confirmed they would be limited to the £90m originally agreed, resulting in a shortfall of the debt funding requirement for the project.

## **5.4 Application of City Council capital contribution**

The sc4L consortium was unable to source an alternative lender to replace Nord and consequently, having considered the available options, the City Council sought and received Central Government approval through HCA, CLG and HM Treasury in July 2012 for a capital contribution to meet the funding gap through a combination of Housing Revenue Account (HRA) resources of £18.6 million and a contribution from the project

sinking fund of £24 million making a total capital contribution of £42.6m as shown in Figure 5.1 below

**Figure 5.1 – Source of capital contributions paid by the Council**

Year ending 31 <sup>st</sup> March	HRA Resources £m	Contribution from Sinking Fund £m	Total Contribution £m
2013	0.1	0.2	0.3
2014	4.6	5.9	10.5
2015	10.4	13.3	23.7
2016	2.9	3.7	6.6
2017	0.6	0.9	1.5
<b>Total</b>	<b>18.6</b>	<b>24.0</b>	<b>42.6</b>

## 5.5 Costs and benefits of the capital contribution

The application of the capital contribution provides a saving compared to the cost of finance from private lending calculated at around 2.1% when comparing the all in cost of bank finance of around 6.6% from the latest bank finance model with a current assumed Council prudential borrowing level of 4.5%.

The Council therefore benefits from the reduced cost element of the project supported by the sinking fund contribution of £24 million, whilst incurring additional costs for the £18.6 million it now needs to borrow to provide the other element of the contribution.

- **Sinking fund cost of borrowing** - The Council has calculated that the £24 million sinking fund contribution, when compared to the cost of private lending, has provided the Council with an additional benefit which equates to an overall saving of £5.012 million over the 15 years senior debt repayment period for a bank funded solution as shown in Table 5.2.
- **HRA direct contribution** – The Council contribution of £18.6 million represents a direct cost to the Council and equates to £3.88 million over the 15 years senior debt repayment period for a bank funded solution. These additional costs have not been identified in previous affordability updates provided to HCA/CLG, but have now been discussed with them and are recognised as legitimate additional costs.

## 5.6 Affordability impact of the capital contribution

The impact of the capital contribution on the affordability position compared to the original PFC FBC stage, was a revised HRA contribution of £19.37 million over 20 years and year 1 affordability contribution of £18k as set out in Table 5.1.

If no capital contribution had been made the City Council identified then this would increase the total unitary charge of the project to c. £399m and the year 1 affordability figure would rise to c. £1.6m, making the project **unaffordable** to the City Council.



## **5.7 Worsening bank lending terms and impact on costs**

There were further delays in progressing to financial close between July and December 2012 as a result of the continued funder due diligence requirements in relation to the security package. These were further complicated by a corporate refinancing exercise for the newly merged Keepmoat/Apollo Company which was due to be completed in September 2012 but did not get completed until November 2012.

During that period (September 2012) a revised term sheet was received from the funders, which showed a worsening of term requirements from those offered previously as part of the PFC FBC submission. For example, construction margins had increased from 3.0% to 3.50% and operations margins had increased from 3.84% to 4.30% (average over the operational period).

This resulted in an increased cost of senior debt and an increase in the total unitary charge of just under £5 million which is shown in the table below, along with the additional costs of £1.5m associated with a later close date.

An affordability update was provided to HCA/CLG on 12<sup>th</sup> November 2012 and identified the worsening bank terms and impact on the Council's affordability position and confirmed that a close date of December 2012 was likely. The Council therefore believed that the project could progress to financial close on that basis.

## **5.8 Development of a bond finance solution**

Sc4L were unable to secure credit committee approval as planned in December 2012 and as a result, in early January 2013, the City Council received a further iteration of the financial model which added an additional £2 million in costs as a result of the further delay to financial close. This also increased the City Council's year 1 affordability contribution to £290k

On 30<sup>th</sup> January 2013 the City Council received written confirmation from the Homes and Communities Agency (HCA) that Treasury would not accept the current senior debt financing terms on offer from the proposed lenders as these compared unfavourably with other lenders in the Housing PFI sector and in the market more generally.

In order to facilitate a funding term solution that represented value for money to the Public Sector the City Council were encouraged to explore other potential options including;

- Requiring sc4L to carry out a funding competition or to look at other means of attracting funding at lower interest rates (which has been achieved by some other housing PFI schemes); or
- to explore whether a Treasury guarantee could be provided.

sc4L reviewed the available options and concluded on the basis of the previous market testing exercise that they had undertaken (and described in detail in the PFC FBC submission in early 2012) that there were no other viable senior debt lending options available for the project. This was partly a reflection of the limited number of active players

in the funding market and partly due to the lack of funding or strategic relationships between sc4L, the Keepmoat Group and available lenders.

The City Council undertook its own assessment with the support of its external financial advisers, PwC at the same time. The market intelligence from PwC, confirmed this was an accurate reflection of the market and project specific conditions. The City Council also discussed this matter with Salford City Council who had the same senior lenders and main contractor and who had undertaken a similar soft market testing exercise at that time, with no positive outcome. This reinforced the view of the City Council that a funding competition would not be a viable option at the time.

Sc4L were however able to identify the option of a bond funded solution through their relationship with Assured Guaranty (AG), and experience of similar project finance arrangements both within and outside the housing sector. AG have been working with Equitix over the past year to develop alternatives to bank funded solutions in the Social Housing PPP sector and during February 2013 a number of meetings were held between the City Council, sc4L, Equitix and AG to produce a solution for the Little London, Beeston Hill & Holbeck PFI project.

Sc4L also confirmed that whilst other bond market solutions and lenders were likely to enter the bond finance market, they would not be in a position to deliver the required funding before late 2013/early 2014. For that reason, sc4L recommended that the approach be developed through Assured Guaranty and provided an indicative term sheet from them on that basis.

A bond finance solution through AG was therefore proposed as the most viable option in terms of securing the necessary levels of funding to close the project whilst providing a value for money solution to the City Council (and public sector) within an acceptable timescale.

## 5.9 Additional capital costs of the bond solution

The bond finance solution has resulted in some additional costs (some for duplicated costs associated with the now redundant bank funded solution). A summary of these costs is shown in Figure 5.2 below:

**Figure 5.2 – Summary of Bond Solution additional costs**

<b>Cost description</b>	<b>Value £</b>	<b>Comment</b>
S & P rating fees	178,813	New cost
Moody's rating fees	232,396	New cost
Security Package	388,875	New cost
Bid Development	450,275	Some duplication
Funders legal fees	375,000	Some duplication
SPV legal fees	300,000	Some duplication
SPV finance & tax advice	250,000	Some duplication
<b>Total</b>	<b>2,175,359</b>	

- Having analysed these costs in some detail,

- The Council accepts that the “new cost” items relating to the bond appear reasonable or can be justified.
  - The Council notes that £150k legal adviser fees and £20k financial adviser fees are duplicated or seem high cost.
  - However, sc4L has been able to demonstrate that their advisers have in turn written off some £522k of costs including £200k (bank) legal adviser fees, £170k of SPV legal fees (for the bank funded solution), £50k financial adviser fees and £102k bid management fees .
  - Keepmoat has also advised that it has absorbed £3.8 million of construction cost inflation, which have not been applied in full, since the final tender was submitted in September 2010, even though the agreed tender terms would have resulted in total increased costs of £7 million to date.
- The Council is satisfied that there have been no other increases to base costs in the financial model.
  - On that basis, the Council has agreed to accept the additional costs identified in the financial model and take no further action on those costs.

Sc4L has been able to secure an initial positive credit investment rating for the project from Assured Guaranty (working with S&P and Moody’s Rating Agencies), through a security package mix which included a £7.5m letter of credit and £14.5m performance bond, with an assumption that the Council capital contribution of the project would remain in place at £42.6 million.

This approach has obviated the need for additional support via the UK Government Guarantee Scheme. If the terms of the security package are amended, then this could result in a different outcome from the credit rating process and potentially require additional support to be secured, and would certainly add time and uncertainty to the project.

There have been no other material changes to base costs and any other costs.

### **5.10 Updated affordability position – Bond solution**

The combined impact of the capital contribution and bond funding solution, reflected in the financial model that was submitted to the City Council on 28<sup>th</sup> February 2013, on the affordability position compared to the original PFC FBC stage, was a revised HRA contribution of £16.09 million over 20 years and year 1 affordability surplus of £92k as set out in Table 5.1.

### **5.11 Gilt rate assumptions**

The City Council is retaining the risk of gilt rate increases up to financial close. A small buffer has been introduced to mitigate against potential increases in gilt rates equivalent to the buffer previously employed in relation to swap rate risk. The City Council’s financial advisers have advised that for this project an indicative gilt rate buffer would be 0.475% or 47.5 bps against the relevant gilt rate of 2.23% in the latest financial model.

Although sc4L have not been requested to run a version of the financial model without any buffer included, the level of buffer i.e. 47.5 bps is equivalent to the level of buffer employed in the bank funded financial models.

Sc4L have previously run a version of the bank funded model and the quantum of savings related to c. £50k p.a. on 10 bps or £238k p.a. for the total buffer of 47.5bps.

A copy of this financial model has been supplied to HCA /CLG under separate cover.

## **5.12 Additional financial pressures for the City Council**

The City Council and preferred bidder have both sought to mitigate and absorb additional costs arising from the 2 year delay to the project since a Final Business Case was first submitted to CLG for approval, including potentially significant construction inflation costs. The City Council has separately identified that it has (or will) incur **additional costs of around £3 million** resulting from the delay in achieving financial close for the project in bid development and deferred unitary charge base cost increases due once the project achieves financial close.

Whilst these costs **are not** included in the financial model and have not been used to increase the total capital cost of the project (or any request for additional PFI credit support) they will have to be met by the City Council and the 2 year delay is outside the Council's normal experience of the Council. Members have identified that they would seek assurances from CLG that any savings identified should be re-allocated for the benefits of Leeds residents.

## **5.13 Conclusion**

The application of a capital contribution and bond funding solution has improved the value for money of the project overall. The "all in" lending rate for the bond solution is approximately 4.98% (2.23% gilt plus 2.0% bondholder margin plus 0.75% AG fee) compared to around 6.6% (2.77% LIBOR, 3.5% construction margins plus funder margin of 0.33%) for the bank funded solution.

The Council has identified that the maximum impact of the application of the capital contribution and bond funding solution, taking account of opportunity costs incurred by the Council in providing its own contribution of £18.6 million during the first 5 years of the contract.

The Council has identified at Table 5.2 that the maximum benefit of the application of the capital contribution and bond funding is £7.792 million PFI RSG income or approximately £4.6 million PFI credits.

CLG Investment Sub-Committee (ISC) agreed an affordability position for the project and issued a letter to the Director of Environment and Neighbourhoods on 8<sup>th</sup> April 2013 (**Appendix 5.8**), which confirmed the CLG ISC decision to reduce the overall PFI credits to the Council to £176.5m, reflecting the benefits of the current funding arrangements.

CLG ISC has also agreed that to the extent the gilt rate buffer is not required at financial close, this will be reflected in a further reduction of funding support for the project, though

still sufficient to ensure its affordability (figure assumed to be a £0.5m surplus at the end of the contract period in line with HCA guidance).

## **SECTION 5 Appendices**

**Appendix 5.1 – Construction cost inflation reconciliation**

**Appendix 5.2 – HCA Financial Proforma 3a (Indicative PFI Credit Data)**

**Appendix 5.3 – Affordability over the life of the Project**

**Appendix 5.4 – ESA 95 National Accounts Determination**

**Appendix 5.5 – IFRIC 12 City Council Accounting Determination**

**Appendix 5.6 - External Auditor Review**

**Appendix 5.7 – Executive Board Minutes – February 2008**

**Appendix 5.8 – DCLG ISC response to affordability paper (8 April 2013)**

£176.5

## 6 THE MANAGEMENT CASE

### 6.1 Introduction

Over the past eight years the City Council has developed considerable expertise in procuring PFI schemes with thirteen PFI Projects and a combined capital investment value of over £1billion. Each project is delivered using PRINCE2 methodology and practice and project governance is provided through a Project Board, with key decisions taken by Executive Board or the Director of Environment & Neighbourhoods under delegated authority as necessary.

### 6.2 Programme management arrangements

In accordance with the PPPU governance manual, the Environments & Neighbourhoods Housing PFI Project Board (through powers delegated to its Chair, and (following 1 February 2010) the Director of Environment and Neighbourhoods under delegated powers), and the City Council's Executive Board have been responsible for approving key decisions throughout the procurement and these are set out at **Appendix 6.1**.

Director approval for the original PPB FBC and the selection of the Preferred Bidder through to Financial Close was secured on 22 October 2010. On 9 March 2011 Executive Board considered a draft PFC FBC and agreed the following recommendations and delegations which gave authority for the director to agree any further scope or affordability changes arising from the CLG VFM review.

The minute of the Executive Board meeting on 9<sup>th</sup> March 2011 confirming the recommendations and delegated decision notice are attached at **Appendix 2.4**. The scope changes agreed as part of the VFM review have been approved as a further key decision by the Director, alongside approval of this revised PFC FBC. **Appendix 6.1** has been updated to reflect this.

The amended PFC FBC was reviewed by Environment and Neighbourhoods PFI Project Board and Strategic Investment Board members on 28<sup>th</sup> March 2013 and approved by to the Director of Environment and Neighbourhoods in accordance with Executive Board delegated governance requirements.

### 6.3 Project management arrangements

A nominated Project Director has responsibility for the overall delivery of the project and is supported by a dedicated project team which includes specialists from within the Environment & Neighbourhoods Department, Public Private Partnerships Unit, the City Development Directorate, and both ALMOs.

The Project Team is supported by its experienced external legal, financial and technical advisers who have all been appointed under framework agreements (Legal – DLA Piper; Financial – PricewaterhouseCoopers; and Technical – E. C. Harris).

The City Council has put in place a detailed stage plan and allocated resources to complete the Preferred Bidder stage, and achieve financial close by June 2013, subject to approval of this PFC FBC. Remaining approvals have been delegated to the relevant Director by Executive Board and key milestones have been mapped within a detailed procurement programme agreed with the Preferred Bidder. Potential risks that if realised could impact on project affordability have been identified and can be either mitigated or met from within the City Council's overall financial contribution including contingency funding.

A full programme of stakeholder and community involvement and establishment of Community Advisory Groups (CAGs) in each project area has been highly effective in terms of community engagement, local feedback and support for the project. Both communities now look forward to the delivery of the proposed investment in their homes in a positive and informed manner. Arrangements are already in hand to establish new consultation structures to reflect the appropriate requirements as the project moves from the procurement to the operational phase.

Both parties have made suitable arrangements for a phased handover between the procurement and contract monitoring teams, with continuity into the first year of the operational phase of the contract. The City Council's Contract Manager was appointed over 24 months ago and has played an active role in the procurement process throughout.

### 6.3.1 Project reporting structure

The agreed governance arrangements for PFI projects is that scheme progress is reported on a monthly basis to the established Environments & Neighbourhoods Housing PFI Board during the first year of the core investment period. After this point, reports are then considered on a quarterly basis, with a half yearly overall performance monitoring report. Once the scheme becomes fully operational, the Board receives the half yearly performance monitoring reports only. In addition to the governance arrangements, the contract requires other reporting arrangements as follows:-

- Performance standards and payment – monthly;
- Works and design meeting – monthly; and
- Resident's Forum – quarterly.

### 6.3.2 Project roles and responsibilities

The specific Project Team that has been involved throughout the project, will continue to deliver the remainder of the procurement process from Preferred Bidder to Financial Close. The team utilises the skills and expertise that the City Council has gained from successful implementation of other PFI contracts and partnering arrangements. The immediate project team are set out below:

**Figure 6.1 – Project Team membership and roles**

Name	Role
Environments & Neighbourhoods Department	
[REDACTED]	Project Sponsor
[REDACTED]	Project Director

Name	Role
[REDACTED]	Contract Manager
[REDACTED]	Project Manager
[REDACTED]	Support Officer
[REDACTED]	Project Officer
PPPU	
Philippa Toner	Senior Executive Manager and Unit Management Team (UMT) lead (Strategic)
[REDACTED]	Executive Project Manager
[REDACTED]	Works – workstream leader
[REDACTED]	Services – workstream leader
[REDACTED]	Legal - workstream leader
[REDACTED]	Project Solicitor
[REDACTED]	Finance - workstream leader
[REDACTED]	Project Officer
[REDACTED]	Project Assistant

A Contract Monitoring Team has been established for some time to take on the contract monitoring role for the City Council at contract close. The Contract Monitoring Team is described in further detail at section 6.8 below.

As well as the immediate project team outlined above, the team is strengthened by other specialists from within:-

- the City Council's City Development Department on design and planning;
- the City Council's Corporate Procurement Unit on procurement matters;
- the City Council's Legal department on property matters; and
- the City Council's Corporate Services Department on employee, insurance and other relevant issues.

### 6.3.3 Project Plan (Programme to financial close)

The City Council has developed a realistic programme from submission of the PFC FBC to Financial Close. The indicative milestones are set out below and a more detailed programme is attached at **Appendix 6.2**. The Preferred Bidder has reviewed and contributed to the proposed programme and is fully committed to meeting the dates shown within it, subject to their formal appointment.

The City Council identified remaining matters for fine tuning with each of the bidders prior to final tender submission and has a programme to resolve any remaining items with the Preferred Bidder. There are no technical, legal, financial or procurement issues, including matters relating to minor scope change as a result of the VFM exercise, which would impact on the integrity of the procurement exercise.

The Preferred Bidder, at its own risk and expense, secured planning permission for its new build, refurbishment and estate improvement proposals within Little London (17th February 2011) and Beeston Hill & Holbeck (3rd March 2011) whilst awaiting confirmation of its appointment. The planning and Executive Board judicial review risk period's expired on 9<sup>th</sup> June 2011 so there are no significant external timescale pressures, other than formal HCA/CLG approvals which should prevent the timetable to financial close being achieved.





- to ensure that all project changes are undertaken using an agreed process, with the maximum of control and in a timely manner;
- to ensure that project changes are kept within the control of the Executive Project Manager and the Project Director;
- to ensure that formal impact assessment of potential changes are undertaken against the Project's Business Case, including the Benefits Realisation Plan and against other workstreams and the project programme;
- to establish a mechanism for prioritising potential changes; and
- to ensure that all project changes are recorded and an audit trail is maintained.

Any potential requests for change are considered against the following criteria

- does the change fall within the fine tuning issues agreed in the preferred bidder letter?
- what are the likely impacts of the change on cost, programme and quality, and other workstreams?
- how will any cost increases be funded? The Client Department should be satisfied that it can meet any consequent increase in costs;
- whether the change will have an impact on the procurement or build programme;
- whether there is enough time in the procurement programme to implement the change. The time required to implement a project change will vary according to its complexity;
- will the change have an adverse impact on the quality of what is being provided?
- will the project change affect the status of risks in the Project Risk Register or create any new risks?
- what Leeds City Council approvals are required to implement the change, and is there enough time to obtain these?

Any agreed change requests are documented on the project change log which is maintained by the project management team during the procurement process and will become the responsibility of the contract management team at contract close.

## **6.6 Arrangements for benefits realisation**

The City Council has established processes and documentation which set out the strategy, framework and plan for dealing with the management and delivery of project benefits. The objectives of Benefits Realisation Management are to:

- Clearly align the project / programme vision and desired benefits with the strategic objectives of the organisation(s) involved
- Ensure benefits are identified and clearly defined
- Ensure that the wider Project Team (including the Client Department) are committed and, where necessary, have the processes in place to monitor the realisation of identified benefits
- Encourage ownership and responsibility for 'adding value' through the process
- Drive the process of realising benefits, including measuring, tracking and recording benefits
- Use the defined 'expected' benefits as a roadmap for the project / programme, providing a focus for change
- Manage the risks and issues that may impact on realising benefits.

Benefits are categorised as follows

**Figure 6.4 – Benefits identification categories**

Area where benefits may be identified	Description
Policy or legal requirement (mandatory)	Benefits that enable an organisation to fulfil policy objectives, or to satisfy legal requirements where the organisation has no choice but to comply
Quality of service	Benefits to customers, such as quicker response to queries or providing information in a way the customer wants
Internal management	Benefits that are internal to the organisation, such as improving decision-making or management processes
Process improvement (productivity or efficiency)	Benefits that allow an organisation to do the same job with less resource, allowing reduction in cost, or to do more
Personnel or HR management	The benefits of a better motivated workforce may lead to a number of other benefits such as flexibility or increased productivity
Risk reduction	Benefits that enable an organisation to be better prepared for the future by, for example, not closing off courses of action, or by providing new ones
Flexibility	Benefits that allow an organisation to respond to change without incurring additional expenditure
Economy	Benefits that reduce costs whilst maintaining quality (often referred to as cost reduction)
Revenue enhancement or acceleration	Benefits that bring increased revenue, or the same revenue level in a shorter timeframe, or both
Strategic fit	Benefits that contribute to the desired benefits of other initiatives, or make them achievable

Project Benefits are identified at the pre-project assessment stage and reviewed and updated on a regular basis during the procurement process. Following contract completion, a series of formal review meetings are held at Project Closure, Post Project Review, Mature Operational and Preparation for End of Contract stages of the project to validate that benefits are being realised as expected. The project benefits register sets out who is responsible for the delivery of specific benefits, how and when they will be delivered and the required counter measures. A copy of the current version is attached at **Appendix 6.4**.

## 6.7 Arrangements for Risk Management

A robust risk management process is employed for the Little London, Beeston Hill & Holbeck project. This is supported by a comprehensive risk register which is compliant with PPPU guidance and the City Council’s Delivering Successful Change. Risks are

reviewed in conjunction with workstream leaders on a regular basis and reported to Project Team and Project Board on a monthly basis thus ensuring:-

- New risks are identified;
- Existing risks are reviewed for accuracy (including probability and impact ratings);
- Mitigating actions have been implemented and are having the desired effect;
- Historical risks are archived.

The City Council has a robust, well established methodology for the identification and management of risks as follows:

**Figure 6.5 – Risk management categories**

<b>Financial</b>	Those affecting the ability of the organisation to meet its financial commitments. These include internal budgetary pressures, the failure to purchase adequate insurance cover, tax obligations, remuneration, external macro level economic changes or the consequences of proposed investment decisions.
<b>Social/Political</b>	Those relating to the effects of changes in demographic, residential or socio-economic trends on the organisation's ability to deliver its objectives. It also includes those associated with failure to deliver either central government or Leeds City Council's policy. Additionally, risks of a political nature such as changes within Leeds City Council, ALMO, governors or government policy.
<b>Technological/ Technical</b>	Those associated with the capacity of the organisation to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures affecting the organisation's ability to deliver its objectives. It also includes those affecting the design, planning of the end product, e.g. Schools, Highways.
<b>Environmental</b>	Those relating to the environmental consequences of progressing the organisation's strategic objectives (e.g. in terms of energy efficiency, pollution, recycling, landfill requirements, emissions, etc.)
<b>Service Delivery/ Service User Risk</b>	Those associated with failure of the delivery of services to meet the current and changing needs and expectations of customers and citizens. This includes the quality and appropriateness of the service delivered or in the manner in which it is delivered, including customer interaction. It also includes those that will affect the service users e.g. pupils/teachers in a school, consumers at a new Sports Centre
<b>Regulatory/ Legal</b>	Those associated with failure to comply with legal requirements e.g. legislation, regulations, standards, codes of practice and contractual requirements, including CPA and targets. It also includes liabilities, licensing requirements and property rights.

<b>Partnerships/ Commercial</b>	Those relating to the failure of internal and external partners to deliver services or products to time, budget or agreed specification. It also includes Partnership failings to deliver desired outcomes e.g. insolvency of contractor.
<b>Human Resources</b>	Those relating to the failure of internal requirements to ensure the effective operation of the organisation. This includes cultural, structural and people issues.
<b>Safety</b>	Those associated with the organisational failure to ensure the safety of staff or service clients. This extends from individual safety to workplace safety, public safety and to the safety and appropriateness of products and services delivered.
<b>Security</b>	Those associated with the failure to protect the overall security of the business premises and assets and extends to the security of information, intellectual property and technology.
<b>Competitive</b>	Risks associated with keeping the authority up to date with the pace of change and being able to compete with other cities nationally and internationally.
<b>Change Management</b>	This is any risk that may arise when the department is implementing change. It is noted that often considerable effort is placed on the identification, mitigation and management of risks related to major capital projects. Often, however, smaller initiatives may have much larger risks involved.
<b>Project Management</b>	Those associated with project resources and management of the project during procurement.
<b>Communication/ Stakeholder Management</b>	Those associated with the failure to communicate to and/or consult with stakeholders interested in a timely and appropriate manner.

As the procurement progresses to Preferred Bidder stage, further work is underway to ensure that risks prior to financial close and those which will continue into the operational phase of the project are correctly identified and assigned to the appropriate action owners.

Initial discussions have also been held with the Preferred Bidder around establishing a joint risk register so that procurement risks can be monitored on a regular basis up until financial close.

The lead responsibility for operational risk management on a day to day basis will fall to the City Council's contract monitoring team. A phased transition from the procurement team to the Contract Monitoring team will begin following the appointment of the Preferred Bidder. Risk reporting to the Project Board will continue throughout the operational phase, particularly in the initial investment/construction period. Operational risks will also be reviewed in conjunction with the appointed contractor through the regular monitoring meeting and reporting arrangements described later in this section of the PFC FBC.

## **6.8 Arrangements for Contract Management**

### **6.8.1 City Council structure and resources**

A Contract Management Strategy has been developed in line with current City Council policies and procedures, and incorporating guidance from Local Partnerships and the Operational Taskforce Note 2: Transitional Guidance issued by HM Treasury. The strategy has incorporated the experiences from the City Council's eight successful PFI schemes including Education and Independent Living.

Leeds City Council's Environments and Neighbourhoods Department, through its Statutory Housing Division has the primary responsibility for the contract management of the PFI programme. A full-time Contract Manager has been in post for 12 months and has been actively involved with the procurement process.

The contract manager will be supported by the overall compliance contract management team which also covers the Swarcliffe Housing PFI contract monitoring team. This link has ensured that lessons learned from the earlier project are incorporated into the LL,BH&H project and that the City Council is ready to move to the operational phase as efficiently as possible. Ongoing support will be provided by PPPU staff at least for the first year of operation to maintain the link with the procurement process as operational procedures bed down and to help manage the reviewable design data programme.

Following financial close there will be a 3 month mobilisation period leading to the initial service commencement and start of the works programme. For the first 3 months from initial service commencement there will be a bedding-in period to ensure that all systems and processes are in full operation.

Through this transition phase, the Contract Monitoring Team will take over control of the project from the current procurement team. There will be a phased hand over of responsibility with the current work stream leaders on the procurement team moving to a facilitation role with their counter part in the contract management team.

Support will continue to be provided from other specialists from within the City Council including City Development Department on design and planning, Legal Services Department on property matters; and Corporate Services Department on employee, insurance and other relevant issues.

The roles and responsibilities of the Contract Monitoring Team are identified below.

**Figure 6.6 – LCC Contract Monitoring team**

Name	Role	Responsibility
[REDACTED]	Head of Housing Partnerships and Strategic Landlord Manager	Overall client responsibility for successful delivery and management of PFI contract
[REDACTED]	Contract Manager	Contract management responsibility for PFI contract and the contract management team.
[REDACTED]	Project Manager	Communications, liaison and inter face arrangements – tenants, ALMOs third parties including Protocol compliance.

Name	Role	Responsibility
[REDACTED]	Services Co-ordinator	Performance and reporting - overview of all contract reporting and payment mechanism compliance.
[REDACTED]	New Build Co-ordinator	New build and conversion – design, specification and programme delivery for this part of the works programme, including site preparation and demolition.
[REDACTED]	Refurbishment Co-ordinator	Refurbishment – scope, specification and programme delivery for this part of the works programme.
[REDACTED]	Estate Works Co-ordinator	Estate works – scope, specification and programme delivery for this part of the works programme.
[REDACTED]	Support Officer	Admin and IT Support
[REDACTED]	Assistant Finance Manager	Contract Budget and Payment Mechanism invoicing.
[REDACTED]	Project Advice and Support	Project support into works delivery phase, with specific support on completion of re-housing programme / securing site vacant possession and links to City jobs and skills programme. Identification and procurement of linked future development sites including the community hub site.
[REDACTED]	Commercial Advice and Support	Commercial management, technical, financial and legal support with hand over from procurement stage to works delivery programme, including on-going support into works delivery and operational phases.

### 6.8.2 Preferred Bidder structure and resources

The Preferred Bidder's (PB) Contract Management Structure and co-ordination and reporting to the Council will operate at the SPV level. The PFC has identified a General Manager and Assistant General Manager who will be responsible for the delivery of the PFI. The General Manager is supported by dedicated managers for the Construction, Facilities Management and Customer Services Managers provided through the consortium sub-contractors.

The Preferred Bidder (PB) has committed to operating Neighbourhood Contact Centres in both Project Areas. For the Little London estate a contact facility will be located in or adjacent to the estate to provide a long term drop in facility for residents. For the Beeston Hill and Holbeck estates, being separated by the motorway, an appropriate local facility has yet to be identified, therefore use of existing local contact points and local surgeries will be adopted pending identification of a suitable local contact base for this part of the project area. The SPV management structure is identified below.

**Figure 6.7 – SPV Contract Management team**

<b>Role</b>	<b>Name</b>	<b>Responsibility</b>
General Manager	██████████	Responsible for delivery of the SPV obligations in the Project Agreement
Assistant General Manager	██████████	Assistant to General Manager. Primary responsibility for delivery of the service elements of the Project Agreement
Financial Controller	██████████	Responsible for ensuring accurate financial reports and preparation of Unitary Charge
Construction Liaison Manager	██████████	Responsible to the General Manager for the new build, refurbishment, conversions and estate works
Customer Services Manager	██████████	Responsible to the General Manager for efficient and effective customer liaison
FM Liaison Co-ordinator	██████████	Responsible to Assistant General Manager for service elements of the Project Agreement

### **6.8.3 Independent Certifier role**

The Authority has followed standard HPP drafting in relation to the provisions relating to Independent Certification in the Project Agreement (save for limited derogations approved by HCA).

The Independent Certifier will be jointly appointed with the SPV and they will be expected to discharge the functions that the Project Agreement and the Building Contract contemplates. Their appointment incorporates a number of responsibilities and the IC provides the other parties with a duty of care. Primary duties of the IC include certifying each demolition site, each new build and refurbishment Dwelling and each environmental works area during the works period. Key tasks of the IC include:

- monitoring and verifying compliance of detailed construction working drawings and specifications;
- monitoring the activities of the Building Contractor through site visits;
- monitoring and commenting upon whether the Building Contractor in carrying out the Works has complied with the Building Contract and has secured the following;
  - building regulation sign off;
  - building control sign off;
  - test results, record documentation including Operating Manuals, and certificates and guarantees from suppliers received; and
  - sufficient information for the completion of the Health and Safety file.
- agree snagging Items, a snagging programme and inspect to ensure compliance;
- agree the methodology and criteria for auditing its Certificate of Availability to be issued under the Project Agreement;
- attend all progress meetings and any other site meetings to the extent necessary to carry out the IC Services;



- issue the Certificate of Availability in the agreed form when the conditions and circumstances in clause 20.2 of the Project Agreement and this Deed have been met in accordance with clause 3.10 of this Deed;
- check the production of the relevant operating manuals, relevant approvals, test results, inspection records and as built drawings against agreed information release dates; and
- monitor the Reviewable Design Data (RDD) process.

Full details are set out at **Appendix 6.5**, specifically section 3.10 and Schedule 3.

The Council has a number of robust operational processes in place to ensure the Independent Certifier role can be supported to avoid later dispute regarding certification of works.

For demolition, refurbishment properties and environmental works area, the Council's contract monitoring team will undertake various site inspections during the works to ensure that these are carried out in accordance with the Output Specification requirements. The team has considerable experience from its work on the Swarcliffe PFI project in relation to the PFI requirements combined with extensive knowledge of the property types to be refurbished to ensure this work is delivered effectively.

In respect of new build properties, PPPU has proposed to provide a construction monitoring role through its Technical team to ensure building standards are fully in compliance with the Output Specification requirements. The monitoring team have considerable experience from earlier schools and the Independent Living accommodation project of the PFI process.

The primary role of the contract and construction monitoring teams include:

- Monitoring the progress and quality of the works on site in order to identify issues for the Independent Certifier to investigate and the Contractor to resolve, and recording any issues of concern for use in the event of a dispute; and
- Supporting the Contract Manager in reviewing the works to achieve value for money from the construction of the facilities, and to assist in the identification and resolution of any neighbour disputes, or matters which may impact on the reputation of the project as a result of the works.

In addition, the Independent Certifier role is now to be provided through Cyril Sweett's Leeds office. They have undertaken this role on other City Council projects and formed effective working relationships with the Council to ensure that works are delivered in accordance with agreed standards.

Finally, the City Council has had experience of successful partnership working with the building contractor, Frank Haslam Milan on its decent homes refurbishment programme and held extensive discussions with them about the works required and how these will be delivered, including joint meetings with the Independent Certifier to clarify requirements. All parties are fully committed to work successfully together to ensure that properties are certified within a mutually acceptable process.

## **6.8.4 Transitional plan**

### **6.8.4.1 Key activities**

The appointment of the Preferred Bidder has enabled the City Council to move in to the Transitional Stage. This period covers from appointment of the Preferred Bidder, through the negotiations to Financial Close, Mobilisation and Service Commencement.

The key activities are identified and summarised below;

- agree Contract Management Procedures with the Preferred Bidder;
- compilation of an Operational Contract Manual for joint use by the parties
- agree reporting schedule, frequencies and formats;
- agree meeting schedules and attendees;
- identify third party stakeholders and agree consultation and co-ordination measures;
- develop the procedures to maintain the tenant consultation process throughout the works and services period;
- formalise procedures to ensure protocols are followed;
- test the processes and procedures to identify weaknesses and stress points and amend as necessary; and
- confirm dispute resolution process and escalation triggers.

The following workshops are scheduled prior to Financial Close;

- partnering workshop
- risk workshop
- management process workshop
- communications and consultation workshops

### **6.8.4.2 Operational Contract Manual**

The Operational Contract Manual (OCM) identifies a proactive risk management process. A log of risks and issues specific to the contract monitoring workstream has been maintained during the procurement stage as an element of the overall risk management process. Responsibility for risk management and mitigation will switch to the contract management team at Financial Close.

### **6.8.4.3 Performance Monitoring**

The process for performance monitoring is identified in the Output Specification, confirmed in the Contractor's Proposals and incorporated in to the Operational Contract Manual. The SPV will report to the Contract Monitoring Team on a monthly basis, the reports are reviewed at the Performance Standards meeting and any issues that can not be resolved are escalated to the monthly Management Board meeting.

#### **Figure 6.8 – Performance Standards Meeting Schedule**

<b>Meeting</b>	<b>Period</b>
Project Owner – Overall responsibility for the successful delivery of the project	Monthly
Management Board – meeting with SPV to discuss and agree all contractual matters	Monthly
Council Project Group – Internal Contract Management Team to collate performance information prior to management board	Monthly
Works and Design and Performance Standards Meetings – Operational level meetings with SPV and Contractors	Monthly

#### **6.8.4.4 City Council interfaces**

The following protocols within the Project Agreement govern the relationships between the SPV and the City Council. The operation of each of these procedures is identified within the OCM.

- Access Protocol
- Tenant Waiver Protocol
- Tenants Improvement Protocol
- Decant Protocol
- Disrepair Actions Protocol
- Adaptations Protocol
- Tenant and Third Party Damage Protocol
- Litigation Protocol
- Marketing and Media Protocol

The OCM will identify the detailed working arrangements for the holistic delivery of the overall housing service. The details will include the services provided by the SPV, the tenancy management services provided by the two ALMOs and the retained housing services provided direct by the Council. The OCM will also identify the working relationships between the SPV and third party operators within the PFI boundary such as Street Lighting, Highways and other City Council service providers.

#### **6.8.4.5 Reporting Arrangements**

The reporting arrangements from the SPV to the Contract Monitoring team are governed by the Output Specification and the Payment Mechanism. The SPV is required to report on progress regarding the capital works on a monthly basis, and the service performance is identified within the monthly, quarterly and annual reports identified within the Output Specification (Volume 1, Schedule 2). Payment Mechanism Appendix 2a, all complied with and the Operational Contract Manual Section 11.

#### **6.8.4.6 Life Cycle Management**

The Operational Contract Manual identifies the procedures for the Lifecycle management of the contract. A workshop was held with the contract management team to define the processes and procedures and these will be developed in partnership with the SPV during the mobilisation phase.

## 6.9 Arrangements for post project evaluation

### 6.9.1 Post implementation review

This review ascertains whether the anticipated benefits have been delivered. The review, which will be a Local partnerships commissioned Gateway Review 5, should be held between 6-12 months after the completion of the investment period. Based on the current construction programme, that would be organised for between May to November 2018.

The City Council is currently considering the option of undertaking a Gateway Review 4 or more likely, a one day health check, for the Gateway Review team to confirm that the state of readiness identified in Gateway Review 3 in January 2011 is still appropriate. Based on the current programme, this would be scheduled for summer 2013 to coincide with the mobilisation period for the project.

### 6.9.2 Project evaluation review

This review appraises how well the project was managed and whether or not it delivered to expectations. The City Council holds Lessons Learned workshops on a regular basis throughout the procurement process. The last review was held at the end of the final tender evaluation process in November 2010. The next review will take place following financial close and is scheduled to take place in summer 2013.

## 6.10 Gateway Review arrangements

Throughout the procurement of the Little London, Beeston Hill & Holbeck housing PFI project, Local Partnerships (formerly the 4Ps) have undertaken a series of gateway reviews. The following reviews have taken place to date:

**Figure 6.9 – Gateway Reviews and outcomes**

Gateway	Date	Project	Outcome
Gate 0: Strategic assessment	Sept 2005	Little London	Amber - The project should go forward with actions on recommendations to be carried out before the next 4ps Gateway Review of the project.
Gate 1: Business justification	Feb 2006	Little London	8 recommendations made.
Gate 2: Procurement strategy	July 2007	Little London	Amber - The project should go forward with actions on recommendations to be carried out before the next 4ps Gateway

			Review of the project.
Gate 1: Business justification	Oct 2007	Beeston Hill & Holbeck and Joint procurement	10 recommendations made on a priority basis.
Gate 3: Investment decision	Jan 2011	Little London, Beeston Hill & Holbeck	Green Delivery Confidence Assessment – 5 recommendations made for action subject to PPB FBC approval

In accordance with revised Treasury guidance relating to Major Projects Review, and in keeping with its custom for seeking independent project assurance for its complex procurement projects, the City Council commissioned a Gateway Review 3 – Investment decision between 25<sup>th</sup>-27<sup>th</sup> January 2011 to consider and confirm the following areas

- the business case and benefits plan once the bid information has been confirmed;
- all the necessary statutory and procedural requirements are being followed throughout the procurement process;
- there is continuing stakeholder support;
- the recommended investment decision is appropriate before the contract is placed;
- the business needs are being met and the business is ready for implementation;
- that both the client and the supplier can implement and manage the proposed solution with satisfactory contract management procedures; and
- that the necessary processes are in place to achieve a successful outcome after contract award (or equivalent).

The Gateway Review Team gave a Green Delivery Confidence assessment and remarked as follows;

- Overall this is a very well run project which is well placed to deliver the outcomes sought. The project has benefited from a strong and knowledgeable client and the close working relationship with the City Council's Public Private Partnerships Unit (PPPU). The project is ready to move forward as soon as the Final Business Case (FBC) has been approved and PFI credits confirmed;
- The project has a committed team that is focussed on delivery. There has been strong leadership and good project governance and decisions appear to have been taken in a timely manner. Comprehensive and robust project management processes have been applied. The use of the Community Advisory Groups (CAG) and the stakeholder engagement is considered to be good practice, particularly given the diversity of the community groups;
- The City Council has extensively considered the physical transition aspects of the project and preparations are advanced with the Arms Length Management Organisations (ALMOs) having already commenced decants for residents of the programmed refurbishments;
- The project possesses a Benefits Realisation Strategy and Plan (BRP), which is comprehensive, detailed and addresses all the areas expected. It includes monitoring arrangements, is understood and represents an excellent tool for the future. The project should be capable of delivering against the criteria contained within the BRP; and

- the Review Team believe that the Preferred Bidder is currently working hard to ensure project close and that they are ready to mobilise at the earliest possible opportunity

The key recommendations arising from the review and status are show below;

**Figure 6.10 – Gateway Review 3 recommendations**

<b>Recommendation</b>	<b>Critical/Essential/Recommended</b>	<b>Status</b>
The Council should consider options to address potential funding scenarios	Critical	Complete
The Council should assess the remaining programme to close and satisfy itself that the timescales are realistic and achievable	Critical	Complete
The Council should plan for and resource continuing support from PPPU during the transition from procurement to contract management	Essential (on-going)	Revised stage plan and resources identified
The Council should provide on-going specialist commercial Project Management support to the Project	Essential (on-going)	Revised stage plan and resources identified
The Council should review future governance arrangements for the project	Recommended	Complete for procurement stage, Project Board to monitor for operational phase.

A copy of the detailed Gate 3 report is attached at **Appendix 6.6**.

## **6.11 Contingency plans**

In the event that this project fails, there are no formal arrangements in place to guarantee the continued delivery of the required services and outputs due to the scale and extent of the combined project. However the City Council has considered this issue and identified the following high level approach that would be taken with the aim of securing the project objectives.

### **6.11.1 Refurbishment works**

The City Council would identify the works required to achieve decent homes standards to retained properties only and aim to secure funding through the Homes and Community Agency. The total value of the refurbishment works is around £70 million and it is considered unlikely that funding could be secured for the full extent of works could be delivered within the same timescales as possible under the proposed delivery arrangements.

### **6.11.2 Housing estate improvements**

The related improvements to the housing estate have a total value of around £11 million and would require additional funding from either capital receipts or prudential borrowing or other HRA funding.

### **6.11.3 New build works**

The City Council would submit a bid through the Homes and Community Agency for funding to deliver the new build homes as part of the National Affordable Housing Programme. The total value of the new build works is around £60 million and it is considered unlikely that funding could be secured for the full extent of works could be delivered within the same timescales as possible under the proposed delivery arrangements.

## **Section 6 Appendices**

**Appendix 6.1 – Key Decisions Summary**

**Appendix 6.2 – Programme to financial close (updated)**

**Appendix 6.3 – Preferred Bidder stage plan**

**Appendix 6.4 - Benefits Register**

**Appendix 6.4 – Independent Certifier appointment**

**Appendix 6.6 – Gateway Review 3 – Delivery Confidence Assessment**

## 7 TENANT CONSULTATION

### 7.1 Communications and key stakeholders

The City Council developed its Communications Strategy in line with government guidance and using experience from other successful PFI projects. The strategy was put in place to ensure that residents of Little London and Beeston Hill & Holbeck were kept fully informed of and had opportunities to be involved in the procurement process

Key stakeholders have been identified and involved in project communications as follows

- Executive Members and Ward Councillors;
- The local community – tenants, residents groups and forums and businesses;
- Community Advisory Groups;
- ALMO Boards and operational staff;
  - Aire Valley Homes Ltd – Beeston Hill & Holbeck
  - West North West Homes Ltd – Little London
- LCC Area Management Teams, District Partnerships and Area Committees;;
- Schools and children’s centres and Voluntary Sector Forums;
- Beeston Hill & Holbeck Regeneration Partnership Board;
- Training and skills agencies;
- Local MPs; and
- Central Government – HCA.

### 7.2 Tenant and Resident Consultation and use of Community Advisory Groups

Building on the stakeholder consultation undertaken prior to the Outline Business Case Submissions, a robust approach to consultation was developed with tenants and residents in the project areas with the aim of retaining community support for the project proposals and increasing understanding of the procurement process. Activities included:

- Formation of a Community Advisory Group for each project area to act as a conduit for tenant and resident involvement in the detailed dialogue and review of bidders proposals through the procurement process
- Distribution of tenant and resident newsletters, normally quarterly, to advise the wider community on progress with the procurement of the project
- Neighbourhood forum and community events, latterly involving the final two selected bidders
- Detailed consultation and open days, in particular with regard to the new build, refurbishment and environmental works designs and proposals, leading to the detailed planning applications for the project.

Throughout consultation events, the community has been supportive of the benefits that will flow from the project and particularly the improvements to council homes, environmental improvements and the provision of new build family homes.



The Community Advisory Groups (CAGs) were established for each of Little London and Beeston Hill & Holbeck project areas as a way of ensuring that local residents could participate in the decision making process for the project. This approach has been based on best practice guidance, with a specific role for the group to engage in dialogue with bidders as part of the PFI procurement process leading to the selection of the preferred bidder. The Council appointed a project specific Communications Manager and an Independent Tenant's Advisor (ITA) from the Tenant Participation and Advisory Service to support and facilitate this process.

Each of the CAG groups was made up of up to 12 local residents with agreed Terms of Reference and subject to confidentiality agreements. A diverse programme of activity and involvement was facilitated by the City Council. A full index of meetings and documents is enclosed within **Appendix 7.1**.

The CAG groups have identified areas of particular interest and had the opportunity to review bidder proposals, give detailed feedback and shadow relevant final tender evaluation sessions as observers and to validate the process. This process has developed a great sense of ownership and confidence within the CAG groups in the credibility of the evaluation and selection process for the Preferred Bidder. Following completion of the procurement process a detailed review was undertaken by each of the CAGs, assisted by the independent tenant adviser. The review concluded that ' the council had performed increasingly well in relation to its use of the CAGs as the "voice" of their areas, had worked very well to support them, and had established good working relationships as a result.'

It was not practical to undertake detailed tenant and resident consultation on the changes to be made as part of the Value for Money Review . The timescale available was too limited to undertake detailed consultation with tenants on the options for savings and efficiencies. However once the proposals submitted by the Council were confirmed as acceptable for consideration by HCA a meeting was held with the Community Advisory Groups for each community to review the VFM proposals made by the Council. The community representatives were disappointed with the need for change, but endorsed the options chosen and priority given to retaining housing outputs and housing standards over wider community benefits. Following this initial meeting a letter from the Executive Member for Neighbourhoods, Housing and Regeneration was sent to every tenant affected by the VFM proposals to which a small number of general enquiries were received mainly concerned about timescales for the works.

### **7.3 Leaseholder consultation**

The statutory process for consultation with leaseholders, introduced by the Commonhold and Leasehold Reform Act 2002 and detailed in the Service Charge (Consultation Requirements) (England) Regulations 2003, will be followed for this project. This details the stages at which local authorities are required to consult leaseholders affected by the project.

The Leaseholder Team at the City Council have provided management and support throughout this process. In addition to the formal notices a series of informal advisory notices have been provided to leaseholders at the various stages of the competitive dialogue process, which will include the appointment and public announcement of the Preferred Bidder.

The next stage for formal consultation with leaseholders is required at Financial Close, providing 'Notice of Entering into Contract'. Following this Notice and during the works period of the contract, leaseholders will then be advised at least 30 days prior to any works taking place on their property in the form of a final statutory notice – 'Notice to Undertake Works'.

The 'Notice to Undertake Works' will advise the leaseholders on the outcome of the procurement process, the tender costs, the details of the selected contractor, together with the final details of works proposals for their own blocks of flats. As part of the specific works proposals for each block each leaseholder will be advised on the detailed costs that will be incurred by letting the contract and the major works service charge liability for each leaseholder, after taking account of the Mandatory Service Charge capping to £10,000 maximum, as outlined at 2.7.2 above.

Stage 1 of the Statutory Consultation for the contract procurement has been undertaken with the 51 leaseholders whose properties fall within the refurbishment proposals for the scheme. This consultation has been coordinated through the City Council's Leasehold Section. To date, no adverse response has been received to the Statutory Consultation.

In Little London, First Notices of Intention were issued in July 2007. In Beeston Hill & Holbeck, First Notices of Intention were issued in January 2008 to a number of leaseholders initially included in the refurbishment proposals. Following the inclusion of Meynell Heights into the refurbishment proposals, further First Notices were issued to leaseholders in this block in March 2009.

The final stage consultation, stage 2, notification for the procurement will be issued prior to the letting of the contract, allowing the leaseholders at least 30 days to give feedback and respond to the final contract letting proposals.

#### **7.4 Planning consultation**

During the Refined Solutions stage, the two remaining bidders attended 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.

Events were held in a number of different venues and at different times across both areas in order to reach as many people as possible. After each staffed event, summary boards were left at each of the venues for one week with contact details on display.

In total over 200 people attended the consultation events with 45 feedback forms completed and returned. **Appendix 7.2** sets out the recorded comments from the consultation events.

The Preferred Bidder submitted a final Statement of Community Involvement as part of its planning application, including the following:-

- details of the consultation undertaken including a list of residents, organisations/interest groups contacted and a commentary on the events held (format, location and duration);
- summary of all comments made;
- confirmation of where the comments have resulted in revisions to the scheme and an explanation where comments have not been taken on board; and
- details of any criticism by groups or individuals about the consultation process.

The Statement of Community Involvement is enclosed at **Appendix 7.3** for information.

## **7.5 Other consultation**

Other key stakeholders have been consulted as appropriate on various aspects of the project. This consultation is summarised below:-

- **ALMOs** – staff are involved at Project Team and Project Board level and increasingly involved in preparations for contract management with a particular focus around the development of protocols and the operational contract manual;
- **Elected members** - regular briefings have been provided for local Ward Members, every two months and input to design workshops;
- **Lead member briefings** - regular briefings throughout the procurement process and in particular around the key reports made to Executive Board. The newly appointed Lead Member has been given a full project update and remains supportive of the project.

## **7.6 Consultation and involvement during the Transition Period**

### **7.6.1 Tenant Involvement**

Once appointed, the Preferred Bidder will introduce the consortia to the community and consult on how the community can help shape the service and monitoring processes. A range of approaches will be used to engage people locally including

- public and tenant liaison meetings
- attendance at residents' meetings and community groups
- consultation events
- establishing and working with consultative groups
- 1:1 meetings
- surveys and questionnaires
- customer services

In compliance with the 'Tenant involvement in housing management: supplementary guidance', the City Council requires the Preferred Bidder to establish arrangements for feeding tenants' views into the contract monitoring process throughout the life of the contract.

During the mobilisation period and prior to service commencement, the SPV will establish more formal processes to involve tenants and residents in the contract monitoring process through the establishment of resident liaison groups. The SPV will be required to consult and involve tenants on the following:-

- demolition programme and management;
- new build development programme and management;
- refurbishment works programme and management;
- delivery of services;
- specific requirements;
- tenant choice events – fittings and materials; and
- arrangements for contractor performance monitoring – customer satisfaction surveys and complaints procedure.

### **7.6.2 Leaseholder consultation in the transition period**

Consultation and liaison with the leaseholders during the preferred bidder and contract mobilisation periods will be undertaken largely by the Preferred Bidder. Consultation will concentrate on providing information on the proposed works programme to the flat block structures, communal areas and communal services, the proposed works programme, and the proposed change over of operational services to the selected SPV.

In order to keep leaseholders formally informed for the commencement of the project, detailed information will also be issued, by the City Council to confirm the contact arrangements for the contract and the change over of the operational arrangements that will occur with the service commencement of the contract.

A Notice of Intention to Undertake Works will be issued by the City Council to each leaseholder prior to the undertaking of works under the contract. This notification provides the detailed schedule of works proposed to each block and the detailed estimate of the service charge liability for each leaseholder and will be issued during the mobilisation period for the initial phases of refurbishment work.

### **7.6.3 Proposed consultation post Service Commencement**

Post Service Commencement, the primary responsibility for communications lies with the SPV. The Output Specification defines the following Key Performance Indicators relating to Tenant Communication and Consultation against which the SPV has to report:-

- Tenant Satisfaction Surveys;
- Help Desk Availability;
- Customer Satisfaction Surveys;
- Tenant Liaison Meetings;
- Tenant Newsletters;
- Contractor's response to emails and letters;
- Formal Complaints.

The Preferred Bidder has identified specific consultation events prior to a number of key activities relating to the commencement and completion of phases of the works and has made provision for community initiatives and events, public art and show homes.

## **Section 7 Appendices**

**Appendix 7.1 - CAG consultation programme**

**Appendix 7.2 - Tables of recorded comments from the consultation events**

**Appendix 7.3 – Preferred Bidder statement of community involvement**

## **8 STATUTORY PROCESSES AND CONSENTS**

### **8.1 Planning approach**

Outline Planning was achieved on the Little London sites in September 2008 and on the Beeston Hill & Holbeck sites in December 2008. In response to the de-scope of the project at ISRS stage, the City Council has made further planning applications under s73 of the Town and Country Planning Act (1990). These applications were approved in September 2010, removing conditions previously placed on the Outline Planning approvals that applied specifically and only to the market housing that was envisaged in the original project scope.

As a result the Local Planning Authority will not place any financial obligations on any of the planning permissions through s106 of the Town and Country Planning Act. There will be a small residual cost relating to the re-siting of bus stops within the project areas and for monitoring of a Green travel plan. These costs will be met from the City Council's contribution.

The Preferred Bidder has subsequently obtained all further planning approvals that are required to deliver the project. These comprise reserved matters permissions for new build works discharging the conditions attached to the revised outline approvals and full planning permissions for the refurbishment and estate improvement works. All planning applications were determined by Members at the Council's Plans Panels meeting on the 17<sup>th</sup> February and 3<sup>rd</sup> March.

Full planning permissions have been granted subject to the discharge of further detailed conditions relating to the layout, materials and landscaping associated with the estate and refurbishment works. The Preferred Bidder will, following financial close, undertake the detailed design work to discharge these conditions prior to development.

The City Council has developed a detailed planning conditions matrix to manage and monitor the process for each site, in line with good practice from its other successful PFI projects.

### **8.2 Judicial Review Risks and General Planning Risks**

In line with its approach on other PFI projects, the City Council has undertaken a detailed Planning and Judicial Review risk assessment and intends to retain the Judicial Review risk for all planning approvals and to manage this separately to the programme for reaching Financial Close. The City Council's PFI Housing Project Board re-affirmed this on 17th December 2009.

This is consistent with the City Council's approach to each of its PFI procurement exercises to date where there have been no applications made for review of any decisions taken by the City Council or the Local Planning Authority.

Any realisation of the risk will be managed within the contract on terms that have been negotiated during dialogue with the Preferred Bidder. There is no transfer of risk. This

offers better VFM to the project, offsetting the likely cost of delay in reaching Financial Close pending any proceedings, against the low risk that Judicial Review may arise.

In view of the planning approvals already obtained by the Preferred Bidder in February and March 2011, the Judicial Review risk for planning was significantly reduced by the middle of June 2011, being 3 months from the date of the original determinations. The approach to risk management and mitigation was applied within this timeframe, though the Council does recognise that an application after this period could also be given leave to proceed by Court if it determines special circumstances apply. The Council will continue to monitor the Judicial Review risks on this basis.

The City Council has separated the project into individual planning applications, which will significantly dilute the impact on the project if an application for Judicial Review is made and proceeds in respect of any individual site. This ensures maximum flexibility in the event of a Judicial Review of any individual application, without compromising planning certainty and delivery to the greater part of the project.

If a planning decision is subject to challenge for a specific site, there is flexibility within the Preferred Bidder's programme to bring forward works on other to ensure continuity of project delivery. The Preferred Bidder also has flexibility to proceed with refurbishment works, should there be a delay with a particular new build site, but the City Council is confident that the approach it has used successfully in the past, combined with the consultation that has taken place around planning applications and the bidders design proposals during dialogue.

An assessment of potential Judicial Review risks has been undertaken for each site and has considered the following:-

- material objections to the planning applications;
- the probability of an application being made;
- the likelihood of a successful application;
- the mitigating actions available to defend an application; and
- the likelihood of a successful Judicial Review.

The detailed analysis is attached at **Appendix 8.1**.

The Judicial Review risk assessment takes account of the following factors:-

- All applications have been in accordance with land use planning policy and design guidance;
- There has been a clear separation of the LPA and procurement functions of the City Council;
- Detailed pre-application advice has been provided;
- Draft planning applications were submitted by each bidder;
- Draft Planning Performance Agreements (PPA) were developed with each bidder and formalised for the Preferred Bidder, providing certainty and transparency to the application and determination process;
- Outline planning applications for the new build elements of the scheme resulted in no material or substantive objections;

- Full and Reserved Matters planning applications had no material objections upon determination;
- Public, stakeholder and statutory consultation has been undertaken;
- Community Advisory Groups (CAG) of local representatives have engaged in the bidder dialogue and design process;
- The organised opposition to PFI in Little London some years has dissipated. Some members are now positively engaged through the Little London CAG. No such opposition has ever existed in Beeston Hill & Holbeck.

Project Agreement drafting has been agreed with the Preferred Bidder, which provides that in the event of Judicial Review proceeding, the PFI contractor will be entitled to a suspension of the works in the application site to which this relates, compensation or extensions of time until the Judicial Review is either resolved or a cut off point is reached in the contractor's programme requiring a change to be issued by the City Council based on a re-design approach agreed between the parties. The costs of such change would be borne by the City Council under the terms of the Change Protocol. The nature of Judicial Review would generally allow for recommencement of the planning process in respect of any site should it be resolved against the City Council's original determination of the application.

Following a careful assessment of the potential risks, the City Council has concluded that the risk can be appropriately managed and the Preferred Bidder Project Agreement has the required drafting in place to provide for this.

### **8.3 Approach to Highways Closures (Stopping Up)**

Where an area of highway (vehicular or footway) or a public right of way is no longer required as a result of proposals through this project, it will be the responsibility of the PFI contractor to obtain the appropriate Highway Stopping Up Orders.

The City Council has discussed in detail with the Preferred Bidder the stopping up implications and risks arising from the design and works proposals. These discussions have centred on confirming the appropriate legislation to be employed in the case of each area of stopping up, the timescales for achieving orders in each case, and on clarifying the programme, cost impact and contingency proposal arising from any failure to achieve each order. The Preferred Bidder has confirmed that following these discussions and the position agreed in the draft Project Agreement as a result, the project is bankable and that Stopping Up Orders need not be in place as a condition for reaching Financial Close.

Stopping Up Order requirements will fall into the two broad categories of new build and estate proposals discussed below. A summary of the stopping up proposals together with a site by site analysis is attached at **Appendix 8.2**. The approach to stopping up and management of risks arising from these requirements have been set out and agreed in the Preferred Bidder Project Agreement.

#### **8.3.1 Stopping Up - Existing Estate Areas**

The majority of stopping up requirements across the project relate to the existing estate areas and are small in scale, identified by the City Council and Preferred Bidder as low probability of objection and minimal impact on the project if not achieved.



The Preferred Bidder approach to estate refurbishment offers a positive response to 'Secure By Design' principles. Proposals involve rationalisation and closure of pedestrian routes, reconfiguration of public, semi-public and private spaces, gating of alleyways and re-creation of legible and safe parking courts to support and sustain the investment in adjoining homes. A large part of this work will be achievable within the existing pattern of adopted highway land and unadopted City Council land.

Within each neighbourhood, some pedestrian areas have been specifically identified to be stopped up in order to fully implement the proposals. Under Section 27 of the Town and Country Planning Act 1990 the Secretary of State for Transport has power to make an order authorising the stopping up or diversion of any highway, if it is satisfied that it is necessary in order to enable development to be carried out in accordance with planning permission granted under Part III of that Act. The Preferred Bidder has obtained full planning permission for the estate works for each neighbourhood which will provide the basis for subsequent stopping up applications by the contractor to the Department for Transport for relevant areas of highway.

In some circumstances, the gating of sections of highway may be required to fully affect the design proposal to achieve the desired security outcomes and to protect the investment in dwellings. Gates and fencing at each site would provide added security and restrict access to residents and owners only of property adjoining the gated highway. Where such alley-gates are proposed the contractor may use powers under s129A of the Highways Act 1980 and The Highways Act 1980 (Gating Orders) (England) Regulations 2006 to apply for a Gating Order. To obtain a Gating Order the contractor will be required to fully consult with those residents and other stakeholders affected in each neighbourhood and to provide a report to the City Council in its capacity as the 'authorising authority' under the legislation.

The Preferred Bidder has confirmed that it will approach the required Orders in the existing estate areas on a phased basis once in contract and will manage the risks associated with obtaining these, providing alternative design solutions where Orders cannot be obtained. As such these risks will be retained and managed by the Contractor as part of the works programme, any mitigating actions being cost and programme neutral.

Accommodating and managing these risks by seeking confirmation of Stopping Up Orders in advance of Financial Close does not offer value for money in the context of the project as a whole.

### **8.3.2 Stopping Up - New Build Sites**

There are a smaller number of Stopping Up Orders required in relation to the new build sites that the City Council and Preferred Bidder have identified as having a greater impact on the project if not achieved, by preventing development as envisaged and requiring re-design. The risk that such closures cannot be obtained will be retained by the City Council, enabling the programme for stopping up to be decoupled from that for reaching Financial Close.

These arise from the reconfiguration of brownfield land that has residual vehicular through-routes or paths related to old housing layouts, which will be re-provided in new

arrangements relating to the PFI new build. Where possible the PFI contractor will seek to divert such routes within its new build scheme, rather than stop up and re-provide alternative routes. However some routes will need to be fully extinguished and re-provided/re-adopted to implement the new build schemes.

Where there are existing footways to be stopped up, the bidder will apply to the City Council to exercise its powers under Section 257 of the Town and Country Planning Act 1990. Where a permanent diversion of an existing route is proposed, the same application would be used.

Where there are existing 'all purpose' routes to be stopped up (which include vehicular routes, footpaths, bridleways or cycle tracks), an application will be required for a Stopping Up Order under s247 of the Town & Country Planning Act 1990 to the Secretary of State for Transport.

Having obtained planning permissions for the sites on which closure of highways or public rights of way are required, the Preferred Bidder will make the appropriate stopping up applications upon confirmation of PB status. This process will take place in parallel to that for reaching Financial Close and the mobilisation period prior to Service Commencement.

The Preferred Bidder has based its works programme on a 5 month period for the determination of stopping up applications, which assumes these are unopposed or that any objections can be negotiated away during the notice period. The City Council is not seeking to transfer stopping up risk to the PFI contractor, but to re-programme the point at which it could be realised and for the impact to be managed within the terms of the Project Agreement. This offers value for money to the City Council by offsetting the low risk of stopping up failure against the potential cost of delay in reaching Financial Close.

The City Council has undertaken a detailed site by site assessment of Stopping Up risks to inform its approach. It has looked at the probability of objections to Stopping Up applications, the likelihood these would proceed to Public Local Inquiry, the scale of impact and the mitigating actions available.

Each of the sites has or will be cleared of existing residents by the time development is anticipated and there will be no immediate or direct interest from these people in the proposals. On the larger sites, there will be clear evidence of betterment through the proposals, the newly designed sites having clearer, safer and more attractive routes through for surrounding residents and others wishing to pass through the area. On the smaller sites within the estate areas of Beeston Hill, wider pedestrian movement networks will either be unaffected or enhanced through the new design proposals.

The Preferred Bidder has also been required to set out an approach to stakeholder liaison and communications to militate against objections based on potential for any misunderstanding of the purpose of Stopping Up.

The City Council and Preferred Bidder have agreed how the risks will be managed within the Project Agreement giving clarity to:-

- the applications required;
- the mechanism for obtaining relief or compensation;

- the impact of stopping up failure or delay on proposed works;
- the programme lead-in time for orders required on each site;
- the programme cut-off point at which change would be required;
- the programme impact of the redesign required;
- the redesign options to maintain the PFI outputs; and
- the impact on project costs of any redesign.

The low probability of these risks being realised, the robust approach to managing and mitigating against them and the saving when offset against the potential cost of delay in reaching Financial Close through the alternative approach offers both the City Council and bidders better certainty and VFM for the project as a whole.

Once a Stopping Up Order is confirmed, the highway or right of way concerned ceases to be public highway and may be built upon by implementation of the related planning permission.

#### **8.4 Approach to Stopping Up Judicial Review**

In keeping with its position on Planning and assessment of risk relating to objections to the scheme, the City Council has chosen to retain the Judicial Review risk associated with Stopping Up. The City Council has never experienced a Judicial Review in relation any Stopping Up applications it has previously been involved in – opposition to this process always manifests in objections to an application, which if not withdrawn or negotiated away proceed to a Public Local Inquiry. It is therefore considered that the Judicial Review risk is minimal.

As with the approach to Planning, the City Council has done and will continue to retain separation of its functions as a procuring authority and Local Planning Authority. Stopping Up applications under s257 of the Town and Country Planning Act will be dealt with wholly by the LPA without the involvement of the PFI Project Team, except where information is requested of the City Council by the PFI contractor to assist in making the applications. The LPA has extensive experience in processing such applications and has never to date been subject to Judicial Review.

For applications under s247 of the Town and Country Planning Act the process is outwith the City Council's control, being administered by the Department for Transport. However, again the risk of any case for Judicial Review being made is considered minimal. The Orders to be processed under this scheme are relatively simple and would be processed at arm's length according to good practice and taking all due information into account.

A detailed risk assessment of each required stopping up area is provided in **Appendix 8.3**.

#### **8.5 Temporary Highways Orders**

The implementation of works across all areas of highway to be retained in the project will require various temporary Traffic Regulation Orders, Traffic Management Orders and Temporary Diversion Orders. These will be obtained by the Preferred Bidder by application to the Local Highways Authority to use powers under the Highways Act 1980 and the Road Traffic Regulation Act 1984.

## 8.6 Approach to Rehousing, Land Acquisition and Disposal

As part of the City Council's preparation for the project, action has been undertaken to secure vacant possession for all the demolition and new build activity planned for the project. This includes the acquisition of all residential and commercial interests (all leasehold) and the re-housing of all tenants and occupiers. This work is timed to be fully completed in advance of the required hand over of the project sites with vacant possession to the appointed PFI contractor. In addition the City Council is appropriating for planning purposes certain parts of the sites to extinguish known third party rights that could impact on the development.

The City Council has the power under the provisions of the Housing Act 2004 to serve Initial and Final Demolition Notices which suspend the Right to Buy in relation to regeneration initiatives and development opportunities. In July 2006, the City Council's Executive Board approved use of such notices, where the legislation allows it to do so. Authority is delegated to the Director of Environments & Neighbourhoods, in consultation with the Assistant Chief Executive (Corporate Governance), to issue Initial and Final Demolition Notices. All Initial Demolition Notices have been served on properties in the remaining re-housing phases and all right to buy applications are suspended.

Re-housing of tenants has been completed on the two largest sites in the scheme, Holbeck Towers and Carlton Gate. The remaining smaller sites are subject to a re-housing programme that is designed to match the vacant possession timetable agreed with the Preferred Bidder for the proposed construction programme. The remaining re-housing is being delivered by Aire Valley Homes, with the final phase reaching conclusion.

Within the project new build sites the City Council has already acquired 9 residential leaseholds on sites in Beeston Hill and 11 on development sites in Little London. The remaining acquisition required is at the final stages of an agreed property swap between the owner and an alternate property currently in City Council ownership.

The summary position on rehousing and leasehold purchase remaining is shown below (as at 27<sup>th</sup> January 2012):

**Figure 8.1 – Rehousing and leasehold purchases remaining**

Phase	Site(s)	Number of tenants to rehouse	Number of leasehold properties to acquire
1	Bismarck Drive and Street	1	0
	Fairfaxes/Cemetery Road	2	1
<b>Totals</b>		<b>3</b>	<b>1</b>

The City Council has also acquired commercial leasehold interests on the Holbeck Towers and Carlton Gate sites that revert to its freehold ownership and complete land assembly to provide for the delivery of the new build elements of the PFI project.

The City Council is a local housing authority as defined in Section 1 of the Housing Act 1985. Section 9 Housing Act 1985 confers the power to provide housing accommodation. Pursuant to section 9 the City Council may provide housing accommodation by acquiring land for the purpose of building houses, erecting houses or acquiring houses to be used as

City Council housing and making alterations or improvements to existing accommodation. Section 13 of the Housing Act 1985 permits a local authority to lay out and construct public streets or roads or open spaces on land acquired by them, thereby providing for the provision of such infrastructure as will be required for the new build sites to be properly constructed.

Section 10 of the Housing Act 1985 provides the requisite power to fit out, furnish and supply City Council housing with all requisite furniture, fittings and conveniences. This allows for the PFI contractor to commence an agreed programme of improvement and refurbishment of housing stock which is to be maintained as part of its obligations under the Project Agreement.

### **8.7 Section 27 consent - delegation of Housing Management functions**

The City Council proposes as part of the PFI contract to delegate a range of its housing management functions to the selected contractor. The City Council will be seeking approval of the Secretary of State to the delegation of functions to Sc4L and sub-delegation of those functions that are sub-contracted, in accordance with Section 27 of the Housing Act 1985, prior to entering into the Project Agreement with the PFI Contractor.

The details of the delegations are contained within Schedule 17 of the draft Project Agreement, namely:-

- The maintenance of City Council housing, City Council garages, City Council land and other assets as agreed with the City Council to facilitate the day to day maintenance of City Council housing within the PFI area;
- The repair and maintenance, whether responsive or major, of such Assets;
- The repair inspection process relating to such Assets;
- The planned and cyclical maintenance of such Assets;
- The modernisation and improvement of such Assets and the responsibility to decant tenants where appropriate;
- The maintenance of stock condition data on such Assets;
- The responsibility to consult with tenants on repairs and improvements to such Assets;
- Clearance of such Assets;
- The delivery of energy efficient responses to repairs and modernisation in relation to such Assets that contributes to the City Council's Best Value performance responsibility;
- To contribute fully to the regeneration policies of the area;
- To contribute to the Leasehold management, with regards to repairs, maintenance and modernisation works and services within the area;
- The maintenance and repair of communal rooms within residential blocks within the area;
- The provision of a caretaking and cleaning service to the communal areas of blocks of flats;
- The environmental maintenance of the housing estates;
- The letting of contracts in accordance with the terms of the Project Agreement;
- The provision of financial management, both revenue and capital;

- The provision of financial and statistical returns as and when directed or requested;
- The provision of reports to tenants about the service;
- The management of employee relations;
- The responsibility to proactively work with local Area Housing and Regeneration arrangements;
- The preparation of Business Plans; and
- The management of performance in line with the Performance Management Framework.

The Output Specification includes obligations on the part of the PFI Contractor to deliver a programme of improvement and on-going maintenance of the housing stock. The City Council will undertake all necessary formal consultation with tenants where the proposals impact on the terms and conditions of tenants, in accordance with sections 102 - 105 Housing Act 1985.

### **8.8 Consultation with Tenants and Leaseholders**

Prior to the submission of the Outline Business Cases for the Little London and Beeston Hill and Holbeck Projects, all necessary consultation with tenants in accordance with sections 102 – 105 of the Housing Act 1985 was undertaken, encompassing the proposals for re-housing and subsequent demolition of homes within the project areas and for the proposal to change the management arrangements for the housing stock to include part of the service being undertaken through a PFI contract arrangement.

The City Council has continued to keep tenants informed on the proposed changes and on progress with the contract procurement through regular newsletters and invitations to consultation events. Detailed involvement and consultation on the procurement stages has been undertaken through the creation of a Community Advisory Group, made up of tenants and residents, for each of the two project areas.

The City Council will continue its role to inform and consult tenants through the procurement and service delivery process, with the active involvement of the selected PFI contractor from appointment as Preferred Bidder. Detailed liaison work with tenants will pass to the appointed PFI contractor for the duration of the contract, with the City Council retaining its role for all formal consultation with tenants.

Detailed consultation has also been undertaken with all leaseholders who will be impacted by the proposed PFI contract. The City Council has undertaken the required stages of consultation with leaseholders in accordance with the Service Charges (Consultation Requirements) (England) Regulations 2003, to progress the procurement through to contract letting.

The City Council has, in addition to the required stages of consultation, provided additional information at each stage of the competitive dialogue and would propose to re-advise leaseholders on the scheme proposals at the appointment of the Preferred Bidder. In addition to the formal consultation stages, the regular project newsletters and invitations to consultation events are sent to all leaseholders and leasehold occupiers.

On letting of the contract all leaseholders will be advised of the final details of the contract, including costs and final estimate of the service charge liability for the works programme.

Any capping arrangements for service charge liability will also be confirmed, with specific arrangements to deal with service charge payment, including cases of financial hardship dealt with on an individual basis.

### **8.9 Service Review and Best Value**

The City Council has included within the Project Agreement the requirement for the contractor to undertake regular reviews of the services provided and to assist the City Council in undertaking its Best Value duty and in any Comprehensive Area Assessment in accordance with The Local Government Act 1999. In addition the City Council has retained the requirement for the contractor to undertake regular performance reviews and benchmarking of their services.

## **Section 8 – Appendices**

**Appendix 8.1 –Judicial review planning risk assessment**

**Appendix 8.2 –Stopping up proposals**

**Appendix 8.3 –Judicial review stopping up risk assessment**

**Appendix 2.1  
Summary of Scope Changes Since OBC**

<b>Site</b>	<b>OBC</b>	<b>FBC</b>
Carlton Gate	Demolition, clearance and mixed tenure residential development of whole site; full services to council housing and council land	Development of PFI new build homes, with full services; future development land set aside with limited environmental treatment and management
Leicester Place	Mixed tenure residential development of whole site; full services to council housing and council land	Environmental improvements & maintenance
Cambridge Road	Mixed tenure residential development of whole site; full services to council housing and council land	Environmental improvements & maintenance
Community Hub	Mixed tenure residential development; use of land value to develop community facilities	Development of PFI new build homes; development of community facilities through PFI; limited services to community facilities and full services to council housing and council land
Holbeck Towers	Demolition, clearance and mixed tenure residential development of whole site; full services to council housing and council land	Development of PFI new build homes, full services to council housing and council land; future development land set aside with limited environmental treatment and management
Meynell Heights	Demolition and redevelopment of site for mixed tenure homes; full services to council housing and council land	Retention, refurbishment, repairs & maintenance; full services to tower block
Malvern Rise/Grove	Demolition and mixed tenure residential development of whole site; full services to council housing and council land	Demolition and limited environmental treatment
Waverley Garth	Demolition and mixed tenure residential development of whole site; full services to council housing and council land	Demolition and limited environmental treatment
Cambrian	Mixed tenure residential development	None, site removed from works



Site	OBC	FBC
Street	of whole site; full services to council housing and council land	and services
Malvern Rd (2 sites)	Demolition and mixed tenure residential development of whole site; full services to council housing and council land	Demolition, clearance and development of PFI new build homes and full services to council housing and council land
St Lukes Green(2 sites)	Demolition and mixed tenure residential development of whole site; full services to council housing and council land	Demolition, clearance and development of PFI new build homes and full services to council housing and council land
Couplands (2 sites)	Demolition and mixed tenure residential development of whole site; full services to council housing and council land	Demolition, clearance and development of PFI new build homes and full services to council housing and council land
Bismarcks (2 sites)	Demolition and mixed tenure residential development of whole site; full services to council housing and council land	Demolition, clearance and development of PFI new build homes and full services to council housing and council land
Folly Lane	Demolition and mixed tenure residential development of whole site; full services to council housing and council land	Demolition, clearance and development of PFI new build homes and full services to council housing and council land
Fairfax Road	Demolition and mixed tenure residential development of whole site; full services to council housing and council land	Demolition, clearance and development of PFI new build homes and full services to council housing and council land
Balms and Ingrams	Refurbishment and services to Council properties	Refurbishment and services to Council properties; environmental works and services

## Detailed rationale for scope changes from OBC to FBC

### 1.1 Scope changes from OBC to FBC

#### 1.1.1 Original Project Scope

The original Project Scope was set out in two separate Outline Business Case approvals for the separate Little London and Beeston Hill & Holbeck projects, prior to the project being brought together as one for procurement and delivery purposes (more detail on this is provided in Section 4 of this FBC).

The Little London PFI scheme Outline Business Case (OBC) was approved by the City Council's Executive Board in May 2006, with approval from PRG following in November 2006. The OBC approval of PFI Credits provided for refurbishment of 884 existing City Council properties, development of 125 new units of City Council housing across 4 sites and environmental improvements throughout the estate.

The Beeston Hill & Holbeck OBC was approved by the City Council's Executive Board in November 2007, with approval from PRG following in March 2008. The OBC approval of PFI Credits provided for refurbishment/conversion of 321 existing City Council properties, development of 350 units of City Council housing across 15 sites and environmental improvements to the Holbeck estate.

Both OBC approvals included the opportunity to develop further private housing across the project areas as part of a mixed tenure approach to regeneration and to support the longer term sustainability of the PFI investment. The procurement therefore included the disposal of Council owned land under a Development Agreement and bidders were instructed to design, specify and cost a mixed, 'tenure-blind' scheme that integrated PFI and private new build housing within and across the development sites.

The bidders were also asked to include new retail provision, a new community centre and a new housing office within the 'community hub' in Little London, to be funded through a land value return arising from sale of development sites under the Development Agreement. The bid instructions were also developed on the basis of a capital contribution to the PFI financial model arising from land disposals.

The Project Agreement would control the development of new social housing and other PFI funded improvements on the City Council's adjoining retained land. The Development Agreement would control the disposal of land for market housing development alongside the PFI works.

### **1.1.2 Market Change**

During the ISDS phase of procurement over the course of 2008, the full effects of the dramatic and rapid decline in the housing market and the associated restrictions on mortgage and credit lending became apparent, resulting in major cut backs across the sector and a significant slow down in house building.

Following submission of Detailed Solutions for the PFI scheme in October 2008 by the three bidding consortia, it was clear that each of their proposals was exposed to the wider downturn in the national economy and the 'credit crunch'. This was reflected in the pricing of proposals relating to the Development Agreement; each of the bids showing significant negative values for the development land, based on residual open market valuations. Whilst the City Council had been prudent in obtaining its own independent land valuations over the course of procurement to assess deliverability and affordability of this element of the project, the full scale of land value declines from a high in late 2007 was unprecedented and could not reasonably have been anticipated.

The land within the project was not set out in separate sites or parcels relating to private and PFI development. Procurement had been designed on the basis of integration of PFI and private new build, such that development land proposed for acquisition by the bidding consortia was in several separate clusters within each of the development sites. Through

the competitive dialogue process each bidder had worked with the City Council to specifically design site proposals through a 'whole site' approach, for joint and co-ordinated delivery through each legal agreement in the project, once in contract. Project costs had also been predicated on the economies that might be gained through combined programming, site preparation and infrastructure provision.

There is a fixed timescale within which PFI new build must be undertaken once financial close is achieved, which would severely restrict any potential to link PFI works to future private development in anticipation of market change or in a way which would slowly foster the local housing market. In any case, the City Council could not dispose land at negative value effectively subsidising private housing.

As such the ISDS submissions in respect of the Development Agreement could not meet the City Council's needs and requirements and there was no prospect they would do so in moving forward, given the ongoing uncertainty of development finance, mortgage lending and ultimately any upward movement in land values or the housing market. The City Council would not achieve value for money for the development sites in the short term or with any certainty in the medium term and the project as a whole could be unaffordable without significant additional City Council financial support.

Given these issues, the short to medium term market prognosis and the need to create certainty for the City Council in moving forward with a deliverable project, it was necessary to consider appropriate changes to the project scope.

The following sections detail the scope changes that have been made since the approval of the Beeston Hill & Holbeck OBC. The changes were approved by the City Council's PFI Housing Project Board on 2nd February 2009 and the City Council's Executive Board on 4th March 2009. The scope changes were discussed at a meeting with HCA on 29th January 2009 and were then set out in a letter to HCA on 12th February 2009. The letter set out detailed advice from the City Council's external legal advisors and also set out the views of bidders on the approaches available, which had been obtained by the City Council. HCA then responded to the City Council on 3rd March 2009 raising some queries, to which the City Council further responded on 16th March 2009. They were then discussed with HCA on 18th March 2009 where the details were noted and the scope changes agreed. HCA considered the position again as part of a review of the draft Pre-Preferred Bidder Business Case and confirmed approval to this approach on 12th August 2010.

Changes to the project scope are based on the principle that the PFI-funded elements of the project should be paramount. The City Council sought to ensure that there was minimal or no impact on the PFI property outputs to the scheme as a result of de-scoping and that the overall property outputs (in terms of total number of units built and refurbished) should be achieved as outlined in both the Little London and Beeston Hill & Holbeck OBCs.

### **1.1.3 Removal of Development Agreement**

On the basis of the Detailed Solutions provided by bidders at ISDS and the substantial negative land values presented, the City Council was unable to proceed with its aspirations to deliver additional market homes for sale, together with additional affordable

housing provision alongside the core PFI social housing refurbishment and new build proposals.

Therefore, the disposal and development of land was excluded from the project, this has meant the new build land requirement of the project as a whole has been reduced. The analysis of land required and property outputs has taken place at the level of each neighbourhood as detailed below.

### **1.1.3.1 Little London**

Removal of private development from the scheme reduces the overall land requirement for new build in Little London. Two smaller sites - Cambridge Road and Leicester Place – have been removed for development purposes, which as existing open spaces, will be subject to minor environmental improvements and management within the PFI project.

The PFI property outputs in Little London remain broadly the same as that set out in the approved Outline Business Case, with the development of 125 new build social rented homes, refurbishment of the remaining Council homes across the estate, accompanied by substantial environmental improvements and 20 years of maintenance and services, all funded through PFI Credits.

Development of the 125 new build PFI homes would take place across Carlton Gate and the Community Hub sites, which are the most prominent in the area and important in terms of symbols of positive change in the area. The development capacity of these sites exceeds 125 homes. As part of the dialogue process the Preferred Bidder has identified a residual area of 0.73 hectares of future development land on the Carlton Gate site which will be set aside from any works under the PFI project, to be brought forward for delivery of housing by the City Council through other means at a later date, to contribute towards regeneration objectives of diversifying tenure in the area. This land is clearly demarcated and separate from the land for PFI works, forming in effect an adjoining site.

### **1.1.3.2 Beeston Hill & Holbeck**

The original scope of 350 new build City Council homes was to be delivered as part of a mixed tenure approach to development of 15 sites of varying size, identified to accommodate both PFI and private homes, with the City Council gaining economies of scale and reduced costs through joint development.

In removing the Development Agreement and private house building from the scheme in Beeston Hill & Holbeck, scope change has centred on the need to ensure efficiency in the use of land across these sites, such that PFI development costs are not increased through spreading new build at a low density across too many sites with the project becoming unaffordable as a result.

The Cambrian Street site has been removed from the scheme and retained as open space. This will remove development pressure and risk on this site where there are other opportunities nearby for brownfield development through the project. As a standalone site

with no demolition requirement it will receive no investment or intervention through the PFI project.

Two further sites currently occupied by housing, at Malvern Rise/Grove (3.1 ha) and Waverley Garth (1.6 ha), are removed from the scheme for new build purposes. Re-housing from these sites will continue, as option appraisals have shown the inability to economically refurbish the properties to meet decency standards and provide sustainable homes into the future. The sites would be demolished and managed in a limited way through the PFI scheme pending their future development by the City Council through an alternative route.

Holbeck Towers remains the largest site in the Beeston Hill & Holbeck area of the project, being the main transformational site. As part of the dialogue process the Preferred Bidder has identified 0.48 hectares of future development land on the Holbeck Towers site which will be set aside from any works under the PFI project, to be brought forward for delivery of housing by the City Council through other means at a later date, to contribute towards regeneration objectives of diversifying tenure in the area. This land is clearly demarcated and separate from the land for PFI works and in effect forms an adjoining site.

#### **1.1.3.3 Retention and Refurbishment of Meynell Heights**

The original intention to demolish the Meynell Heights tower block (containing 99 flats) in order to create a new development site has been revisited in the context of the wider economic changes. It was originally proposed that this site could accommodate new homes for market sale, to assist in the introduction of a variety of housing tenures into the estate area through a redevelopment as a medium to high density apartment scheme. However the rapid decline in the local property market during the ISDS period meant there was no longer any commercial viability for market housing of this type in this location.

The Council considered the potential to continue redevelopment of the site to obtain new build PFI housing outputs. However the costs associated with rehousing and demolition to create the new build land platform required have been reviewed, as has the development capacity for social housing – the approach would be expensive and only result in replacement homes at 25% of the number currently on site. This would create a significant net reduction in housing on site, requiring other land within the project to be developed to address this shortfall.

Costs associated with refurbishing this type of tower block had been obtained for similar structures in Little London at ISDS and these proved to be lower than the original estimates used by the City Council in its option appraisal for treatment of the site.

The scope has therefore been revised to incorporate a refurbishment option of the building and omission of the requirement to demolish the building, with the consequent saving also on prior rehousing costs.

#### **1.1.3.4 Reduction in PFI New Build Requirement in Beeston Hill & Holbeck**

The retention and refurbishment of Meynell Heights adds 95 dwellings to be refurbished (together with 4 leasehold properties which require communal works) and has increased the total number of properties to be refurbished in the Beeston Hill & Holbeck project area to 376 Council dwellings (plus Ingram Court conversion 23 units outputted) .

To balance this the City Council has reduced the number of new build property outputs included elsewhere in Beeston Hill & Holbeck, to maintain a match with the overall OBC approved outputs (new build plus refurbishment). It would not be practical or feasible to reduce the number of refurbishment properties elsewhere in the estate as there is no logical means by which such properties could be selected. This would also dilute the impact of comprehensive refurbishment works within the estate.

The Council's initial approach was to reduce the number of new build properties by 99 units, commensurate with the number of units in Meynell Heights and thereby retain parity of overall property outputs with the OBC. This would have resulted in a decrease in new build from 350 to 251 properties . However a review of the combined outputs for Little London and Beeston Hill & Holbeck showed capacity to increase the new build outputs in Beeston Hill due to freehold right to buy sales in Little London reducing the stock requiring refurbishment. Further feasibility work undertaken by the Council to assess affordability and site capacities in Beeston Hill has demonstrated there was capacity to increase the new build outputs for the area.

The scope has therefore been revised for the Beeston Hill & Holbeck project area to increase refurbishment by 99 properties (Meynell Heights) and to reduce new build by 75 units, from 350 to 275. As such through this exercise an additional 24 units are gained as project outputs, the impact of which is shown in the table below. This approach was discussed with bidders prior to the formal commencement of the ISRS stage and was broadly agreed. Subsequent final tenders have borne out the Council's approach showing it to be both affordable and technically deliverable.

The table below sets out the change in numbers of refurbishment and new build Council homes for each project area of Little London and Beeston Hill & Holbeck since the original OBCs.

**Figure 2.1** – Table showing scope of refurbishment and new build Council homes

	OBC			PPBFBC Total	Variance	Reason	HCA Approval
	LL	BHH	Total				
Refurbishment & Conversion, inclusive of leaseholders communal parts	922	320	1242	1299	+57	Net impact of:  - 33 due to freehold right to buys and LL stock recount  - 9 due to changes to the total units to be converted	n/a  Re-scope March 2009

							+99 due to inclusion of Meynell Heights	
New Build	2 bed	90	230	320	245	- 75	Reduction due to removal of sites	De-scope March 2009
	3 bed	20	80	100	100	0	n/a	n/a
	4 bed	15	30	45	45	0	n/a	n/a
	5 bed	0	10	10	10	0	n/a	n/a
	Total	125	350	475	400	-75	n/a	n/a
Total new build + refurb		1047	670	1717	1699	-18		

## 1.2 Inclusion of Community Hub in Project Agreement

### 1.2.1 Overview

In Little London mixed-use elements of the Community Hub, comprising new retail units, a new community centre and a new Neighbourhood Housing Office were intended to be funded through land value returned to the City Council through the sale of residential land. Without the land sales to fund this, scope change required these key foundations of sustainable regeneration in the area to be moved into the Project Agreement for development through PFI credits, with all parts to be retained in City Council freehold ownership. The principles of this approach were agreed with the HCA between January – March 2009 and again confirmed by the agency in August 2010.

The Community Hub is a key site for the project and performs a critical function within Little London. It is located at the centre of the neighbourhood, accessible to all residents and highly visible on the main route through the area to the city centre. It currently accommodates a Neighbourhood Housing Office, Community Centre and a parade of seven shops, offering essential and valued services to local tenants and residents. The uses on the site underpin the daily life of the Little London estate.

However, the current use of land within the site is inefficient – there is an over-supply of car parking, vacant land arising from the demolition of a social club in the early 1990's and three separate single story buildings dispersed across the site. The site presents an opportunity to rationalise the form of development, implement improvements to disjointed public-facing City Council facilities to realise the benefits of co-location with a single point of access. The proposed demolition will release land within the Community Hub for the construction of the proposed new high profile retail units and community facilities as well as the introduction of additional social housing into this sustainable mixed use site.

The PFI Output Specification was therefore extended, as part of the project de-scope, to include detail relating to the following non-housing elements for the Community hub site:

- demolition of all existing buildings – 7 retail units, one community centre and one Neighbourhood Housing Office;

- construction and external maintenance of 700 sq m of retail floorspace across a number of retail units to be determined through dialogue with the Council and Local Planning Authority;
- construction and external/internal maintenance of a co-located housing office and community centre, with caretaking services; Community Centre to have an internal floor area of 350 sq m, Housing Office to be in the range of 160- 180 sq m and both to have a specified range of spaces and ancillary facilities and to be served from a shared entrance and reception area;
- improvements to existing public open space on the site.

Repairs, maintenance and caretaking services to the Community Centre and Housing Office will now be provided through the Project Agreement as a result of the scope change. These elements of the Hub will pass back to the City Council for operational use, retained as freehold assets. A full Availability Standard has been included to ensure the facilities are kept in a full state of repair, in good decorative order, and are safe and fit for purpose. External and structural repairs and maintenance to the retail units will also be included within the Project Agreement, with all internal repairs and maintenance the responsibility of the Council. The retail units will remain a freehold asset of the Council.

### **1.3 Retail Facilities**

#### **1.3.1 Current Situation**

The existing retail parade was constructed in the 1970's by the City Council and each unit was then leased to individual tenants on full repairing terms at market rates. The parade has largely been successful commercially since its construction, being managed by the City Council with low levels of turnover and low void rates. It provides 540sq m of retail floor space across its seven units, offering shopping largely for the local market, with some passing trade, though this is limited due to the location of parking away from the frontage and its disconnection from shop entrances.

The City Council has sought to maintain retail provision through to the point at which the shops are to be demolished under the PFI contract - five are currently occupied, under leases which have been contracted out of the 1954 Landlord & Tenant Act, providing general stores, café, take-away, hairdressing and a dispensing chemist. Each of the current tenants has expressed strong interest in remaining trading in the area; the two vacant units have not been re-marketed, pending the PFI works.

The building type and design is typical of its era - concrete slab and flat roofed – and has reached the end of its useful life. It is an unattractive building which does not contribute positively to its environment, also posing significant community safety challenges arising from its layout. It hides the approach and entrance to the Little London Primary School, which sits immediately adjoining the Community Hub site and creates conflict between shop tenants' and customers' parking and vehicular and pedestrian traffic into the school site. Whilst it would be technically possible to refurbish the building, the location of the parade within the site is somewhat hidden, with a limited aspect to the main road and sitting low within the immediate topography. It does not take full advantage of commercial opportunities for access and visibility, is constrained in terms of modern retail servicing and parking needs and limits the development potential of the surrounding land. Refurbishment would not resolve these fundamental problems with the layout of the Community Hub site as a whole.



## 1.4 Planning Requirements

Despite the physical appearance and condition, the retail uses here provide essential services for local people and offer an important platform for sustainable regeneration of the area. This is recognised by the Local Planning Authority, which requires that the vitality and viability of the retail uses in this location are protected and enhanced. This principle has been established in both the formally adopted Unitary Development Plan Review (2006) and in the informal guidance provided through the Little London Development Framework (2007), which was put together with the LPA to guide the delivery of the PFI project and states the central importance of improvements to the Community Hub site to the sustainable regeneration of the wider Little London area. The LPA requirement is that the total retail floor space is not reduced unless there are compelling viability reasons to do so; the Little London Development Framework recommends retail space of c850 sq m is provided in any redevelopment. The LPA has also strongly encouraged a mixed use redevelopment of the entire site, which would obtain a more efficient land use and release its potential for residential uses.

The City Council has already secured outline planning consent for the redevelopment of the retail facilities, which allows for the demolition of the current parade and construction of up to 9 individual new retail units, the size of which is not fixed in the consent, together with the community facilities and residential uses.

## 1.5 Market Testing

The City Council has tested its approach to the retail units through the engagement of the specialist retail advice of Chartered Surveyors, Lambert Smith Hampton (LSH). LSH has undertaken an independent Retail Assessment encompassing a review of the Output Specification and City Council proposals, market testing through canvass of potential commercial occupiers of the site (including existing tenants), consideration of the local retail market and its capacity, together with potential for increased passing trade.

LSH's advice is broadly in accord with the Local Planning Authority's position that the floorspace as currently provided should not be reduced in size through any redevelopment; LSH suggests an optimum range of 715-805sq m and recommend that a larger unit is included within the scheme to provide for an 'anchor' tenant. The City Council's Output Specification sets out a requirement for 700 sq m of new retail floorspace including a larger unit of 280 sq m capable of accommodating a small supermarket or convenience store. This provides for an increased floorspace across a range of smaller units and an anchor unit, which would significantly enhance the retail offer of the site. The anchor unit provides a sales area that is within the size threshold for Sunday and extended hours trading in this location, which will increase its attraction to potential tenants.

LSH's retail assessment concluded that:

- the proposal is well located in relation to the city centre, city centre fringe developments and the local Little London retail market;
- it would serve to significantly strengthen the role of the Community Hub as a whole helping to underpin the provision and uptake of community services that will support the sustainable regeneration of the area;

- there is strong customer demand for retail in the Little London area;
- there is strong market interest from retailers in the proposed development;
- the proposed changes would provide for an increase the width and depth of grocery shopping in the area, reducing the need for local people to travel outside of the neighbourhood for food; and
- development of the retail offer in this location would not have a negative impact on surrounding local retail markets.

It is however advised by LSH that in order to effectively foster market interest in the occupation of any new retail units, appropriate incentives regarding rent would need to be considered.

Overall LSH offers a strong market validation to the Local Planning Authority's requirements for retail in this location and indicates that there is limited scope to challenge these on the grounds of commercial viability in bringing forward any redevelopment proposal. The Retail Assessment also offers strong support for the City Council's proposals and confirms that there is both a regeneration and commercial case for the approach.

The alignment of the regeneration impact to be gained with the LPA's requirements in realising the potential of the Community Hub site, the commercial demand and local needs has driven the City Council's inclusion of works and services related to the retail redevelopment in the PFI project scope.

The Preferred Bidder will undertake construction of the retail units and maintain the structure and external envelope through the PFI Credits, for the term of the Project Agreement. Under this arrangement the City Council's Commercial Asset Management Team will manage the units as part of its wider portfolio of HRA estate shops, undertaking marketing, lettings and management of any voids. Tenancies would be let on full internal repairing terms at market rates for this area, subject to any incentives or initial discounts that may be appropriate and subject to the City Council's obligations to obtain best consideration for any disposal of land under the terms of the Housing Act.

The City Council is entirely confident and comfortable with these management arrangements, having many years experience in managing such assets. The rental income from lettings would be returned to the HRA account through which the City Council's Commercial Asset Management Team is funded and through which the City Council is in-part making its financial contribution to the scheme.

The Preferred Bidder has also included in its proposals the construction of a small customer-facing office facility within the Community Centre/Housing Office building, for which a commercial lease has been negotiated. Upon completion the PFI contractor will take occupation of the office under this lease from the City Council on full internal repairing terms. The City Council will remain as freeholder and the office facility will only be occupied by the SPV in connection with and for the duration of the PFI contract. As part of

the City Council's community building, its structure and external elements will be maintained through the PFI project.

## **1.6 The Community Facilities**

### **1.6.1 Community Centre**

The Little London Community Centre currently occupies a prime position situated on the main road through Little London. The single storey building is in two distinct parts. The original structure opened in 1973 and is of a brick and block construction with a pitched roof. A flat roofed timber framed addition, which was second-hand when added in 1983, is estimated to be some 30-35 years old. Though it is sound the original community centre's fixtures are dilapidated and the building fabric fails to meet current energy efficiency and fire safety standards cannot fully comply with the requirements of the Disability Discrimination Act. The pre-fabricated classroom has been closed to general public access because of major defects affecting the integrity of the roof. Significant investment to rectify this has not taken place pending the implementation of the PFI project.

Internally the community centre consists of a large main hall with a stage, two offices, reception, and kitchen plus the classroom that is currently unusable. The total internal floor area is 355 m<sup>2</sup>. Despite showing its age, the building is very well used – community space is near fully booked most weeks – and considered by local people to be the heart of the community. Typical activities for a week at Little London Community Centre include youth support sessions, family tea time club and healthy eating café, older men's social group, exercise classes and Duke of Edinburgh Award sessions. There is a Management Committee comprised of local tenants and residents, which holds bi-weekly fund raising social activities. The centre is available at weekends for ad hoc activities. A local community organisation, Community Action for Little London (CALLs) has use of office room in the centre and the remaining office is used by Connexions and for local M.P. and councillor surgeries.

Generally there is a waiting list for regular activities because the main hall is not dividable into smaller spaces enabling different users to have access at the same time. The classroom, when in use, is restricted to learning based activities for locally excluded children. Existing and potential users look forward in anticipation to the new centre with its range of flexible spaces that accommodate an increased range and number of activities.

The City Council has a portfolio of 70 community centres vested in its Environment and Neighbourhoods Directorate (through which the PFI contract will be managed) and the management function including the revenue budget is delegated to 10 Area Committees. On behalf of these, Area Management Teams take responsibility for a range of functions including liaising with users, user groups, Members and Area Committees on issues relating to community centres in their area, developing proposals for re-shaping the portfolio, monitoring service level agreements, budgetary control, regulating pricing for use and the application of discounts.

The City Council is committed to providing quality community facilities and to protect this investment a ring-fencing arrangement for capital receipts arising from the disposal of any community centre assets was agreed by Executive Board in 2006 and was incorporated into the Capital Strategy and Asset Management Plan, which allows for receipts to be

retained by Area Committees for reinvestment in retained community facilities. The City Council's Inner North West Area Committee has delegated responsibility for setting local pricing and lettings policy for the Little London Community Centre, whilst the building is managed by a corporate facilities team. Under current lettings policy, fees are waived or reduced for groups for whom service provision is a corporate priority, including children and young people and the elderly.

The aim of re-provision in Little London is to not only maintain a well-used community facility but to extend activities and services available locally and to support the local community in building social capital to support sustainable regeneration in the area to complement the investment in housing.

### **1.6.2 Neighbourhood Housing Office**

The Neighbourhood Housing office is an HRA asset that is allocated to West North West Homes (WNWH) by the City Council for the management of the housing stock in the area. The Neighbourhood Housing Office in Little London offers a range of services for tenants and residents. The Office is occupied and managed by West North West Homes, which provides housing and tenancy management services on behalf of the City Council for 21,500 homes. Within the organisation's portfolio it is one of the busiest and most well used local offices, serving the Little London area and accommodating up to 15 staff at any one time. Dedicated customer service staff are on hand to handle rent payments, resolve complaints, signpost complimentary services and activities and provide easy access to telephone translation services. The office also provides a base for local housing management staff including housing and estate management officers and a liaison facility for neighbourhood wardens, community police and environmental improvement teams. Although the existing building is structurally sound, it is small and of a poor internal design and layout and offering cramped public areas, impacting on the service interface with customers.

Little London has in the past suffered very high levels of anti-social behaviour and drug related criminal activity which peaked in 2003 with a total of 66 ASBOs issued in one month. The local housing office has played a significant role in the ongoing effort to reduce street crime and nuisance in the area by acting as a drop-in point for local people to report incidents of anti social behaviour. This approach has been particularly effective over a number of years with recorded incidents falling significantly.

The re-provision of the Housing Office will enable the ALMO to maintain customer-facing services in the locality. This is a key function for West North West Homes, which will still be responsible for tenancy management in the area and wishes to retain a vital local link with tenants.

Given that the asset is provided from the HRA, no formal lease or rental arrangements are made as this would involve inter budget payments within the HRA. The office is provided as part of the assets covered within the overall Management Agreement between the ALMO and the City Council. WNWH operates and maintains the current office from the funds allocated as part of their overall management fee.

For the operation of the PFI, the management fee paid to WNWH by the City Council from the HRA will be adjusted to cover only the services retained by WNWH, resulting in a reduced management fee. No specific charge will be made for WNWH to use the new office, in line with current arrangements, however the HRA will utilise the monies from the

reduced management fee towards the costs of provision and repair within the PFI contract costs. This management fee adjustment is included as part of the overall Council contribution to the project.

### **1.6.3 Sustainability of the New Community Facilities**

The City Council has applied the principle of co-location to the Output Specification for redevelopment of its community facilities in Little London. This presents an opportunity to rationalise assets, to achieve build and operational cost efficiencies, ease of operation and customer access and a more efficient use of the site as a whole. It also supports the Local Planning Authority's aspirations for the site and its functions.

The current community centre and housing office and their separate car parks currently take up around a quarter of the proposed Community Hub mixed use site. Incorporating the housing office function into one building along with the community centre will release land for new housing and has offered bidders flexibility in design of the site as a whole.

The scope for the new community centre part of the building has been developed in partnership with local groups and existing users. It will offer 350 sq m of space in total divided between a main community hall of 100 sq m (dividable into three smaller spaces), a meeting room, office facilities, storage and sanitary facilities and a large kitchen designed to promote healthy eating activities. The PFI contractor will provide caretaking and cleaning services. The community centre will also benefit from provision of a small external garden for outdoor activities. The facility is scoped and specified to offer maximum flexibility in use with a variety of space combinations.

The scope of the housing office element has been set out in collaboration with the ALMO. It will offer 160-180 sq m of space, providing open plan office accommodation, private interview rooms, secure reception facilities and public space within the shared foyer. The foyer will act as a general information point and will be equipped with a free phone for members of the public to access all City Council services. The PFI contractor will provide caretaking and cleaning services.

The community building will have a single point of access for enquires and access to services. Co-location of service provision and staff from the Housing Office with the Community Centre creates efficiencies for the City Council and also has a positive impact on the service offer to customers and tenants of Little London, who can benefit from a 'one stop' service and single point of contact in the area. It will encourage more day to day footfall from housing office business into the Community Centre generating opportunities for promotion of these facilities to a wider audience and familiarising more of the local community with its services and activities.

The PFI Contractor will also benefit from signposting of the repairs and maintenance services from the Housing Office to SPV office facilities within the Community Hub. The Preferred Bidder has proposed a dedicated office to be constructed as part of the community building, which will be located above the City Council's Housing Office. The office would have access to the Community Building reception counter facilities and interview spaces for public contact and tenant liaison, to be regulated through a management agreement between the SPV and ALMO.

[REDACTED]

[REDACTED]

Although the functions within the community building will be co-located under a single roof, each element is designed to be a stand-alone provision with separate utilities metering and out-of-hours access. The housing office will have separate staff access. The shared elements will be the foyer/reception, parking, cycle parking, refuse storage and collection areas.

Investment in the Neighbourhood Housing Office in Little London supports West North West Homes' 'Access to Services Strategy 2009-2013'. The strategy outlines the ALMOs commitment to providing choice and accessibility in the way it delivers its services and identifies neighbourhood housing offices as an important mechanism for fulfilling these commitments. The ALMO will retain an operational and service budget for delivering its frontline services through the Housing Office. The ALMO management team is fully supportive of and committed to the positive benefits of co-location of the community centre and housing office, as an opportunity for efficiency savings through better use of space, some shared resources (e.g. reception facilities) and in terms of maximising the opportunities for service-providers to sign-post and link customers to other services.

There is an annual City Council revenue budget of £72,000 for the community centre, which will be retained, ensuring that revenue support required to operate and manage the centre will continue to be in place. The City Council will furnish and equip the new community centre as part of its ongoing commitment to supporting community based activities. Operating costs are anticipated to be significantly lower than at present due to efficiencies from lower heating and energy use to be gained through a modern built-for-purpose building, constructed to the City Council's specified standards – BREEAM standards have been applied to ensure running costs and environmental impact are minimised, whilst the bidders' proposals have also been required to meet the requirements of Secured by Design, ensuring scope for vandalism and damage is designed-out.

The combined office and community centre will be maintained to Availability Standards over the length of the PFI contract, providing a very visible landmark and benchmark for the physical quality to be associated with the area, counteracting an image and reputation that has associated Little London with deprivation and decline over many years. Responsibility for the management of a number of community centres in Leeds has been transferred to local organisations or community groups and Leeds City Council is keen to promote this approach wherever such capacity exists. Whilst neither CALLs nor the existing Community Centre Management Committee feel strong enough to commit to taking greater responsibility at present, the City Council's Area Management officers are working closely with local groups to build capacity with the eventual aim of increasing community involvement.

Whilst there is a medium-term certainty over the intended functions and uses of the community facilities, the City Council has pragmatically considered future use and adaptability throughout the 20 years of the PFI Project. It is realistic to acknowledge that over such a time period service needs do evolve and there is a need for physical assets to be able to respond to this. The procurement has ensured that the design and construction allows for internal rearrangement of spaces within a steel-framed shell so that should the currently proposed uses change, the building can be easily adapted. For example should the activities within the community centre increase and the local housing office function is no longer required, the office space could be easily incorporated into the Community Centre. In this respect, should it be required to review the occupancy or use arrangements, the Community Building has the potential to offer flexible accommodation to

either the ALMO or the City Council as well as to a range of organisations in the public, voluntary or private sector that could bring benefit and add vibrancy to Little London in the longer term. In this way the sustainability of the built asset would be ensured, if not the uses for which it is originally designed.

[REDACTED]

[REDACTED]

# Little London, Beeston Hill & Holbeck PFI Housing Project VFM Submission

Date: 24<sup>th</sup> August 2011 - update



Leeds  
CITY COUNCIL

## **A. Introduction and summary of VfM proposal**

1. This paper should be read in conjunction with the City Council's original submission dated 26<sup>th</sup> April 2011, which was approved by the Minister through HCA on 21 June 2011.
2. The key elements of the City Council's VfM proposals were
  - an overall reduction in PFI credits of £9 million, including:-
    - [REDACTED] of additional new build space standards above CLG benchmarks;
    - [REDACTED] for new build homes meeting Code for Sustainable Homes Level 4;
  - an overall reduction in project costs through a reduction in total Unitary Charge of £6 million;
  - identification of further operational efficiencies which will see savings of £1.1 million over the life of the project;
  - removal of the Little London Community Hub from the contract, to be developed by the Council through alternative means; and
  - removal of demolition from the contract for two sites which would not be subject to PFI new build works, to be addressed by the Council through alternative means.
3. The proposals were made on the assumption that financial close could be achieved by September 2011.
4. The proposal further noted that the cost to the project of each month of delay beyond the previously anticipated close date of December 2010 is approximately £1m. The additional inflationary pressure is being absorbed by the Council and the bidder. However, this in itself reduced the potential for further efficiencies.

## **B. Updates since the previous paper**

5. The City Council has updated the programme and now believes that financial close will be delayed until mid-December, although it remains hopeful and will strive to deliver the final stages of procurement to an earlier timescale if approvals permit.
6. The proposed Preferred Bidder (principally through the works sub-contractor and soft FM service sub-contractor) was able to assist the City Council in responding to the VfM challenges around project cost metrics, but has subsequently been unable to engage on a significant basis, pending their formal appointment being confirmed once the pre-Preferred Bidder Final Business Case has been approved.
7. The proposed Preferred Bidder has previously advised that financial close can be achieved within 8-10 weeks of appointment. This is required to ensure the full engagement of funders and sub-contractors and to complete remaining matters of fine tuning and clarification identified in the draft PB appointment letter. Arrangements have been put in place to begin the final clarification of contractor's proposals, specification and design, although significantly, any work requiring external adviser or consultant support including design and financial modeling is not possible until the PB is appointed.
8. The City Council remains committed to identifying the scope for any further efficiencies during the remainder of the procurement, but these are restricted by the need to ensure that they do not result in significant changes which could lead to procurement or challenge risk. It remains our view that the scope for further efficiencies is limited as a comprehensive exercise had already been undertaken previously.



9. As noted in the previous paper, the Council has already made significant contributions to meet the costs of the project and these costs continue to increase as the delay to financial close increases. Whilst the delays do not impact on the ability to deliver the PFI credit savings offered to CLG, extension of the programme beyond September [REDACTED].
10. One aspect of the delay to the project is that a number of the risks going forward originally identified by the City Council have now been resolved. There has been no challenge to the planning approvals secured for both new build and refurbishment proposals and the deadline for a potential Town and Village green application has now expired. This puts the City Council in a very favourable position to move quickly to financial close, once Government approvals have been secured.
11. There have been no changes to the VfM metrics previously reported, with the exception of the capital costs which will be subject to later tender price inflation. However as the additional costs is being borne by the City Council and the proposed Preferred Bidder, there is no net effect on the position reported to and previously approved by CLG.
12. The City Council's VfM proposals significantly reduced the level of infrastructure costs associated with the project through the omission from project scope of the Little London Community Hub (comprising 12 flats, community centre, housing office, retail units and open space improvements). Work continues to assess options for progressing the Hub and demolition sites in Beeston Hill & Holbeck through alternative means.
13. Other infrastructure works were identified relating to fundamental HRA estate improvements to address problems arising from the 'Radburn Layouts', to improve community safety, connectivity, legibility, useable green space and sustainability. The cost of these works is estimated at £11.16 million. CLG has requested that the City Council review again the costs of infrastructure works.
14. We have previously explored the opportunities to limit or reduce the extent of these works, which have been developed in conjunction with and approved as part of the proposed Preferred Bidder's planning applications. We note HCA/CLG's continued requirement to look at the cost of infrastructure works but believe that we have done all that we can to address this. The City Council previously made the point that the total infrastructure costs account for only [REDACTED].

### **C. Potential future efficiencies**

15. The Council's previous submission confirmed that there were no further opportunities to improve the performance and risk allocation position relating to the payment mechanism, which had been subject to detailed review.
16. However the Council remains committed to achieving an optimum VfM position, subject to progress with Treasury in respect of a self insurance position in respect of existing properties and agreement to the Council taking the risk of change in law provision for the new homes. These changes would need to be progressed following financial close.
17. In addition, we have now committed to a further review of lifecycle provision to see if there is any scope to reduce costs as a result of earlier Council works, but this cannot be confirmed until further detailed discussion has taken place with the preferred bidder, once appointed.

### Executive Summary

Any move to amend the final tender received gives rise to a potential risk of challenge from interested third parties. So in making any variations steps must be taken to ensure that price reductions are not agreed pursuant to further negotiations which could be construed to amount to re-opening the dialogue. Any price reduction must be arrived at by reference to the final tender prices submitted, otherwise there is a risk of this being viewed as allowing only one tenderer to revise their pricing/scope.

Changes to the procurement at this stage are at risk of challenge in particular if they are seen to be modifying material/substantial aspects of the tender, or to distort competition or cause discrimination or are otherwise unfair or not transparent. There will be a breach of the Public Contract Regulations 2006 ("the Regulations"), unless the Council moves back to a stage where bidders can bid again in the revised procurement. If the changes are not material/substantial, then in any event the Council may not start negotiation/dialogue again. Pure confirmation/clarification of pricing of elements in the final tender and subsequent changes in scope by reference to them if not material/substantial is unlikely to give rise to any challenge. So, confirmation of a saving for removal of a site by reference to existing pricing is more likely to be within the Regulations, whilst seeking price reductions against HCA/CLG categories of cost they consider to be high is more likely to be seen as dialogue.

Generally speaking, any significant amendments to the Council's required specification at this stage of the process may lead to the need for re-submission of tenders from remaining bidders or an increased risk of challenge. Significant changes in specification which fall outside the scope set out in the original OJEU or tender documents may require the Council to consider the extent to which it re-opens or restarts dialogue. Post-close, it would be open to the Council to make changes which fell within the remit of the Change protocol, and whilst this may lead to a legal challenge risk, this will be reduced, to the extent that the variation is carried out in accordance with, and within the constraints of, the change protocol.

### After Final Tender

General principles of EU law require that authorities act in a fair, transparent and non-discriminatory fashion, in awarding contracts for public works, services and supplies. This is reflected in the various EU directives applying to public procurement, in the UK legislation implementing those directives (including the Public Contracts Regulations 2006), and in EU guidance on procurement.

Under the Public Contracts Regulations 2006, regulation 18, paragraph 26 specifies the following in relation to procurements commenced under the competitive dialogue procedure:

*"The contracting authority may request a participant to clarify, specify or fine-tune a tender referred to in paragraph (25)(b), but such clarification, specification, fine-tuning or additional information shall not involve changes to the basic features of the tender or the call for tender when those variations are likely to distort competition or have a discriminatory effect."*

(Paragraph 25(b) is the procedure for requesting bidders to submit a final tender). These requirements therefore apply *prior* to submission of final tender.

Paragraph 27, applies once a preferred bidder has been selected and states:

*"The contracting authority may request the participant identified as having submitted the most economically advantageous tender to clarify aspects of that tender or confirm commitments contained in the tender provided that this does not have the effect of modifying substantial aspects of the tender or of the call for tender and does not risk distorting competition or causing discrimination."*

The next section considers the case law for amendments post-close. Whilst not entirely clear, the principles of *Pressext* arguably have applicability to the period from final tender but before close, to the extent that any modifications can be made.

The key case law in the area of variations is *Presstext*. This case examined the issue of in what circumstances an amendment to an existing contract is to be regarded as the award of a new public service contract.

The fundamental point of the judgment of the case is “**equal treatment**” and the question of whether another tenderer’s chances are affected. The case confirms the application of EC principles relating to the objective of ensuring the free movement of services and the opening-up to undistorted competition in all Member States. In order to achieve this objective, Member States are required to follow the principle of equal treatment of tenderers, including the obligation of transparency resulting from this. This is the background setting of European Community law and each Member State must seek that this carried out in procurement procedures.

Prior to the judgment of the case *Presstext*, the Advocate General gave his opinion and set out the basic principles when making variations to existing contracts. Only **material contractual amendments** which are such as to **distort competition** of the relevant market and favour the contracting authority’s contractual partner as against other possible service providers would justify conducting a new procurement procedure. However, there is a presumption in favour of commencing a new procurement procedure where:

1. Other service providers might have been deterred from applying for the public contract by the original less favourable terms; or
2. Might now in the light of the new contractual terms be interested in applying for the public contract; or
3. An application by a tenderer who was unsuccessful at that time might be successful under the new contractual terms.

The judgment sets out the following examples of amendments which “may be material”:

1. Introduces conditions which, had they been part of the initial award procedure, would be likely to result in admission of new tenderer/different tenderer
2. Extends the scope of the contract considerably to encompass services not initially covered.
3. Changes the economic balance of the contract in favour of the contractor in a manner which was not provided for in the terms of the initial contract.

However, the following changes would be permitted:

1. Changes in prices if expressly permitted under the terms of the initial contract (if not expressly permitted then this would infringe transparency and equality between tenderers)
2. Where the conversion of contract prices into euros during the course of the contract leads to the adjustment of the intrinsic amount and that adjustment is “minimal” and “objectively justified” by changes in external circumstances that facilitate performance.
3. The re-advertisement of a contract need not be immediate, but timing “proportionate”.

The Opinion of the Advocate General further stated:

1. A price change is only material if it is capable of distorting competition.
2. Consider the extent of the price alteration in the context of the contract as a whole.
3. A price decrease may be less significant than an increase. This is because the reduction in remuneration works in favour of the contracting authority and normally improves the economic efficacy of the implementation of the contract. However, it cannot be ruled out that an agreement lowering remuneration may distort competition.

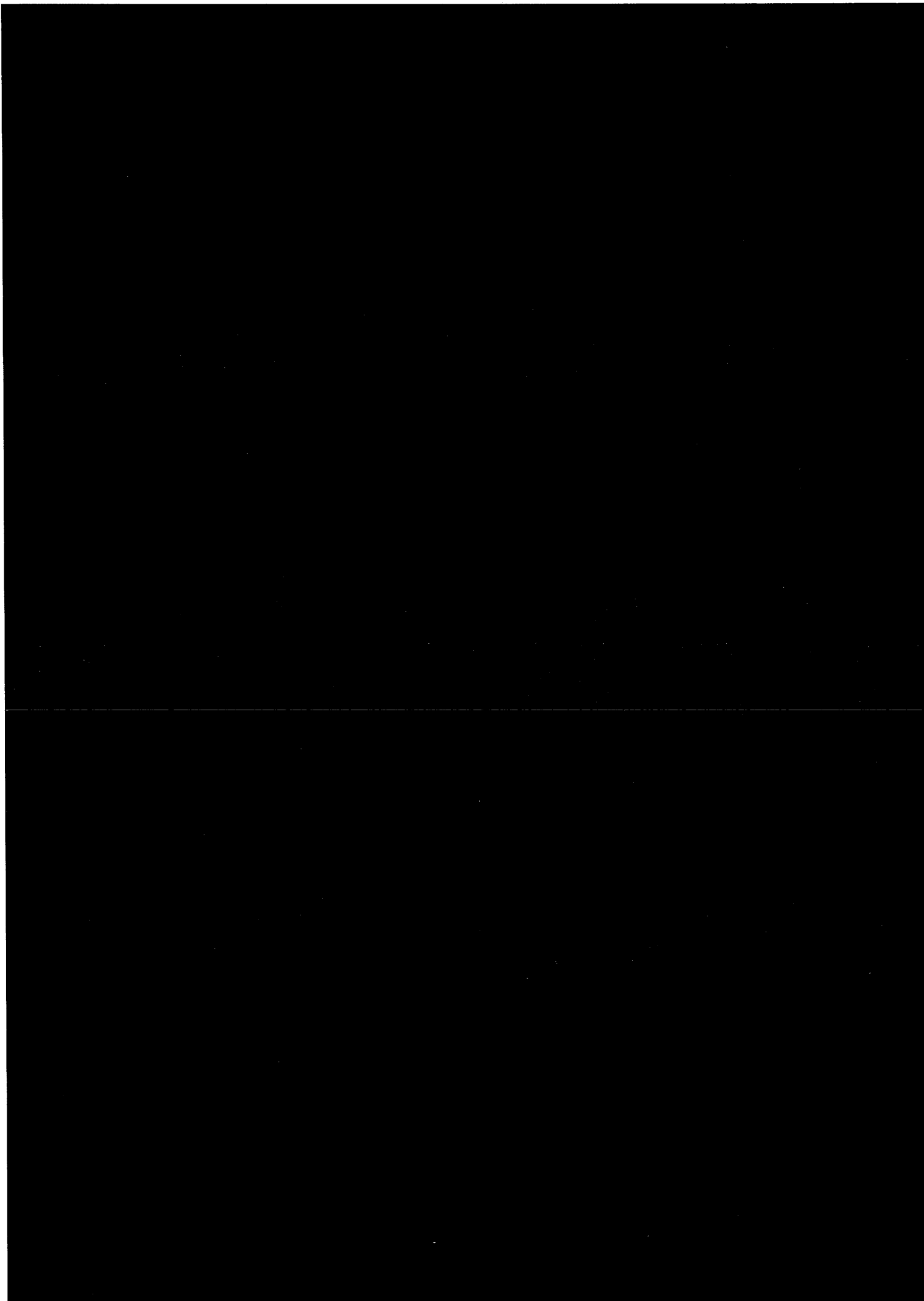
However, it is important to remember that complying just with the terms of the contract may not always be enough. In the case of *Wall* the contractor won the contract on the strength of the qualities of the sub-contractor. After winning the contract the contractor then changed the sub-contractor to be a cheaper alternative, who was also less reputable. One of the unsuccessful tenderers challenged this even though the contract allowed for a change in sub-contractor, the conclusion being that equal treatment of the tenderers had been compromised.

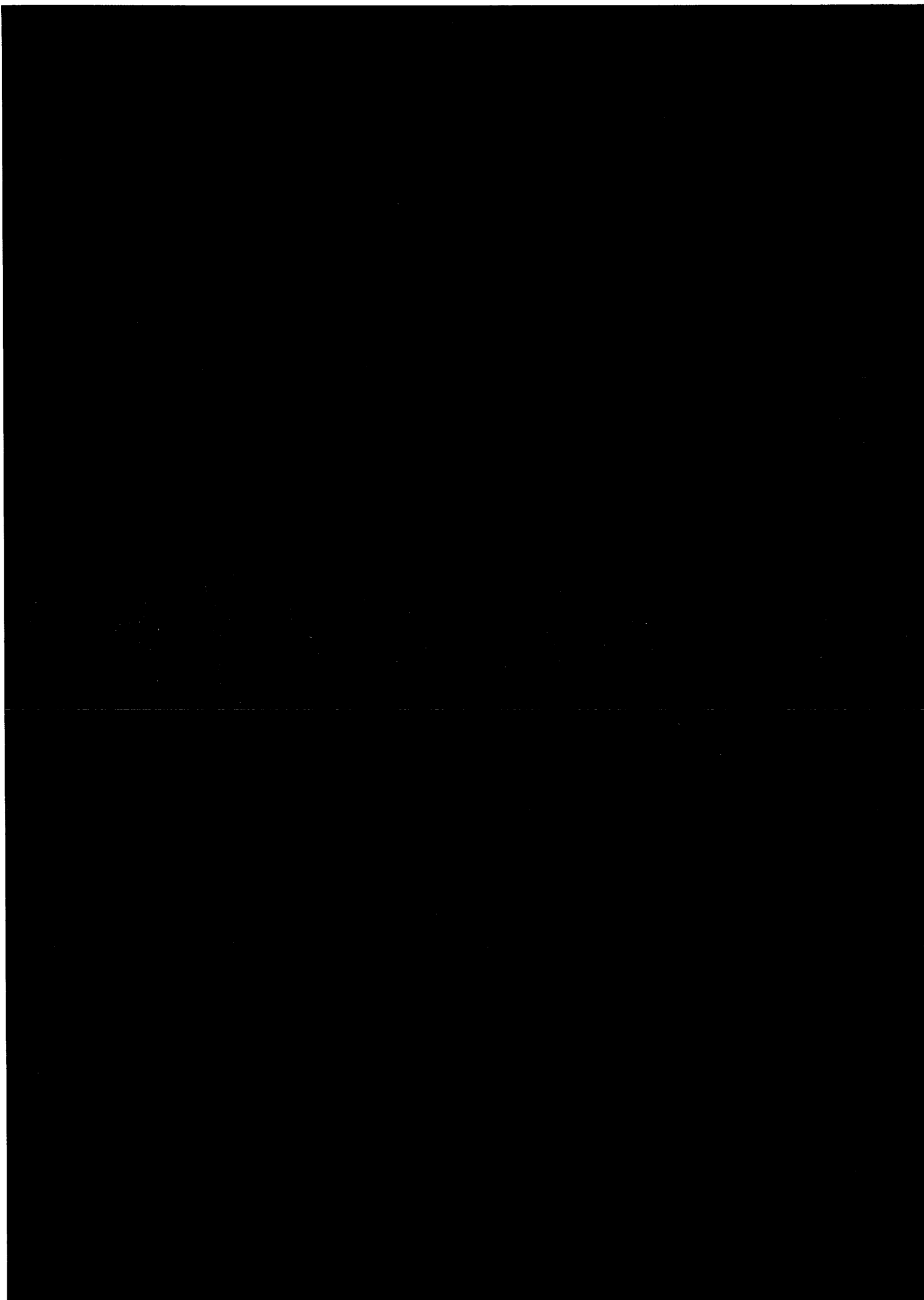
It should be noted, however, in the scope of the Little London Project Agreement that a detailed change protocol with clear limits on allowed variation is included - variations within this schedule are likely (although not certain) to fall within the constraints set by *Presstext*. However, changes that fall

outside this change protocol are more likely to lead to the need for a new procurement. To the extent that a variation to the contract would not be allowed under *Pressetext*, it seems unlikely that a court would determine that a similar change was allowable pre-contract close, as the prejudice to other bidders would be equally great.

Proposed variations to Little London, Beeston Hill and Holbeck Housing PFI Project

In relation to this project, the following table summarises the potential risk of challenge in making some or all of the proposed changes:







The 2010 Domestic Energy report was appended to Board Members' agendas for their consideration and had also been made available to others electronically.

**RESOLVED –**

- (a) That the content of the 2010 Domestic Energy Report be noted and approved.
- (b) That a further report be submitted to the 30<sup>th</sup> March 2011 Executive Board meeting in respect of energy efficiency and carbon saving initiatives currently being developed.

**NEIGHBOURHOODS AND HOUSING**

**184 Little London and Beeston Hill and Holbeck PFI Housing Project - Final Business Case and Contract Award**

Further to Minute No. 149, 9<sup>th</sup> December 2009, the Director of Environment and Neighbourhoods submitted a report outlining the final scope of the Little London and Beeston Hill and Holbeck Housing PFI Project, proposing the submission of the 'Pre-Financial Close Final Business Case' to Communities and Local Government (CLG) through the Homes and Communities Agency (HCA), detailing the anticipated affordability position for the Project and detailing proposals regarding the execution of the contract documentation for this Project.

The report noted that the Project had been the subject of an Equality Impact Assessment, which had been completed in January 2010 and subsequently reviewed in June 2010. In addition, the report provided details of the outcomes from the assessment process.

The Chair and the Executive Member for Neighbourhoods and Housing thanked Members for the supportive comments which had been received from all political groups in relation to the development of this Project.

The Chief Executive updated the meeting on the current status of the approval process for the Project, with Members noting that implementation of the close arrangements contained within the submitted report were dependent upon CLG approval of the Pre-Preferred Bidder Final Business Case (PPB FBC) being received.

Following consideration of the appendix and related annexes to the submitted report, designated as exempt under Access to Information Procedure Rule 10.4(3), which were considered in private at the conclusion of the meeting it was

**RESOLVED –**

- (a) That the contents of the submitted report be noted.



- (b) That the final scope of the Little London, Beeston Hill and Holbeck PFI Project ('Project'), as set out within the submitted report, be confirmed.
- (c) That 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 be approved, and that the Director of Environment and Neighbourhoods be authorised to approve any necessary amendments to the PFC FBC that arise.
- (d) That the financial implications for the City Council of entering into the Project be approved and that the anticipated affordability contribution for the City Council in relation to the Project in the first full year of service commencement, as set out within the exempt appendix to the submitted report, be noted.
- (e) That the financial issues covered within the exempt appendix of the submitted report, including the balance sheet treatment, be noted.
- (f) That it be noted 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.
- (g) That approval be given to 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 to the submitted report.
- (h) That the arrangements at section 7.0 of the submitted report be confirmed, and (for the avoidance of doubt) the Director of Environment and Neighbourhoods (or delegee) be authorised to exercise the delegated powers, as set out at Part 3 Section 3E of the Constitution regarding PPP/PFI and other Major Property and Infrastructure Related projects, in relation to this Project.
- (i) That authority be delegated 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 and as set out within the exempt appendix to the submitted report.
- (j) That, without prejudice to the approvals under paragraphs (a) to (i) above, should it become necessary at any time for further decisions to be taken to amend the scope and/or affordability of the Project prior to the next scheduled meeting of Executive Board, authority to take such

decisions be delegated to the Director of Environment and Neighbourhoods, subject to Executive Board Members being consulted in the manner now discussed prior to the decisions being taken, and provided that any such decisions shall be reported back to the next scheduled meeting of the Board for information.

**185 Government Office for Yorkshire and the Humber**

Given the imminent closure of the Government Office for Yorkshire and the Humber, with the Board's agreement, the Chief Executive on behalf of the Board undertook to write to Felicity Everiss, Regional Director of the Government Office, and her staff, formally thanking them for their continued support and assistance on the development of numerous initiatives throughout the city, including the current Little London and Beeston Hill and Holbeck PFI Housing Project (Minute No. 184 refers).

**CHILDREN'S SERVICES**

**186 Ofsted Annual Unannounced Inspection of Contact, Referral and Assessment Arrangements in Children's Services**

The Director of Children's Services submitted a report providing details of the Ofsted Unannounced Inspection of Children's Services' Contact, Referral and Assessment Arrangements, which took place during January 2011.

On behalf of the Board, the Chair and the Executive Member for Children's Services paid tribute to and thanked all staff within Children's Services for the work they had undertaken to help achieve such a positive outcome.

**RESOLVED -**

- (a) That the outcomes of the Ofsted unannounced inspection be noted.
- (b) That the significant positive impact made overall since the unannounced inspection in July 2009 be acknowledged, and that the significant efforts of all those who have contributed towards this achievement be recognised.
- (c) That regular progress reports be submitted to the Board in relation to the 'Areas of Development' identified via the Unannounced Ofsted Inspection, particularly in relation to the development of a new ICT system.

**187 Children's Services Improvement Update**

Further to Minute No. 132, 15<sup>th</sup> December 2010, the Director of Children's Services submitted a report providing an update on the improvement and development activity in respect of children's services which had been undertaken since the consideration of the last update report in December 2010.

The report noted that an equality impact assessment was being undertaken in respect of the new Children and Young People's Plan, and that the outcomes from which would inform the final content of the plan.





**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:** 9<sup>th</sup> 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.

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

- 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)



- 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 17<sup>th</sup> February 2011 for Beeston Hill & Holbeck and on 3<sup>rd</sup> 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 17<sup>th</sup> May 2006 in respect of the Outline Business Case for Little London and 14<sup>th</sup> 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





[REDACTED]

20 June 2011

[REDACTED]

**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.

[REDACTED]

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



**Bid requirements at each procurement stage**

**1. PQQ stage**

**1.1 PQQ Bid requirements**

This PQQ tested responses to the following areas:

- General Information regarding the Lead Organisation & the Relevant Organisations;
- Eligibility and Professional conduct;
- Mandatory Exclusion regarding conviction for certain offences;
- Financial, Economic and Insurance matters including copies of Public Liability, Employer's Liability and Professional Indemnity Insurance Certificates;
- Technical Capacity based on the experience they have gathered on previous projects of a similar nature;
- Bidder's organisation, negotiation and delivery teams assessing how the Bidder intends to bring their existing experience to bear in future delivery of the services;
- Quality Management regarding Quality Assessment standards, complaints & recruitment;
- Health and Safety;
- Equal Opportunities & compliance with legislation;
- Environmental Management;
- References for recent contracts that are similar to this project in terms of content and value; and
- Certification in relation to Public Contracts Regulations 2006.

## **2 ISOS stage**

### **2.1 ISOS bid requirements**

The Council published the following documents to assist bidders in completing their Outline Solutions:

- Volume 1 – Bid Instructions
- Volume 2 – Invitation to Submit Outline Solutions (ISOS)
- Volume 3 – Supporting documents:
  - Volume 3a - Bid Integrity
  - Volume 3b – Works
  - Volume 3c – Services
  - Volume 3d - Legal & Commercial
  - Volume 3e - Development Agreement
  - Volume 3f - Finance, Corporate Structure & Payment Mechanism

Project documentation and associated information to assist the Bidders were made available to them via a V Room, an electronic portal administered by the Council's Legal Advisers, DLA Piper.

This stage tested the 4 pre-qualified bidders' responses to the following areas:

- comment on the Council's proposed approach to risk allocation and make any suggested amendments or additions to the allocation proposed;
- respond to a number of specific provisions/requirements within the Output Specification;
- comment on the Council's proposed approach to development sites and demonstrate how they would develop their design approach and delivery of affordable housing with reference to a particular site in each of the project areas;
- demonstrate how the output specification can be delivered for specific archetypes taking account of the need to work with tenants in-situ;
- consider the survey information and confirm the survey strategy required for the ISDS stage;
- provide a statement that demonstrates how the phasing of the project will be managed effectively; and
- develop designs for two exemplar sites
- proposals on how works and services will be delivered for an exemplar site.

Due to the level of detail required at this stage, it would not have been possible for bidders to accurately price the bids and therefore the Council did not seek any details of costs at the Outline Solutions stage.



### 3. ISDS stage

#### 3.1 ISDS bid requirements

The Council published the following documents:

Volume 1a	Bid Instructions
Volume 1b	Bid Deliverables
Volume 2a	Financial Model
Volume 2b	Financial templates
Volume 2c	Payment Mechanism
Volume 3a1	Draft Project Agreement (PFI Contract)
Volume 3a2	Draft Protocols
Volume 3b	Draft Development Agreement
Volume 4a	Output Specification – Volume 1
Volume 4b	Output Specification – Volume 2

This stage tested the 3 bidders' responses to the following areas, detailing:

- Information regarding the organisation and resourcing of the consortium from procurement through to the operational period;
- Their communication strategy and approach to regeneration, including how they will add value to the project;
- Their approach to obtaining the necessary planning consents including a programme;
- Their procurement programme including detailed commentary;
- Design stage assessments and solutions for all the new build sites included in the project to RIBA Stage C & D as well as the areas for refurbishment and environmental works, including details of materials and specifications;
- Method statements around sustainability, managing the works, quality assurance and health and safety including works programmes;
- Detailed information regarding their approach to all of the services to be delivered within the project including their approach to TUPE;
- A marked up Project Agreement (including protocols), a property strategy and details of their proposed insurance programme;
- Their approach to Development including proposals for the community hub detailing their approach to planning, site valuations, abnormal costs, affordable housing, marketing & sales, and programme. They were also asked to provide a mark up of the Development Agreement.

- Details of their finance proposals including a marked up Payment Mechanism and completion of an affordability and technical finance proformas and a financial model.

### **3.1.1 ISDS Method statements**

At this stage the bidders were asked to submit a series of contractual method statements and bid method statements.

Where contractual method statements have been requested and form part of the proposals as a schedule to the Project Agreement, bidders were required to submit them in a format suitable for insertion into the schedule. They were required to be clear, concise and contain no ambiguity. Bidders were marked on the clarity and certainty of documentation as part of the ISDS scoring.

Where bid method statements were required, they were assessed as part of the evaluation of bids but would not be incorporated into the Project Agreement.

There was also an option to submit a costed variant method statement where bidders were to include details of any commercial considerations that they based their submission on and wanted to make the Council aware of (indicating whether such assumptions are price sensitive or not) and also identify the proposed benefits of the variant proposal to the Council and the service user including how this would add value to the Council's proposed requirements.

### **3.1.2 ISDS Financial information**

Regarding Volume 2 (financial information), the information provided to bidders set out the Council's commercial and pricing assumptions included within the Council's Shadow Bid Financial Model including the Council's affordability threshold target. To assist the Council in undertaking the technical and value for money evaluations, bidders were requested to submit a series of technical finance proformas outlining their:

- Debt and equity funding proposals & the financial terms attached;
- Bid development costs;
- Annual SPV costs, including Insurance and other costs;
- Capital Investment proposals;
- Lifecycle investment;
- Annual maintenance costs; and
- Affordability position1.

## 4. ISRS stage

### 4.1 ISRS and Final Tender bid requirements

The Council published the following documents:

Volume 1a	Bid Instructions
Volume 1b	Bid Deliverables
Volume 2a	Financial Proposal – Instruction to bidders
Volume 2b	Technical Finance Proformas
Volume 2c	Payment Mechanism
Volume 2d	Affordability Guidance notes to Bidders
Volume 3a1	Draft Project Agreement – Part 1
	Part 2, Schedules and FDA
Volume 3a2	Draft Protocols
Volume 4a	Output Specification – Schedule 2, Volume 1
Volume 4b	Output Specification – Schedule 2, Volume 2
Volume 4c	Output Specification - Schedule 2, Annexes

The ISRS stage asked bidders to further develop their proposals generally, probing for greater clarity & level of detail. In addition to developing the information submitted at ISDS, the following information was also requested:

- Details of how they have worked with the Community Advisory Group and how they have taken their comments into consideration;
- Additional objectives in terms of supporting Council regeneration partnerships, supply chains & purchasing and their training & employment strategy;
- Detailed programmes in relation to RDD, mobilisation & delivery;
- Full Property information;
- Development of design solutions to a sufficient level to achieve planning approval;
- Additional legal bid deliverables such as Heads of Terms, Credit Agreement key terms and parent company guarantee;
- The Development Agreement section tested bidders on their overall approach to the Community Hub requirements including whether it is fit for purpose, flexible, functional and with regeneration benefit. It also tested their approach to retail provision; and
- An interim Financial model



ISRS/Final Tender Evaluation Methodology - March 2009



Version 2

Little London,  
Beeston Hill & Holbeck

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## **1.0 Introduction**

### **1.1 Objectives and evaluation criteria**

The objective of the evaluation process is to identify the relative strengths and weaknesses of the bidders in the areas outlined in the Little London and Beeston Hill & Holbeck Housing PFI project award criteria and to enable the City Council to select a preferred bidder for the project, based on the evaluation of final tenders from two bidders.

The evaluation process contains a qualitative assessment of the criteria listed at Appendix 1 and an assessment of affordability as describe at paragraph 4.4.

### **1.2 Purpose**

The purpose of this document is to describe the approach used by Leeds City Council from the Invitation to Submit Refined Solutions (ISRS) through to the Final Tender stage in evaluating bids to ensure that the process:

- conforms with all relevant statutory and regulatory requirements and best practice;
- is robust, objective and transparent;
- provides a framework that will facilitate a comprehensive review of each bid; and
- provides a clear audit trail.

### **1.3 Short list of bidders**

The bidders shortlisted for the ISRS/Final Tender stage that will be issued with ISRS documents on 20<sup>th</sup> March are as follows:



### **1.4 Timetable for submission**

The next stage of procurement requires bidders to develop their proposals from the Detailed Solutions stage through to Final Tender. The City Council has determined that this will be achieved in two stages, with bidders required to submit an interim submission to enable the City Council to assess the readiness of bidders to submit final tenders.

Bidders will therefore be required to submit Refined Solutions (an ISRS interim submission) by 12:00 noon on Friday 28<sup>th</sup> August 2009.

The City Council will consider the interim submissions, which will include an indicative affordability assessment, in order to assess the readiness of bidders to submit a Final Tender for evaluation. The assessment of the interim submission will also enable the City Council to provide bidders with a final set of negotiation issues to respond to with a view to seeking final submissions by Monday 19<sup>th</sup> October 2009.

All bidder submissions including the interim submission will be returned to the Corporate Procurement Unit who will record the submissions in accordance with the City Council's Contract Procedure Rules.

## **1.5 Reporting and approval process**

The results of the evaluation process will be reported to the Project Board on 17<sup>th</sup> December 2009, together with appropriate recommendations for decision.

## **2.0 Bid Requirements**

### **2.1 Requirements of bidders**

Bidders have been requested to provide their submissions in separate volumes based on the Bid Deliverables document Volume 1b. If the submission requirements have not been met then evaluation team members should contact the Executive Project Manager as a matter of urgency.

The bid submissions reflect the main evaluation criteria for the project which are as follows:

- Bid Integrity
- Works
- Services
- Legal and Commercial
- Development Agreement
- Finance



### 3.0 Evaluation Programme

#### 3.1 ISRS (interim submission) Evaluation Programme

Task/Milestone		Date
<b>Key Task Prior to Interim Submission</b>		
Forward initial Derogation list to HCA		7 July 2009
Response from HCA		3 August 2009
LCC issue revised letter and final PA		24 August 2009
HCA sign off		23 September 2009
<b>Key Submission Tasks</b>		
Interim submission by bidders		28 August 2009
Interim submissions distributed to panel members		3 September 2009
Deadline for sub-group leaders to identify initial clarification issues		10 September 2009
LCC clarifications issued to bidders		11 September 2009
Bidders respond to LCC clarifications		18 September 2009
Bidder Clarification meetings - Pre-meets	Finance	21 September 2009
	Project Agreement	22 September 2009
	Works & Services	23/24 September 2009
	Bid Management / Bid Integrity	28 September 2009
Bidder Clarification	Finance	21 September 2009



meetings	Project Agreement	22 September 2009
	Works & Services	23/24 September 2009
	Bid Management / Bid Integrity	1 October 2009
Council closes dialogue and issues request for Final Tender and final negotiation issues		5 October 2009

### 3.2 Final Tender Submission Evaluation Programme

Task/Milestone		Date
Final Tender submitted by bidders		19 October 2009
Final Tender submissions distributed to panel members		21 October 2009
Initial pre-meet		22 October 2009
Bidders presentations		22 October 2009
Initial Council evaluation and scoring meeting	Finance	2- 5November 2009
	Project Agreement	2- 5 November 2009
	Works & Services	2-5 November 2009
	Bid Management / Bid Integrity	2-5 November 2009
Deadline for sub-group leaders to identify final clarification issues		6 November 2009
Final LCC clarifications issued to bidders		6 November 2009
Latest response from bidders on clarifications		13 November 2009
Internal evaluation & final	Finance	16-20 November 2009

scoring meetings	Project Agreement	16-20 November 2009
	Works & Services	16-20 November 2009
	Bid Management / Bid Integrity	16-20 November 2009
Final Bid Management meeting with bidders/ clarification period ends		23 November 2009
Sub-group leaders prepare feedback for bidders		23 November - 2 December 2009
Final Evaluation reports completed		23 November - 2 December 2009
Deadline sub-group reports submission to Executive Project Manager		4 December 2009
Reports issued to Main Evaluation panel		3 December 2009
Main Evaluation Panel meeting		7 December 2009
Prepare Project Board report for approval of Preferred Bidder		7 - 10 December 2009
Issue Project Board report		10 December 2009
Project Board – approval of Preferred Bidder and draft Final Business Case		17 December 2009
Pre-meet prior to giving feedback to bidders		17 December 2009
Feedback sessions with bidders		22 December 2009

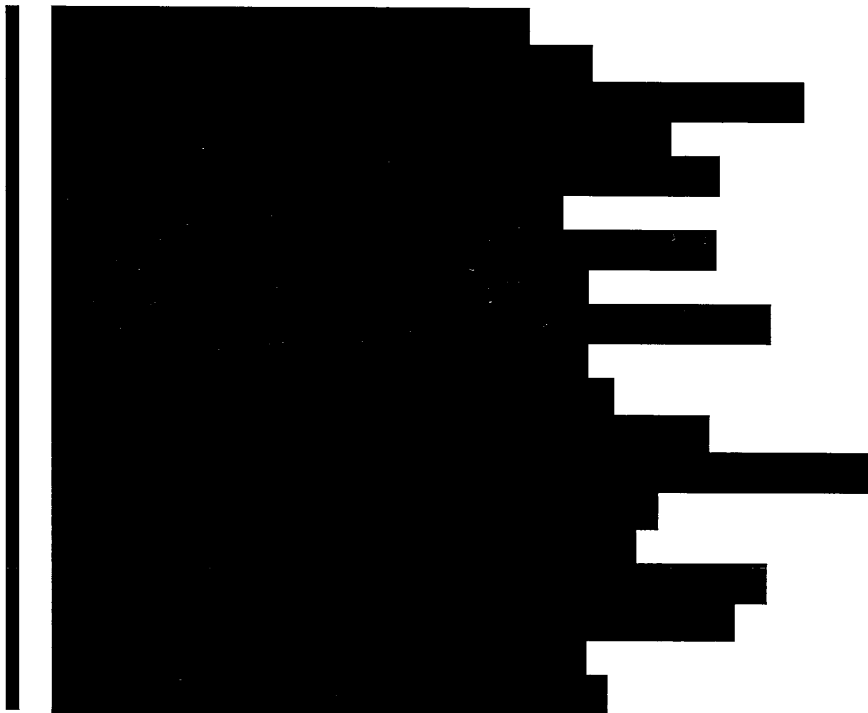
## 4.0 The ISRS and Final Tender Evaluation Team

### 4.1 Evaluation team roles and scorers

The Evaluation Team consists of the following roles:

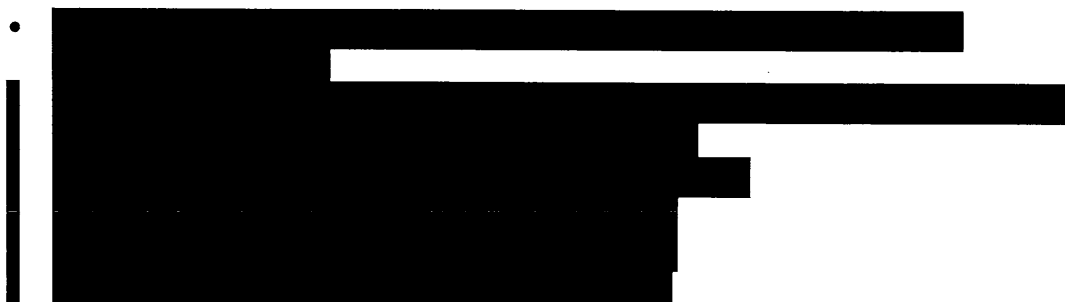
- **“Scorer”** – an evaluator who has a formal scoring role. The Scorer will be an employee of Leeds City Council or relevant ALMO.
- **“Consultee”** - an individual or group who are consulted on specific aspects of each Optimum Bid. Their role will be in specific areas within their expertise or field of work. They will read and review these aspects of the submission and provide comments to the Evaluation Groups and Sub Groups to be taken into account by Scorers prior to final scoring. Consultees will not form part of the scoring of the Evaluation Sub-Groups.
- **“Adviser”** – an individual or group who provide advice and guidance on specific areas to bid evaluators. They will form part of each Bid-Evaluation Group or Sub-Group, but will not form part of the scoring.

**Scorers** - The Scorers are:



Evaluation Group Chairs can invite additional consultees to comment on specific areas as required.

**Consultees** - The Consultees will be as follows:



Evaluation group chairs can invite additional consultees to comment on specific areas as required.

**Advisers** - The following City Council advisers will assist in the evaluation of bids:

- Financial Adviser (PwC) – [REDACTED]
- Legal Adviser (DLA) – [REDACTED]
- Technical Adviser (EC Harris) – [REDACTED]

The main Evaluation Team will be supported by [REDACTED] Project Manager (PPPU).

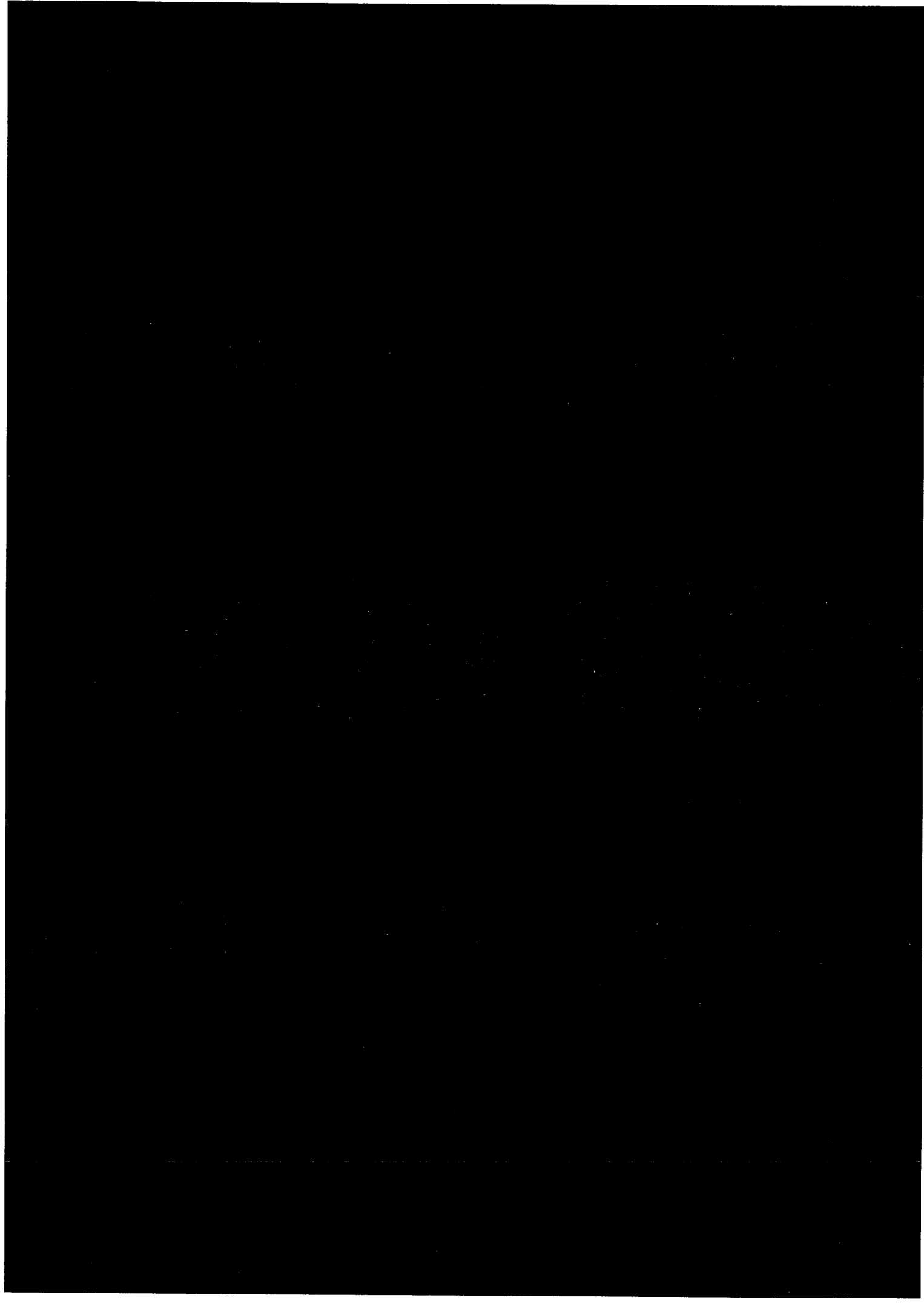
The role of the Executive Project Manager (supported by the Project Manager) will be to:

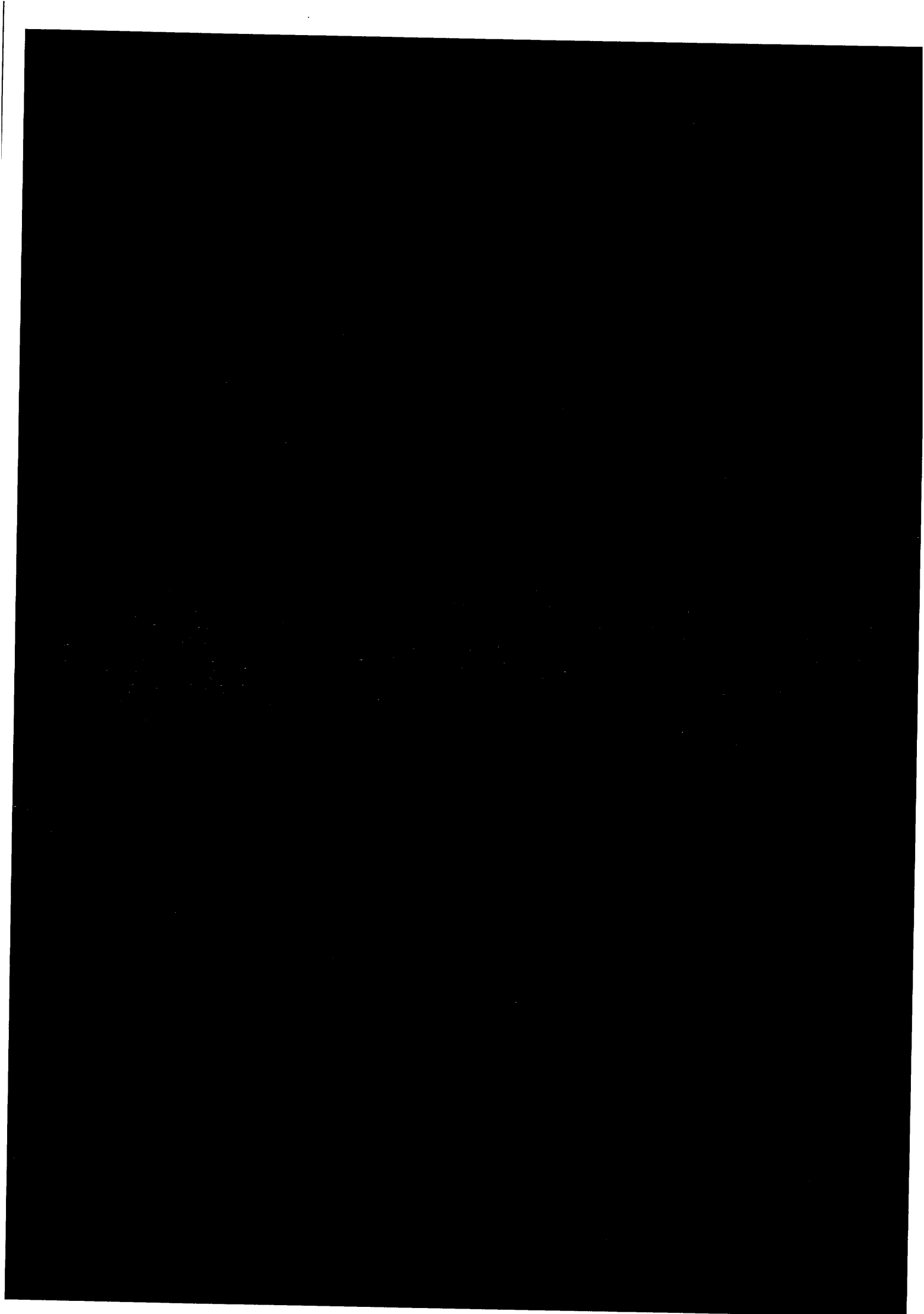
- Co-ordinate each evaluation group.
- Receive and administer the clarification process for the evaluation groups.
- Co-ordinate collation of cross cutting themes from each of the Evaluation Groups.
- Collate each evaluation team's scores and calculate the final scores.
- Agree with evaluation group chairs any changes to the individuals in the evaluation team where these may be required due to absence or other unavailability.

#### **4.2 Evaluation team and sub-groups**

The Little London and Beeston Hill & Holbeck Housing PFI Project Evaluation Team has been separated into four evaluation groups and main panel, which are responsible for evaluating their designated sections of the interim submission and Final Tender as detailed below.

The evaluation of deliverables within the Development Agreement section will be undertaken through the Technical and Legal workstreams.







### **4.3 Headline qualitative evaluation criteria weightings**

The evaluation process at this procurement stage is a detailed assessment of the bid deliverables against the award criteria attached at Appendix 1.

The main award criteria has not changed for the project and was approved by Project Board on 16 November 2007. However, scope changes to the project have impacted on sub criteria within the Development Agreement element of the criteria. Details of this are set out in appendix 2 and were approved by Project Board on 20 March 2009.

Bidders have been informed about the headline and sub-criteria and about how these will be applied, as appropriate, throughout the project.

The criteria weightings (and scoring methodology in relation to the bid deliverables (where applicable) are set out in the scoring matrix at Appendix 3.

### **4.4 Affordability**

Following the qualitative evaluation set out above, the cost to the City Council of each of the bids will be assessed by reference to affordability. The affordability of bids will be reported to the Housing Project Board in a separate part of the evaluation report, which will indicate whether each bid meets the affordability guidelines issued by the City Council having regard to the instruction at volume 2d of the ISRS documents. Failure to meet the affordability parameters set by the City Council will result in a tender being recommended for rejection at the final tender stage.

Bidders are required to submit an interim affordability position at the end of August 2009 to try and ensure that affordable bids are submitted



## 5.0 Individual assessment

### 5.1 Final Tender responses delivered to evaluators

The Executive Project Manager will ensure the distribution of bids to members of the Evaluation Groups by 21 October 2009, in accordance with the schedule agreed by each evaluation sub-group chair. It is each individual's responsibility to ensure that confidential information received by them is securely kept during evaluation and returned to the Executive Project Manager at the end of the evaluation process.

### 5.2 Compliance check

PPPU will undertake a compliance check of all bids with the support of the Corporate Procurement Unit. Any gaps, inconsistencies or issues will be raised with bidders (guidelines provided with the Bid Instructions) and advised to the Project Director and evaluation chairs as soon as possible.

### 5.3 Reading the bids

Once bids are received, each member of the evaluation group will start to read and familiarise themselves with the content of the bids. Evaluation group members should allocate sufficient time to read through each of the two bids. It is advised that all panel members should briefly read through the Bid Integrity section to familiarise themselves with the bidders consortia.

As well as this evaluation methodology document, each scorer should have a scoring booklet, copies of all the ISRS/FINAL TENDER documentation and a scoring matrix. The scoring booklets can be used to refer to the model answers (where applicable) which have been prepared by the workstream leaders to assist scorers understand what they should be looking for in the bidders response. They can also be used to record the strengths and weaknesses for each question and scores awarded. Scores for each bidder can also be recorded in the scoring matrix provided which details the allocated weightings for each question.

### 5.4 Clarifications

Any final clarification questions about the content of the bid documents should be submitted to the Chair of the relevant sub-group using the 'LCC Evaluation Clarification Log' (**Appendix 4**). These will then be forwarded to the Executive Project Manager for issue to bidders using the following email address: [ced.pppu.housing.pfi@leeds.gov.uk](mailto:ced.pppu.housing.pfi@leeds.gov.uk)

At final tender stage these should only relate to arithmetical errors or points of clarification and not result in additional information being supplied after the final tender submission date.

The final day for submitting clarifications to bidders is Friday 6<sup>th</sup> November 2009. Bidders have 5 working days to respond and therefore the deadline for responses is Friday 13<sup>th</sup> November 2009. Responses to all clarification requests must be submitted by the end of the designated time period if they are to be considered as part of the evaluation process. Only clarifications/fine tuning is permitted following receipt of final tenders.

## 5.5 Allocation of scores

### 5.5.1 Score guide

The allocation of scores is on the following basis:

<b>SCORE BANDS</b>	<b>SCORE GUIDE</b>
<b>(0)</b> <b>Unacceptable</b>	The bidder has: <ol style="list-style-type: none"><li>1. submitted an unsatisfactory response which has failed to address or is substantially inconsistent with the Council's requirements; or</li><li>2. provided no relevant information.</li></ol>
<b>(less than 4)</b> <b>Low</b>	The bidder has: <ol style="list-style-type: none"><li>1. submitted a poor response which has failed to address or is significantly inconsistent with the majority of the Council's requirements; or</li><li>2. only addressed the majority of the Council's requirements by providing partial, insufficiently detailed responses.</li></ol>
<b>(4 or more, but less than 7)</b> <b>Medium</b>	The bidder has addressed: <ol style="list-style-type: none"><li>1. all of the Council's requirements with a satisfactory response; or</li><li>2. the majority of Council's requirements with a satisfactory response with a limited number of outstanding issues for the remainder of the Council's requirements.</li></ol>
<b>(7 or more, but less than 9)</b> <b>High</b>	The bidder has: addressed all of Council's requirements with robust, coherent explanations which are accompanied by supporting evidence (where appropriate) although a small amount of work may be required to ensure the bid submitted meets the required standards.
<b>(9-10)</b> <b>Outstanding</b>	The bidder has: addressed all of the Council's requirements with robust, coherent explanations which are accompanied by supporting evidence (where appropriate) and that the proposed approach will result in the contract standards being exceeded.

### **5.5.2 Supporting comments and low scores**

In all cases, evaluation sub-groups should ensure that detailed, referenced supporting comments and notes are provided to justify scores and to clearly differentiate between bidders. These will later form the basis of reports to Project Board recommending the selection of the preferred bidder and feedback to bidders at the end of the evaluation period.

Evaluation team members should aim to allocate scores in whole numbers, however, part numbers may be used where greater differentiation between bidders is needed. The scoring matrix should be used to record scores.

If a bidder scores less than 4 in any of the sub-criteria, the chair of the sub-group should include this in their report to the main panel which will then be reported to Project Board together with a recommendation on whether or not to select that tender. The City Council reserves the right not to select a bid if any sub criteria scores less than 4, if it considers it to be a material issue.

### **5.5.3 Other issues and scoring of mark up of legal documents**

As part of such evaluation the evaluation group members will take into account Value for Money where it is relevant to the evaluation criteria.

In addition to allocating a score, the evaluation sub group may be of the view that a particular derogation from SoPC4 proposed by a bidder will make it difficult or impossible to meet the project objectives, in which case the evaluators will mark such derogation to be raised specifically with the Project Board for further consideration of its effect. The City Council reserves the right not to accept a tender if it contains such derogations.

Any mark up of definitions by bidders will be taken into account in scoring the relevant area.

## **6.0 FINAL TENDER Evaluation Process**

### **6.1 Evaluation groups assess bids**

Individuals will have carried out their own initial assessment and then come together in their groups or sub-groups to discuss and agree their findings. The evaluation groups will complete the assessment of bids.

Evaluation groups, including the Bid Integrity evaluation group, will meet to consider the final tender submissions. The chair of each evaluation group will enter the strengths and weaknesses into the relevant assessment sheet and make a record of supporting comments.

The chair of the individual workstream will be responsible for producing an agreed note of the discussion of each bidder's submission and these will be reflected in any reports considered by the Bid Integrity team and subsequently by Project Board. Only the agreed consensus position will be reflected in any final report.

### **6.2 Consensus scores**

At the Final Tender evaluation sub-group meetings, individual assessments will be discussed and the sub-group will reach a set of consensus scores along with supporting reasons. In doing this, evaluation sub-groups should investigate the reasons for divergent individual assessments and satisfy themselves as to the appropriate scores, and should not simply take an average of the individual scores.

### **6.3 Evaluation groups confirm scores**

Once any final points of clarification have been received from bidders, evaluation groups will meet to agree final scores. The chair of each evaluation group will enter the final scores in the relevant score sheet using the scoring booklet provided and make a record of supporting comments on behalf of the panel.

### **6.4 Collation of scores from Evaluation Groups**

All bid evaluation group chairs will then submit their completed score sheet, supporting comments and a covering report (template at **Appendix 5**) to the Executive Project Manager who will collate and keep an auditable record of all bidder scores.

### **6.5 Bid Integrity meeting**

Once the final tender evaluation sub-groups have agreed their scores for each bidder, the Bid Integrity sub-group will meet on 8 December 2009. The Chairs of the evaluation groups will bring forward any issues from their evaluation, raise any issues which they consider to be relevant to Bid Integrity and provide the agreed scores.

### **6.6 Report to Project Board**

The Executive Project Manager will submit a report to Project Board summarising the evaluation process, highlighting any particular areas of concern, including any scores below 4, and making a recommendation on which of the two bidders should be selected as the preferred bidder.

The recommendations of the Bid Integrity panel will be considered by the Housing Project Board on 17th December 2009 in accordance with the PPP/PFI governance framework.

#### **6.7 Informing bidders**

The bidders will be notified of the outcome of the evaluation as soon as possible and it is planned to hold a debriefing session with bidders on the 22 December 2009.

## Appendix 1 – Award Criteria

Award Criteria	Weighting
<b>Bid Integrity</b>	
Overall capacity and co-ordination of consortium	5%
Completeness and deliverability of proposals and programme	5%
<b>SUB-TOTAL</b>	<b>10%</b>
<b>Works</b>	
New Dwellings – Design & Construction Requirements	5%
General Design, Construction, Refurbishment and Maintenance	10%
Environmental Improvements	3%
Resident Liaison & Customer Services	7%
<b>SUB-TOTAL</b>	<b>25%</b>
<b>Services</b>	
Service design & delivery statement	5%
Service delivery plan	10%
<b>SUB-TOTAL</b>	<b>15%</b>
<b>Legal and Commercial</b>	
Land issues	3%
Works arrangements	2%
Services (including TUPE/pensions/employees)	2%
Payment & re-financing	1.5%
Termination and compensation on termination	1.5%
Indemnities, Insurance, Damage	3%
General (excl, Indemnities, Insurance & Damage)	3%
Protocols	4%

<b>Award Criteria</b>	<b>Weighting</b>
<b>SUB-TOTAL</b>	<b>20%</b>
<b>Development Agreement</b>	
Deliverability (Financial and Technical)	5%
Commercial and Risk	5%
<b>SUB-TOTAL</b>	<b>10%</b>
<b>Finance, Corporate Structure &amp; Payment Mechanism</b>	
Payment Mechanism and Right to Buy	8%
Financial Robustness	10%
Acceptance of Risk transfer (inc. insurance, cost movement and affordability)	2%
<b>SUB-TOTAL</b>	<b>20%</b>
<b>GRAND TOTAL</b>	<b>100%</b>

## Appendix 2 – Development Agreement sub criteria

As a result of the re-scoping exercise, the City Council has determined that only certain elements of the Development Agreement criteria can be scored at Final Tender stage.

The criterion will continue to be named 'Development Agreement', however bidders should note that only the Community Hub aspects (which are now part of the PA) will be scored.

As can be seen from the table below 6.5% of the total of 10% weighting for the criterion will no longer be directly relevant to the revised scope, and will not receive a bidder-specific score.

The approach to scores is set out below. It is proposed that these elements will remain but not receive a score.

In relation to the elements which remain relevant as set out below, these will be evaluated (Finance and Technical) by the Works and Services evaluation team along with their bid deliverables, or (Commercial and Risk) by the legal evaluation team. Common bid deliverables will be used in some cases (eg the Project Agreement).

Development Agreement sub criteria	ISDS	Proportion of ISDS element requiring continued evaluation of bidder submission at ISRS	ISRS element no longer relevant due to de-scoping	Comments
<b>Deliverability (Finance &amp; Technical)</b>				
Planning Approach	1%	0%	1%	No longer relevant following de-scoping.
Affordable Housing Delivery and Tenure Integration	1%	0%	1%	No longer relevant following de-scoping
Programme	0.5%	0.5%	n/a	Still relevant to cover those elements of the development sites to be retained - Hub (Housing Office Community Centre and Retail) and infrastructure matters. To be evaluated by Works and Services team through revised Development bid deliverables
Little London Community Hub	0.5%	0.5%	n/a	Requirement to be retained. To be evaluated by Works and Services team through revised



				Development bid deliverables.
Valuations	1%	0%	1%	Valuation no longer relevant
Design – Private for sale	1%	0%	1%	No longer relevant
<b>Commercial and Risk</b>				
All sub-criteria	5%	2.5%	2.5 %	Development Agreement will no longer be a deliverable, however commercial and risk issues in relation to community Hub/incentives for handover still relevant and to be contained in PA. Works 1% to remain from 1.5% previous and General 0.5% from 1% previously. Title and property (additional 0.25%) and General (additional 0.25%) are relevant to retail. The risks and reward associated with the approach to the retail element will be evaluated and awarded up to 0.5%. Other ISDS sub-criteria Overage and Termination/Compensation on Termination no longer relevant.
Total	10%	3.5%	6.5%	

Appendix 3 - Detailed Scoring sheet – Final Tender stage

Deliverable Reference	Section weighting	Sub-Section weighting	Question weighting	Deliverable Weighting	Score	Score %	Weighted Score
<b>Section 1 - BID INTEGRITY</b>		10%					
<b>1.1 Overall capacity and co-ordination of consortium</b>			5%				
<b>1.1.1 Capacity &amp; Co-ordination of consortium</b>				5%			
1.1.1.1	Submission letters and certificates	B1 to B3			5%	10	100% 5%
1.1.1.2	Management of Consortium	B6			20%	10	100% 20%
1.1.1.3	Consortium and SPV Membership and structure	B5			25%	10	100% 25%
1.1.1.4	Resource Plans	B7 to B14			30%	10	100% 30%
1.1.1.5	Bidder management and coordination of advisors work	B15			20%	10	100% 20%
							<b>100%</b>
							<b>Weighted 5.00%</b>
<b>1.2 Completeness and deliverability of proposals and programme</b>			5%				
<b>1.2.1 Completeness and deliverability of proposals and programme</b>				2.5%			
1.2.1.1	Overall construction plan	B16			15%	10	100% 15%
1.2.1.2	Communications strategy	B17, B18 & B19			25%	10	100% 25%
1.2.1.3	Approach to Regeneration Delivery of and approach to planning	B20, B21 & B22			10%	10	100% 10%
1.2.1.4	Procurement programme	B23 & B24			25%	10	100% 25%
1.2.1.5		B25			25%	10	100% 25%

**1.2.2 Workstreams input**  
 Overall ability to meet Council requirements and level of certainty across bid deliverables and workstreams

2.5%

100%	10
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Weighted

100%

2.50%

1.2.2.1

100%

100%

100%

Weighted

2.50%

**BID INTEGRITY TOTAL WEIGHTED SCORE**

10.00%

**Section 2 - WORKS**

25%

**2.1 New dwellings**

5%

Design Solutions for New Build **W1 & W2**  
**W3, W4, W5, W6,**  
 Design Stage Assessments **W7, W9**  
 Sustainability **W8, W10**  
 Programmes **W11**  
 Construction Methodology **W12 - W17**

60%
10%
5%
10%
15%

Weighted

100%

5.00%

**2.2 General design, construction, refurbishment & maintenance**

10%

Design Solutions for Refurbishment (including Design Stage assessments Programmes **W18, W19, W20, W21, W22, W32, W33, W34**  
**W23 & W35**

60%
10%

Construction Methodology	W24 - W31 & W36	30%		
				<b>100%</b>
			<b>Weighted</b>	<b>10.00%</b>

<b>2.3 Environmental Improvements</b>		3%		
	W37 - W41			<b>100%</b>
			<b>Weighted</b>	<b>3.00%</b>

<b>2.4 Resident Liaison &amp; Customer Services</b>		7%		
	W42			<b>100%</b>
			<b>Weighted</b>	<b>7.00%</b>

**WORKS TOTAL WEIGHTED SCORE 25.00%**

**Section 3 - SERVICES 15%**

<b>3.1 Service Design and Delivery Statement</b>		5%		
Repairs & maintenance	S1	80%		
Re-servicing voids	S2	20%		
			<b>Weighted</b>	<b>100%</b>
				<b>5.00%</b>

<b>3.2 Service Delivery plan</b>		10%		
Customer Access & Liaison	S3	35%		
Planned, programmed and Cyclical maintenance	S4	20%		
Caretaking and Cleaning	S5	5%		
Estate and Environmental Management	S6	20%		
IT	S7	5%		
Contract Management & reporting	S8	10%		

Transfer of staff	S9 - S12	5%							100%
									<b>100%</b>
									<b>10.00%</b>
<b>SERVICES TOTAL WEIGHTED SCORE</b>									<b>15.00%</b>
<b>Section 4 - LEGAL &amp; COMMERCIAL</b>		20%							
4.1	Land Issues	3%							
			100%	10			100%		100%
									<b>100%</b>
									<b>3.00%</b>
4.2	Works Arrangements	2%							
			100%	10			100%		100%
									<b>100%</b>
									<b>2.00%</b>
4.3	Services (incl. TUPE / pensions / employees)	2%							
			100%	10			100%		100%
									<b>100%</b>
									<b>2.00%</b>
4.4	Payment & re-financing	1.5%							
			100%	10			100%		100%
									<b>100%</b>
									<b>1.50%</b>
4.5	Termination & compensation on termination	1.5%							
			100%	10			100%		100%
									<b>100%</b>
									<b>1.50%</b>
4.6	Indemnities, Insurance,	3%							

	Damage			100%	10	100%	100%	<b>100%</b>
							<b>Weighted</b>	<b>3.00%</b>
4.7	General (excl. Indemnities, Insurance & Damage)	3%		100%	10	100%	100%	<b>100%</b>
							<b>Weighted</b>	<b>3.00%</b>
4.8	Protocols	4%		100%	10	100%	100%	<b>100%</b>
							<b>Weighted</b>	<b>4.00%</b>
<b>LEGAL &amp; COMMERCIAL TOTAL WEIGHTED SCORE</b>								<b>20.00%</b>

**Section 5 - DEVELOPMENT AGREEMENT**

10%

**5.1 - Deliverability (Financial & Technical)**

5%

5.1.1	<b>Planning Approach</b> *Not scored as per Bid Instructions Vol 1a no longer directly relevant to the revised scope and will not receive a bidder-specific score			1.0%	100%	0	0%	0%
							<b>Weighted</b>	<b>0.00%</b>
5.1.2	<b>Affordable Housing delivery &amp; tenure integration</b> *Not scored as per Bid Instructions Vol 1a no longer directly relevant to the revised scope and will not receive a bidder-specific score			1.0%	100%	0	0%	0%
							<b>Weighted</b>	<b>0.00%</b>
5.1.3	<b>Programme</b> Community Hub	D4		0.5%	50%	10	100%	50%

Infrastructure and Future Development		D5	50%	10	100%	50%	<b>100%</b>	
							<b>Weighted</b>	<b>0.50%</b>
5.1.4	<b>Little London Community Hub</b>		0.5%					
	Approach to Community Hub	D1	40%	10	100%	40%		
	Retail Assessment	D2a / D2b	30%	10	100%	30%		
	Contractor Proposal - Retail	D3a / D3b	30%	10	100%	30%		
							<b>100%</b>	
							<b>Weighted</b>	<b>0.50%</b>
5.1.5	<b>Valuations</b>		1.0%					
	*Not scored as per Bid Instructions Vol 1a no longer directly relevant to the revised scope and will not receive a bidder-specific score		100%	0	0%	0%		
							<b>0%</b>	
							<b>Weighted</b>	<b>0.00%</b>
5.1.6	<b>Design - Private for sale on Development sites</b>		1.0%					
	*Not scored as per Bid Instructions Vol 1a no longer directly relevant to the revised scope and will not receive a bidder-specific score		100%	0	0%	0%		
							<b>0%</b>	
							<b>Weighted</b>	<b>0.00%</b>
<b>5.2 - Commercial and risk</b>			5%					
	2.5% not being scored - *Not scored as per Bid Instructions Vol 1a no longer directly relevant to the revised scope and will not receive a bidder-specific score		50%	0	0%	0%		
	2.5% to be scored		50%	10	100%	50%		
							<b>50%</b>	
							<b>Weighted</b>	<b>2.50%</b>

<b>DEVELOPMENT AGREEMENT TOTAL WEIGHTED SCORE</b>	<b>10.00%</b>
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<b>Section 6 - FINANCE, CORPORATE STRUCTURE &amp; PAYMENT MECHANISM</b>	20%	
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<b>6.1 - Payment Mech and RTB</b>	8%	
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6.1.1	Part 2 - The Unitary Charge	10%	10	100%	10%
	Part 3 - Unavailability				
6.1.2	Deductions	20%	10	100%	20%
	Part 4 - Performance				
6.1.3	Deductions	20%	10	100%	20%
6.1.4	Part 5 - Reporting Deductions	5%	10	100%	5%
	Part 6 - Limitations on				
6.1.5	Deductions	5%	10	100%	5%
	Part 7 - Monitoring and				
6.1.6	Reporting	5%	10	100%	5%
	Part 8 - Change Protocol				
6.1.7	Deductions	5%	10	100%	5%
	Appendix 1 - Key				
6.1.8	Performance Indicators	10%	10	100%	10%
6.1.9	Appendix 2 - Facility Charge	5%	10	100%	5%
	Appendix 3 - Rectification				
6.1.10	Periods	5%	10	100%	5%
6.1.11	Right to Buy	10%	10	100%	10%

<b>100%</b>
<b>Weighted 8.00%</b>

<b>6.2 - Financial Robustness and Deliverability of Funding Proposals</b>	10%	
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6.2.1	Technical Finance	50%	10	100%	50%
	Financial Robustness of the				
6.2.2	bid	20%	10	100%	20%
	Deliverability of the funding				
6.2.3	package	20%	10	100%	20%
6.2.4	Strength of commitment	10%	10	100%	10%

<b>100%</b>
-------------



					<b>Weighted</b>	<b>10.00%</b>
<b>6.3 - Commercial acceptability and Risk transfer</b>		2%				
6.3.1	Commercial acceptability and risk transfer		100%	10	100%	100%
						<b>100%</b>
					<b>Weighted</b>	<b>2.00%</b>
<b>FINANCE TOTAL WEIGHTED SCORE</b>						<b>20.00%</b>
<b>OVERALL SCORE</b>						<b>100.00%</b>

### Appendix 4 - LCC Evaluation Clarification Log

Little London and Beeston Hill & Holbeck Housing PFI project

LCC Evaluation Clarification Log is used to record and manage all LCC Clarifications sent to bidders during the Final Tender bid evaluation period. All City Council clarification requests should be sent to the Executive Project Manager at [ced.pppu.housing.pfi@leeds.gov.uk](mailto:ced.pppu.housing.pfi@leeds.gov.uk) who will then forward it to the relevant Bid Manager.

#### Housing Final Tender Evaluation Clarification Log - Bid Strategy

<b>PROJECT NAME:</b>	Housing PFI Project
<b>PROJECT MANAGER:</b>	[REDACTED]
<b>DOCUMENT MANAGER:</b>	[REDACTED]
<b>PROJECT ID:</b>	Housing PFI (ISRS - Final Tender)
<b>WORKSTREAM:</b>	BID INTEGRITY
<b>DATE CREATED:</b>	13/03/2009
<b>LAST UPDATED BY:</b>	[REDACTED]
<b>DATE LAST UPDATED:</b>	
<b>VERSION:</b>	V1

Clarification No.	Date of Clarification Request	Clarification Question	Volume para (unique property identifier, where applicable)	Bidder Response	Date sent to Bidder	Response to be received by	Response sent in	Status of clarification	Attachment with clarification
LCC-BI-001									

**Appendix 5 – Covering report template**

**LITTLE LONDON & BEESTON AND HOLBECK HOUSING PFI PROJECTS**

**ISRS/Final Tender Evaluation**

**REPORT TO THE EXECUTIVE PROJECT MANAGER**

**Evaluation Sub-group**

**Evaluation Panel Chair**

**Date**

**Members of panel present**

**1. INTRODUCTION**

The purpose of this report is to:

**2. KEY FINDINGS AGAINST AWARD CRITERIA / BID DELIVERABLES**

**2.1 Bidder 1**



2.2 Bidder 2 [REDACTED]

**3. CLARIFICATION ISSUES RAISED WITH BIDDERS AND EVALUATION OF RESPONSES**

3.1 Bidder 1 [REDACTED]

3.2 Bidder 2 [REDACTED]

**4. DETAILED SCORING OF SUBMISSIONS**

4.1 Bidder 1 [REDACTED]

4.2 Bidder 2 [REDACTED]

**5. RECOMMENDATIONS & CONCLUSIONS**

The recommendation of the [name] sub-group is that the following bidder be recommended for selection as the Preferred Bidder for the project



Appendix 3.6 - VFM Contract Risk Register

Probability:	H	0.80
	M	0.50
	L	0.20

Cells shaded in yellow relate to risks which a PFI Contractor would be expected to apply a risk pricing premium  
 Cells shaded in light blue relate to risks retained by LCC

Risk Description							Risk Allocation				
ID	Category	Description of Risk	Description of Impact	Prob (H/M/L)	Impact on cost (% of appropriate cost category)	Quantitative Risk %	Contractor	Authority	Shared	Not Applicable	Cost Category
R1	Construction	Project Contractor management - poor or no management	Cost and time overruns	M		0.00%	X				Inclusive
R2	Construction	Output Spec - inadequate interpretation of specification	Increase costs over budget, financial deductions, potential termination	M		0.00%	X				Inclusive
R3	Construction	Labour and materials - limited supply	Costs in excess of budget, financial deductions, potential termination of contract	M		0.00%	X				Inclusive
R4	Construction	Managing the programme of refurbishment with tenants in situ including decanting during works - delay or failure to decant	Delay to works programme, resident issues	M	2.50%	1.25%	X				Capital
R5	Construction	Delays in permanent decanting from demised properties	Delay to works programme, resident issues	M		0.00%		X			Authority Retained
R6	Construction	Asbestos removal - underestimation of time and scale	Costs in excess of budget, financial deductions, potential termination of contract	M		0.00%			X		Inclusive
R7	Construction	Increased time estimates for constructing and commissioning the New Facilities	Increased costs, pressure on affordability	M		0.00%	X				Inclusive
R8	Construction	Industrial action by Council employees	Delay to programme, excusing event	M		0.00%		X			Authority Retained
R9	Construction	Statutory authorities causing delays (e.g. utilities, stopping up orders, moving sub-stations)	Delays to programme, increased costs, financial deductions	M	1.00%	0.50%	X				Capital
R10	Construction	Site safety and security - inadequate measures	Increased costs	M		0.00%	X				Inclusive
R11	Construction	CDM and health and safety regulations - non compliance	Increased costs, breach of contractual obligations	M		0.00%	X				Inclusive
R12	Construction	Subcontractors - disputes and default	Costs in excess of budget, financial deductions, potential termination of contract, costs of replacement of subcontractors	M	0.50%	0.25%	X				Capital
R13	Construction	Damage and destruction to properties	Increased costs, delays to works programme	M		0.00%	X				Inclusive
R14	Construction	Adverse weather conditions	Increased costs, delays to works programme	M		0.00%	X				Inclusive
R15	Construction	Archaeological finds	Cost overruns	M		0.00%			X		Inclusive
R16	Construction	Delay in gaining access to Site	Cost and time overruns	M		0.00%	X				Inclusive
R17	Construction	Delay in City Council handing over sites	Cost and time overruns	M		0.00%		X			Authority Retained
R18	Construction	Protester action	Cost and time overruns	M		0.00%	X				Inclusive
R19	Construction	Council requirements - change	Increased costs, impact on LC	M		0.00%		X			Authority Retained
R20	Construction	Ecological issues on new installations causing delays - identification of protected species or ground matters (Japanese Knotweed)	Increased costs, impact on UC	M	0.25%	0.00%	X				Capital
R21	Construction	Ability to achieve code for sustainable homes level 4 and energy performance requirements	Increased costs, delays to works programme	M	0.25%	0.00%	X				Capital
R22	Design and Planning	Design responsibilities - poor or no control	Increased cost	M	0.00%	0.00%	X				Inclusive
R23	Design and Planning	Housing legislation and building regs - designs non compliant	Increased cost	M	0.00%	0.00%	X				Inclusive
R24	Design and Planning	General changes in law - designs non compliant	Redesign - time and cost impact	M	0.00%	0.00%	X				Inclusive
R25	Design and Planning	Planning - risk of Judicial Review challenge	Delay to works programme, compensation event	M		0.00%		X			Authority Retained
R26	Design and Planning	Planning - failure to obtain planning permission	Redesign - time and cost impact	M		0.00%	X				Inclusive
R27	Design and Planning	Output Spec - incomplete or inadequate	Demand issues, increased UC to rectify, affordability impact	M		0.00%		X			Authority Retained
R28	Design and Planning	Adequacy of Contractors proposals - failure to meet requirements	Potential termination of contract, costs in excess of budget	M		0.00%	X				Inclusive
R29	Design and Planning	Requirements of Council - changes	Additional design costs	M		0.00%		X			Authority Retained
R30	Design and Planning	Materials and workmanship - poor quality homes built	Costs in excess of budget, financial deductions, potential termination of contract	M		0.00%	X				Inclusive
R31	Design and Planning	Incorrect cost estimate for planning conditions	Increased costs, delays to works programme	M	0.25%	0.13%	X				Capital
R32	Development	Lack of demand for private for sale properties	Reduction in returns	H		0.00%	X				Capital Receipt
R33	Development	Construction cost overruns	Reduction in returns	H		0.00%	X				Capital Receipt
R34	Development	Change in finance terms	Reduction in returns	H		0.00%	X				Capital Receipt
R35	Finance	Change in interest rates	Increased Unitary Charge, affordability pressure	M		0.00%			X		Finance
R36	Finance	Change in inflation	Increase in costs, equity return impact, Unitary Charge increase, affordability pressure	H		0.00%		X			Finance
R37	Finance	Change in taxation rates	Increase in costs over budget	M		0.00%	X				Finance
R38	Finance	Change in insurance premiums	Increase in costs, increased UC, affordability pressure	H		0.00%		X			Finance
R39	Finance	VAT	Any irrecoverable VAT not fully recovered in Unitary Charge	L		0.00%	X				Finance
R40	Legal	Land title - defects and identification issues	Delays to programme, compensation event	M		0.00%		X			Authority Retained
R41	Operational	Latent defects in new build Council properties	Requiring repairs and rectification throughout contract period - increase on costs	H		0.00%	X				Inclusive
R42	Operational	Latent defects in refurbishment works performed by contractor	Requiring repairs and rectification throughout contract period - increase on costs	H		0.00%	X				Inclusive
R43	Operational	Industrial action by Services staff	Increased costs	H		0.00%	X				Inclusive
R44	Operational	Failure to meet Service Performance Standards	Increased costs	M	1.00%	0.50%	X				All FM
R45	Operational	Failure of IT interface due to Operator's IT system	Additional costs of repair	M	0.25%	0.13%	X				All FM
R46	Operational	Failure of IT interface due to Council's IT system	Additional costs of repair	H		0.00%		X			Authority Retained
R47	Operational	Environmental Maintenance - failure to define responsibilities, funding streams, additional resources / funding for maintenance of unadopted areas and for the Environmental Works within the Project	Long term costs, outcome of project	H		0.00%		X			Authority Retained
R48	Operational	Disrepair actions	Impact on costs and timetable	M	0.25%	0.13%			X		All FM
R49	Operational	Failure to meet SAP energy ratings/requirements of Output Specification	Energy efficiency target not met	H		0.00%	X				Inclusive
R50	Operational	Unauthorised tenant improvements	Damages and defects, impact on costs	H		0.00%		X			Authority Retained
R51	Operational	Failure to make void property available within agreed timescale	Delays to programme, increased costs, financial deductions	M	0.50%	0.25%	X				All FM
R52	Operational	Specific/user/injurious changes in law - requirement for additional services	Increased costs, affordability pressure	M		0.00%		X			Authority Retained
R53	Operational	General changes in law - requirement for additional services	Increased costs, affordability pressure	H		0.00%	X				Inclusive

Summary PFI Cost Risk Adjustment
Capital
All FM
Housing Management
Lifecycle
Capital receipts

R54	Operational	Output specification - inadequate interpretation of specification	Increased costs, financial deductions, potential termination	H		0.00%	X				Inclusive
R55	Operational	Council requirements - change	Increased Unitary Charge, affordability pressure	L		0.00%		X			Authority Retained
R56	Operational	Subcontractors - disputes and default	Financial deductions, increased costs, potential termination	H		0.00%	X				Inclusive
R57	Operational	Planned maintenance and lifecycle - underestimation of component lifespan	Increased costs, financial deductions, potential termination	M	2.00%	1.00%	X				Lifecycle
R58	Operational	Demand - lack of resident demand	Loss of rental income, affordability pressure	L		0.00%		X			Authority Retained
R59	Operational	Tenant and Third Party Damage	Increased costs, loss of rental income	L	0.10%	0.02%			X		All FM
R60	Operational	Contractor damage to properties	Costs in excess of budget	H		0.00%	X				Inclusive
R61	Operational	Rent collection - failure to collect rent	Financial deductions, increased costs, potential termination	M		0.00%	X				Inclusive
R62	Operational	Tenant Access - failure to gain access	Excusing event, deemed availability	H		0.00%			X		Inclusive
R63	Operational	TUPE - underestimation of staff benefits (pensions)	TUPE costs in excess of budget	H		0.00%			X		Inclusive
R64	Operational	Interface issues with other service provision (e.g. ALMOs, highways, street lighting etc.)	Increased costs, potential deductions, delays to work programme	M	1.00%	0.50%			X		Lifecycle
R65	Pre Construction	Rehousing residents - delays or failure to rehouse	Resident dissatisfaction, delays to work programme, compensation event	H		0.00%		X			Authority Retained
R66	Pre Construction	Land and property acquisition - delays or failure to acquire sites/property for redevelopment	Delays to programme, compensation event	M		0.00%		X			Authority Retained
R67	Pre Construction	Infrastructure requirements - inadequate supply of utilities	Resident demand, financial deductions	M	0.50%	0.25%	X				Capital
R68	Pre Construction	Stock condition survey - inadequacy or inaccuracy of survey information	Cost and time overruns	H		0.00%	X				Inclusive
R69	Pre Construction	Latent defects - defects not revealed by stock survey (which could not be reasonably seen)	Compensation event	M		0.00%		X			Authority Retained
R70	Pre Construction	Environmental survey - inadequacy or inaccuracy of survey information	Cost and time overruns	H		0.00%	X				Inclusive
R71	Operational	Increasing demand for repairs / maintenance from tenants	Repairs cost	M	1.00%	0.50%	X				All FM

## Appendix 4.1

### Risk Allocation Matrix

Note: The rows and cells shaded grey and in **BOLD CAPS** represent changes to risk allocation since ISOS.

#### 1. Contract Mobilisation and Hand Over Risks

No	Risk Heading	Definition	Allocation			Notes
			City Council	Contractor	Shared	
1.1	<b>Funding market volatility</b>	<b>Failure to secure the required funding for Project or secure affordable funding from the market</b>	√ - Any movement in the <b>SWAP rate</b> up to FC.		√ - <b>FUNDING TERMS – CAN BE UPDATED ONLY TO REFLECT CHANGES IN THE PFI FUNDING MARKET.</b>	
1.2	<b>Financial Close of contract.</b>	<b>Failure of consortium to sign up to contract at financial close.</b>		√		
1.3	<b>Financial Close of contract.</b>	<b>Failure of City Council to sign up to contract at financial close</b>	√			
1.4	<b>TUPE</b>	<b>Failure by City Council to comply with requirements in respect of TUPE arrangements.</b>	√			
1.5	<b>TUPE</b>	<b>Failure by Contractor to comply with requirements in respect of TUPE arrangements.</b>		√		
1.5	<b>TUPE</b>	<b>TUPE required information.</b>	√			If the City Council amends the First Employee List



## Appendix 5.2

### Risk Allocation Matrix

No	Risk Heading	Definition	Allocation			Notes
			City Council	Contractor	Shared	
						before FC, or if the Final Employee list differs from the first, then the Contractor's Remuneration and Reorganisation costs can be adjusted.
1.6	TUPE	Remuneration and reorganisation costs.		√		Contractor is responsible for these costs.
1.7	Pension Admission Agreement	Failure by Contractor to secure Pension Admission Agreement from LGPS prior to financial close		√		Admitted Body Status required before service transfer – no backdating now allowed
1.9	PENSIONS	LGPS IS FULLY FUNDED AT FINANCIAL CLOSE.	√			
1.10	Repairs from Service Commencement	Failure of Contractor to manage new repairs from Service Commencement leading to higher costs and poor performance.		√		

## Appendix 5.2

### Risk Allocation Matrix

#### 2. Design and Planning Risks

No	Risk Heading	Definition	Allocation			Notes
			City Council	Contractor	Shared (with detail)	
2.1	Failure of the detailed design to be in accordance with Councils requirements	Failure of Contractor to translate the requirements of the Council into the detailed design.		√		
2.2	Reviewable Design Data process	Failure of Contractor to provide design data for review that is of sufficient detail and within required timescales.		√		
2.3	Reviewable Design Data process	Failure by City Council to review and comment on design data within agreed timescales	√			
2.4	Reviewable Design Data process	Failure to by either party to agree detailed design data leading to delays and cost increases			√ - extent of risk to either party will be subject to reason for failure.	
2.5	Change in requirements of the Council (Client)	Council requiring changes (a "Council Change") to the design leading to additional design and construction costs.	√			
2.6	Change in design required by the Contractor	Contractor requiring changes to the design leading to additional design and construction costs.		√		
2.7	Change in design required for Planning Consent	Contractor is required to undertake change to the design leading to additional design and construction costs.			√ - extent of risk to either party will be subject to reason	

## Appendix 5.2

### Risk Allocation Matrix

No	Risk Heading	Definition	Allocation			Notes
			City Council	Contractor	Shared (with detail)	
					for design change.	
2.8	Change in design required due to external influences specific to the Local Government environment	Changes required to the design required due to legislative or regulatory change specific to the social housing provision leading to additional design and construction costs not foreseeable at financial close. ( <i>Change in Law</i> )	√			
2.9	Failure to build to design	Additional design & construction costs required due to failure to construct buildings in accordance with the Output Specification, Building Regulations and Planning Permission requirements.		√		
12.10	Failure to meet Output Specification	Ensuring that the New Properties are suitably designed to meet the Output Specification.				
2.11	Delayed planning approval – Full Planning	A delay in receiving full planning permission resulting in broader cost implications for the project, as well as the loss of potential savings.			√	THE PROJECT WILL NOT CLOSE UNTIL FULL PLANNING PERMISSION IS IN PLACE.
2.12	Incorrect cost	Estimated cost of receiving detailed planning		√		

## Appendix 5.2

### Risk Allocation Matrix

No	Risk Heading	Definition	Allocation			Notes
			City Council	Contractor	Shared (with detail)	
	estimates for planning approval	permission is incorrect, including the cost of satisfying unforeseen planning requirements.				
2.13	<b>JUDICIAL REVIEW RISK</b>	<b>RISK OF DELAY DUE TO JUDICIAL REVIEW REQUEST ON PLANNING APPROVALS OR STOPPING UP ORDERS</b>	√			<b>THE CITY COUNCIL REQUIRES WORKS TO COMMENCE PRIOR TO THE EXPIRY OF THE JUDICIAL REVIEW PERIOD. THE PROJECT IS NOT BANKABLE UNLESS THE COUNCIL ACCEPTS RISK.</b>

### 3. Site Development Risks

No	Risk Heading	Definition	Allocation			Notes
			City Council	Contractor	Share Details	
3.1	<b>Unforeseen ground/site</b>	<b>Additional cost resulting from unforeseen ground conditions where the Contractor has been unable to</b>	√			

## Appendix 5.2

### Risk Allocation Matrix

No	Risk Heading	Definition	Allocation			Notes
			City Council	Contractor	Share Details	
	conditions under the footprint of Existing Facilities – Dark Ground Risk	carry out necessary surveys prior to commencing work due to the presence and / or occupation of Existing Facilities.				
3.2	Unforeseen ground/Site conditions	Variations in the estimated cost caused by unforeseen ground/site conditions, where the Contractor has had an opportunity to investigate.		√		
3.3	CHANGED SITE CONDITIONS FOLLOWING PRE-CONTRACT DEMOLITION	ADDITIONAL COST RESULTING FROM CHANGES TO SITE CONDITIONS AS A RESULT OF PRE-CONTRACT DEMOLITION BY THE CITY COUNCIL NOT BEING TO REQUIRED STANDARD	√			RISK ADDED FOR EARLY DEMOLITION.
3.4	Archaeological finds	Variations in the estimated cost caused by archaeological finds.			√ - risk shared where the Contractor is required to mitigate the risk.	
3.5	Contamination of sites.	Additional costs incurred to resolve new contamination on sites.		√		
3.6	Delay in gaining access to the Site(s)	A delay to the works due to inability of the Contractor to take possession of the Site(s).		√		
3.7	Delay in providing possession of the	Failure by the City Council to complete the necessary rehousing from existing Properties due for demolition	√			

## Appendix 5.2

### Risk Allocation Matrix

No	Risk Heading	Definition	Allocation			Notes
			City Council	Contractor	Share Details	
	<b>Sites(s)</b>	<b>to allow possession to be granted to the Contractor.</b>				
3.8	<b>Delay in providing possession of the Sites(s)</b>	<b>Failure by the City Council to secure the required vacant possession of the Site(s) to agreed timescales.</b>	√			
3.9	<b>Access to site for deliveries</b>	<b>The Contractor failing to secure necessary vehicle access and parking for the sites, whether on site or in immediate vicinity of properties for loading and unloading.</b>		√		
3.10	<b>Access to Statutory Services</b>	<b>Failure to secure the necessary access to statutory services or a delay to securing the necessary access to statutory services.</b>		√		
3.11	<b>Disclosed Adverse Rights</b>	<b>Risk of challenge to works proposals from third parties where their rights over land are impacted by the Contractors proposals:</b> <ul style="list-style-type: none"> <li>• Rights of the City Council</li> <li>• Rights of tenants and leaseholders</li> <li>• Right to light and air on new build sites</li> <li>• Rights of utilities</li> <li>• Public rights of way</li> </ul>		√		
3.12	<b>Undisclosed Adverse Rights</b>	<b>Risk of challenge to works proposals from third parties where their rights over land are impacted by the Contractors proposals:</b>	√			<b>NEW RISK INCLUDED IN RELATION TO</b>

## Appendix 5.2

### Risk Allocation Matrix

No	Risk Heading	Definition	Allocation			Notes
			City Council	Contractor	Share Details	
		<ul style="list-style-type: none"> <li>Existing Land covenants</li> <li>Land ownership not confirmed in legal searches</li> </ul>				<b>RISKS OF CHALLENGE (AS DESCRIBED TO THE LEFT) RELATING TO PRIVATE RIGHTS OF WAY</b>
3.13	Disclosed Adverse Rights	Risk of interference with Disclosed Adverse Rights.		√		
3.14	Delay in completing Works	Works to achieve the relevant Certification Standards not being completed within a reasonable period, having regard to the nature of the Works and any extensions granted under the Contract		√		

#### 4. Construction Risks

No	Risk Heading	Definition	Allocation			Notes
			City Council	Contractor	Share Details	
4.1	Discovery of Asbestos or other hazardous materials in buildings to be	Cost of removal of asbestos and other hazardous materials identified in a survey or which could have reasonably been identified in surveys undertaken.		√		<b>ADDITIONAL RISK TO CONTRACTOR IF DISCLOSED IN DISCLOSED SURVEY DATA.</b>

## Appendix 5.2

### Risk Allocation Matrix

No	Risk Heading	Definition	Allocation			Notes
			City Council	Contractor	Share Details	
	<b>refurbished or demolished</b>					
4.2	<b>Discovery of Asbestos or other hazardous materials in buildings to be refurbished or demolished</b>	<b>Additional costs over &amp; above those necessary to remove asbestos and other hazardous materials, which were not identified in a survey and could not reasonably have been identified in the Contractor surveys undertaken.</b>	√			
4.3	<b>Construction cost overrun</b>	<b>Construction cost overruns reducing the return available to investors in the Service Provider.</b>		√		
4.4	<b>Exceptionally adverse weather</b>	<b>Project delays and increased costs, with the exception of relief events.</b>		√		
4.5	<b>Incorrect time estimates for constructing and commissioning the New Facilities</b>	<b>Estimated time of constructing and commissioning the New Facilities may be incorrect leading to further costs.</b>		√		
4.6	<b>Incorrect Cost estimates</b>	<b>Additional costs due to incorrect cost estimates.</b>		√		
4.7	<b>Poor Project Management</b>	<b>Poor project management leading to additional costs and delays.</b>		√		
4.8	<b>Responsibility for maintaining Site safety.</b>	<b>Compliance with the Construction Design and Management (CDM) regulations.</b>		√		



## Appendix 5.2

### Risk Allocation Matrix

No	Risk Heading	Definition	Allocation			Notes
			City Council	Contractor	Share Details	
4.9	Compliance with applicable legislation including Registration and Inspection	The New Facilities not being compliant with applicable legislation. (e.g. Lift inspections, gas safety & NHBC certification)		√		
4.10	Contractor/sub-contractor industrial action	Additional costs and delays to the works caused by industrial action.		√		
4.11	Third party claims	Costs associated with third party claims due to loss of amenity and ground subsidence on properties adjacent to the Sites.			√	
4.12	Party Wall Act	Risk of delay due to third party owner raising dispute on works to the party wall. Includes delays for access due to dispute under Neighbouring Land Act		√		
4.13	Unavailability of a Dwelling requiring decanting of tenant during refurbishment Works	Dwelling becomes Unavailable and unfit for the tenant's continued habitation due to excessive delays in completing the Works within the Property or due to unforeseen greater extent of work or defect with the Works . Additional costs due to Unavailability / delays in Works. The Contractor responsible for providing suitable alternative accommodation.		√		
4.14	Decanting of tenants during Refurbishment	Decanting of tenant during the Works is proposed only for vulnerable tenants. The City Council to support the sourcing of Decant Dwellings. The Contractor to			√ - City Council to use reasonable	

**Risk Allocation Matrix**

No	Risk Heading	Definition	Allocation			Notes
			City Council	Contractor	Share Details	
	<b>Works</b>	<b>undertake all necessary liaison and Decant operations.</b>			endeavours to provide all information to assist Contractor in deciding if a tenant is vulnerable.	

**5. Dwelling Availability and Life Cycle Risks**

No	Risk Heading	Definition	Allocation			Notes
			City Council	Contractor	Shared	
5.1	<b>Defects in all new build Properties</b>	<b>Defects to all new properties and the associated environmental works which require repair or rectification , through out the contract period.</b>		√		
5.2	<b>Defects in all refurbishment Works carried out by the Contractor</b>	<b>Defects in the Works undertaken by the Contractor as part of the service provision for refurbishment also any structural design solution provided in meeting the Output Specification provisions for the properties.</b>		√		
5.3	<b>Rectification of defects identified by the</b>	<b>Defects identified by the stock condition surveys and required by the Output Specification as part of the contractor's solutions in rectifying these defects.</b>		√		

## Appendix 5.2

### Risk Allocation Matrix

No	Risk Heading	Definition	Allocation			Notes
			City Council	Contractor	Shared	
	<b>Contractors stock condition surveys</b>	<b>Includes latent defects that should have been reasonably foreseen by a full stock condition survey.</b>				
5.4	<b>Defects discovered in the existing properties.</b>	<b>Defects discovered in existing properties that were not and could not have been identified in the Contractor surveys undertaken.</b>	√			
5.5	<b>Council Changes to the Output Specification</b>	<b>Council Change to the Output Specification following financial close.</b>	√			
5.6	<b>Cost changes in delivery of agreed Council changes.</b>	<b>Fluctuations in cost to implement agreed Council change.</b>		√		
5.7	<b>Unavailability of Properties</b>	<b>Failure of Operator to maintain the Properties to the required Availability Standard. Additional costs due to Unavailability of the Property.</b>		√		
5.8	<b>Energy Efficiency</b>	<b>Failure to meet the required SAP ratings stated in the Service Providers energy efficiency strategy and the requirements set out in the Output Specification.</b>		√		
5.9	<b>Performance of sub-contractors</b>	<b>Additional costs in providing the Works due to poor management of sub-contractors.</b>		√		
5.10	<b>Asset replacement</b>	<b>Buildings, plant and equipment require replacement during the Agreement Period.</b>		√		
5.11	<b>Incorrect estimated cost of</b>	<b>The cost of the life cycle replacements are higher than anticipated.</b>		√		

## Appendix 5.2

### Risk Allocation Matrix

No	Risk Heading	Definition	Allocation			Notes
			City Council	Contractor	Shared	
	<b>future Life Cycle costs</b>					
5.12	<b>Lifecycle/ replacement of Equipment/repairs to Facilities</b>	<b>Need to replace, repair or review equipment, furniture and fabric of the Properties more often than estimated.</b>		√		
5.13	<b>Disrepair actions</b>	<b>Disrepair actions and claims relating to period prior to service commencement and continuing to the agreed Disrepairs Actions Cut Off Date.</b>	√			The 'Disrepair Action Cut Off Date' is the <u>earlier</u> of (i) 2 months after the initial services commencement date and (ii) the date on which the property has reached the relevant availability standard.
5.14	<b>Disrepair actions</b>	<b>Disrepair actions and claims relating to period from the agreed Disrepairs Actions Cut Off Date to the end of the contract.</b>		√		
5.15	<b>Tenant Improvements</b>	<b>Risk arising from authorised Tenant Improvements during the service period in accordance with relevant protocol.</b>	√			Reasonable increases/decreases in Contractor's costs paid by City Council.

## Appendix 5.2

### Risk Allocation Matrix

#### 6. Service Delivery Risks

No	Risk Heading	Definition	Allocation			Notes
			City Council	Contractor	Shared	
6.1	Failure to meet Service Performance Standards	Costs incurred through failure to achieve Service Performance Standards.		√		
6.2	Incorrect estimated cost of providing specific Services	The cost of providing specific Services being higher than expected due to unexpected changes in the cost of equipment, labour, utilities and other supplies.		√		
6.3	Quality of repairs	Defects in repairs undertaken and tenant recalls to remedy repeat faults.		√		
6.4	Repair Appointments	Failure to meet repair appointments leading to tenant claims and repeat appointments		√		
6.5	Void repairs	Failure to complete void repairs property within agreed time period.		√		
6.6	Re-letting of voids	Failure to let property on time following completion of repairs.	√			
6.7	Demand	Demand risk is retained by the Council.	√			

## Appendix 5.2

### Risk Allocation Matrix

No	Risk Heading	Definition	Allocation			Notes
			City Council	Contractor	Shared	
6.8	Rent Collection	Reduced level of revenue as a consequence of rent not being collected.	√			
6.9	Planned and Cyclical Maintenance	Failure to undertake required planned and cyclical maintenance leading to additional Contractor costs.		√		
6.10	Planned and Cyclical Maintenance	Failure to meet statutory requirements for annual safety checks such as gas servicing and lift servicing		√		
6.11	Access to Properties	Failure to secure access to undertake necessary repairs and planned maintenance in accordance with the Access Protocol.		√		
6.12	Access to Properties	Failure to enforce access to undertake necessary repairs and planned maintenance in accordance with the Access Protocol.	√			
6.13	Tenant Damage	All damage caused to a Dwelling or Common Parts by a Tenant or member of their household or person invited into the Dwelling.	√			
6.14	THIRD PARTY DAMAGE	ALL DAMAGE CAUSED BY THIRD PARTIES UP TO THE AGREED CAP ON THIRD PARTY DAMAGE.		√		
6.15	THIRD PARTY DAMAGE	DAMAGE CAUSED BY THIRD PARTIES OVER THE AGREED CAP ON THIRD PARTY DAMAGE.	√			
6.16	Adaptations	All adaptations works that exceed the £250 minor adaptations cap	√			
6.17	Environmental	All environmental defects and maintenance within the		√		

## Appendix 5.2

### Risk Allocation Matrix

No	Risk Heading	Definition	Allocation			Notes
			City Council	Contractor	Shared	
	<b>Maintenance</b>	<b>Environmental Works Areas including all hard and soft landscaping, grounds maintenance and fixtures and street equipment. Excludes all areas of adopted highway</b>				
6.18	<b>Environmental Maintenance</b>	<b>All environmental defects and maintenance to areas of adopted highway within the Project Areas</b>	√			<b>AMENDED FROM ISDS</b>
6.19	<b>Japanese Knotweed</b>	<b>Existing infestations within the Project Areas , as identified to bidders prior to Financial Close</b>	√			
6.20	<b>Japanese Knotweed</b>	<b>All new infestations within the Project Areas from Financial Close</b>		√		
6.21	<b>Tree Maintenance</b>	<b>All existing trees on adopted Highway land and all trees within the curtilage of tenant's Dwellings</b>	√			
6.22	<b>Tree Maintenance</b>	<b>All existing trees within the Project Sites (other than those identified at 6.21 above) and all new trees planted by the Contractor</b>		√		

### 7. Contract Performance Risks

No	Risk Heading	Definition	Allocation			Notes
			City Council	Contractor	Shared	
7.1	<b>Non-Performance of Services</b>	<b>Payment will only be made by the Council for Services received.</b>		√		

## Appendix 5.2

### Risk Allocation Matrix

No	Risk Heading	Definition	Allocation			Notes
			City Council	Contractor	Shared	
7.2	Poor performance of Services	The Contractor will incur deductions from the Unitary Charge for failure to meet the Availability Criteria or standards set out in the Performance Adjustment matrix.		√		
7.3	Termination due to Council Event or Default	The Council defaults leading to termination of the Agreement and compensation being paid to the Contractor	√			
7.4	Contractor Event or Default leading to step-in by funders	Contractor default leading to funders step-in, resulting in higher costs than agreed in the Agreement.		√		
7.5	Termination due to Contractor Event of Default	Contractor default leading to contract termination.		√		
7.6	Adjustments on Market Testing	Market Testing of caretaking and cleaning services. Increase in unitary charge due to increased costs.			√	
7.7	Estimated cost of restructuring the workforce providing Services is incorrect	The estimated cost of restructuring the workforce during the Agreement Period.		√		
7.8	Staff costs	Staff costs rising at a rate higher than the indexation rate applied to the Unitary Charge.		√		Risk mitigated on each market testing date. Staff pension contribution rates



## Appendix 5.2

### Risk Allocation Matrix

No	Risk Heading	Definition	Allocation			Notes
			City Council	Contractor	Shared	
						<b>subject to “cap and collar” arrangements.</b>
7.9	<b>Staff availability</b>	<b>Service Provider having to rely on agency staff.</b>		√		

### 8. Information and Technology risks

No	Risk Heading	Definition	Allocation			Notes
			City Council	Contractor	Shared	
8.1	<b>Failure of IT system</b>	<b>Failure of Council IT system resulting in additional cost to Contractor.</b>	√			Limited obligations leading to relief only.
8.2	<b>Failure of IT system</b>	<b>Failure of Contractor IT system resulting in additional cost to Contractor.</b>		√		
8.3	<b>Contract Performance Data</b>	<b>Failure by Contractor to provide timely and accurate contract reports and performance data, resulting in additional costs and additional audit monitoring</b>		√		
8.4	<b>Contract Information</b>	<b>Failure by Contractor to maintain accurate contract [and tenancy information] resulting in delays or additional cost to Contractor.</b>		√		
8.5	<b>Contract Information</b>	<b>Failure by City Council to maintain accurate tenancy information resulting in delays to Contractor, including failure to provide the Contractor with access to tenancy information.</b>	√			<b>TO THE EXTENT THE COUNCIL PROVIDES INACCURATE INFORMATION IN</b>

## Appendix 5.2

### Risk Allocation Matrix

No	Risk Heading	Definition	Allocation			Notes
			City Council	Contractor	Shared	
						<b>RESPECT OF A TENANT – RELIEF EVENT.</b>
8.6	Information Security	Failure by Contractor to ensure security of information including adequate provision for data back up, resulting in liabilities, delays or additional cost to Contractor.		√		
8.7	Information Security	Failure by City Council to ensure security of information including adequate provision for data back up, resulting in liabilities, delays or additional cost to Contractor.	√			

### 9. Financial risks

No	Risk Heading	Definition	Allocation			Notes
			City Council	Contractor	Shared	
9.1	Interest rates post preferred Bidder but pre financial close	Interest rate movement prior to financial close. This is a public sector risk as it is envisaged that the Unitary Charge will be adjusted to maintain the IRR shown in the preferred Bidders Financial Model.	√			
9.2	Corporation tax	Changes in the rate of tax.		√		
9.3	Capital allowances	Changes in the definition of qualifying expenditure.		√		
9.4	Recovery of VAT	Input tax becomes irrecoverable by the public sector as described in SOPC4.	√			
9.5	Insurance rates	Changes in the cost of insurance.			√	

## Risk Allocation Matrix

No	Risk Heading	Definition	Allocation			Notes
			City Council	Contractor	Shared	
9.6	Unavailability insurance	Risks become uninsurable.	√			
9.7	Unavailability of terms and conditions - Insurance	Insurance terms become unavailable.			√	Council waives requirement, alternative cover procured if available (costs shared), Contractor checks position with market every 4 months.
9.8	LGPS	RISK IF CONTRACTOR PART OF FUND NOT NOTIONALLY FULLY FUNDED AT CLOSE.	√			
9.7	EMPLOYER PENSION CONTRIBUTION	CHANGES IN THE EMPLOYERS CONTRIBUTION TO THE PENSION SCHEME FOR STAFF AND CHANGES WITHIN THE AGREED 'CAP AND COLLAR' ARRANGEMENT FOR COUNCIL AND ALMO TUPE STAFF		√		
9.8	EMPLOYER PENSION CONTRIBUTION	CHANGES IN THE EMPLOYERS CONTRIBUTION TO THE PENSION SCHEME OUTSIDE THE AGREED 'CAP AND COLLAR' ARRANGEMENT FOR COUNCIL AND ALMO TUPE STAFF	√			

## 10. General Contract Risks

## Appendix 5.2

### Risk Allocation Matrix

No	Risk Heading	Definition	Allocation			Notes
			City Council	Contractor	Shared	
10.1	Relief Events	An event which delays or impedes the works and services for which "relief" is available under the Agreement.		√		
10.2	Compensation Events	An event which delays or impedes the works or services for which "compensation" is available under the Agreement.	√			
10.3	Specific Change in Law	A specific change in law specific to social housing provision taking effect during the Construction Period, which leads to a change to the Council's requirements and variations in costs not foreseeable at financial close.	√			
10.4	Specific Change in Law	A specific change in law specific to social housing provision taking effect during the Services Period, which leads to a change to the Council's requirements and variations in costs not foreseeable at financial close.	√			
10.5	General Change in Law	A change in law taking effect during the Construction Period, which leads to a change in the requirements and variations in costs.		√		
10.6	General Change in Law	A change in law taking effect during the Services Period, which leads to a change in the requirements and variations in costs.			√	Contractor's share proposals received from both bidders.
10.7	Force Majeure	Force Majeure leading to termination of the Contract			√	
10.8	Protester action	Additional costs due to protester action against the Project.		√		
10.9	Negligence	The Contractor, or its agents and sub-contractors, by act		√		

## Appendix 5.2

### Risk Allocation Matrix

No	Risk Heading	Definition	Allocation			Notes
			City Council	Contractor	Shared	
		<b>omission or default cause nuisance to occur, excepting where any act or omission is by the express instruction of the City Council.</b>				
10.1 0	<b>Nuisance Claims</b>	<b>The Contractor, or its agents and sub-contractors, by act omission or default cause nuisance to occur, excepting where such act or omission is by the express instruction of the City Council.</b>		√		
10.1 1	<b>Personal Injury Claims</b>	<b>Personal injury being directly attributable to the action of staff employed by the Contractor.</b>		√		
10.1 2	<b>Breach of Statutory Duty Claims</b>	<b>Claims brought against the City Council for breach of statutory duty arising as a result of a breach by the Contractor of its obligations under the Contract</b>			√	
10.1 3	<b>City Council step-in</b>	<b>Failure of City Council to act in accordance with Good Industry Practice when taking Required Action.</b>	√			<b>COUNCIL TO INDEMNIFY CONTRACTOR FOR DIRECT LOSSES INCURRED. PERMITTED BY SOPC FOOTNOTE.</b>

### 11. Contract Close and Hand Back risks

No	Risk	Definition	Allocation	
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## Appendix 5.2

### Risk Allocation Matrix

	Heading		City Council	Contractor	Shared	Notes
10.1	Service Replacement	Failure to secure a replacement contract arrangement to replace the PFI contract on termination or close of the contract.	√			
10.2	Service de-commissioning	Failure by the Contractor to undertake a thorough and planned de-commission of the contract, resulting in on-going liabilities.		√		
10.3	Service Hand Over	Failure by the City Council and the Contractor to effect a comprehensive and timely hand over of services to a new service provider.			√	
10.4	TUPE	Failure by City Council to comply with requirements in respect of TUPE arrangements.	√			
10.5	TUPE	Failure by Contractor to comply with requirements in respect of TUPE arrangements.		√		
10.7	Pension Liabilities	Higher than expected pension liabilities left unfunded at close of contract.		√		Deficit liability only.
10.8	Hand Back Standards	Failure to hand back the Properties at the required Full Availability Standard at contract close.		√		
10.9	Outstanding Repairs	Higher than expected schedule of outstanding repairs at contract close.		√		If the properties are not at the Required Standard the City Council can retain money from the retention fund or, if funds are insufficient, make deductions

## Appendix 5.2

### Risk Allocation Matrix

No	Risk Heading	Definition	Allocation			Notes
			City Council	Contractor	Shared	
						from the Unitary Charge.

This ESA95 assessment has been based on 'DRAFT – Technical Guidance on the Application of the Standards used in the production of National Accounts to PFI and Similar Transactions'.

<b>General Scheme Information</b>	
<b>Scheme</b>	Little London and Beeston Hill & Holbeck HRA PFI Project
<b>Procuring Authority</b>	Leeds City Council
<b>Financial Close</b>	March 2011
<b>Contracting Partner</b>	
<b>IFRS Assessment (for information only)</b>	
The Council has concluded that the scheme falls within the scope of IFRIC 12 and will be treated as 'on balance sheet'.	
<b>ESA95 Assessment</b>	
<p><b>Is the Project a contract for services that depend on the provision of dedicated assets? Is the public sector procuring authority, the end user or another third party the main purchaser of the services provided by the provision of the dedicated assets?</b></p> <p>The Little London and Beeston Hill &amp; Holbeck contract is for the demolition of 301 residential properties, 8 commercial properties, a community centre and a local housing office and construction of 400 new Council dwellings, refurbishment of 1278 existing Council dwellings, environmental improvements to the Little London and Holbeck estates, conversion of 31 bed-sits to 24 one bedroom dwellings and construction of a new community centre, housing office and retail units in Little London.</p> <p>The Council will be seeking to enter into a Project Agreement based on the model project agreement from the 4Ps/DCLG Housing Procurement Pack (November 2007) for a 20 year operational period. The Project Agreement will include the required specification for the building and the service provision. Payment from the Council to the contractor commences from the commencement of operations. The contractor may possibly derive limited third party income from the Retail Units in Little London.</p> <p>Therefore, it is concluded that this asset falls within the scope of ESA95.</p>	
<p><b>Is there strong evidence that the private sector is bearing most of the risk attached to the dedicated assets in question?</b></p> <p><b>Construction Risk</b> – As is standard for a PFI Project Agreement, the private sector contractor bears the majority of construction risk (including late delivery, cost overruns, changes in underlying prices and failure to meet specified standards). In the event that the completion of the works are delayed, there are sufficient financial and contractual incentives in place, current provision can be continued using existing facilities and therefore the Council bears a limited amount of risk in this respect.</p> <p><b>Availability Risk</b> – A payment mechanism (schedule 5 to the Project Agreement) is in place and deductions are made for unavailability of the dwellings or service performance failures based on criteria agreed with the Contractor. The payment mechanism is calibrated to provide an incentive for the contractor to perform without undermining its overall financial viability. Therefore, it is concluded that the Contractor bears availability risk.</p> <p><b>Demand Risk</b> – The use of the dwellings is within the control of the Council, and the Council bears full demand risk in this regard.</p>	
<p><b>Public Sector Financing</b> – The Council is not making any bullet payments or capital contributions to the project, either during or post construction.</p>	



**MGDD ESA95 Assessment – On the basis that the contractor bears the majority of both construction and availability risk, it is concluded that the Little London and Beeston Hill & Holbeck HRA PFI project is not on the public sector balance sheet for MGDD purposes.**

**Leeds City Council  
Accounting Determination for PFI Scheme**

**Scheme :** Little London and Beeston Hill & Holbeck HRA PFI scheme  
**Date :** 22/09/10

**1. Accounting framework**

- 1.1 From 2009/10, Local Authorities are required to account for PFI schemes according to the requirements of IFRIC 12 as applied to the UK public sector.
- 1.2 The Code of Practice on Local Authority Accounting defines PFI schemes as those which “involve a private sector entity (the operator) constructing or upgrading property used in the provision of a public service, and operating and maintaining that property for a specified period of time.”
- 1.3 Following IFRIC 12, the Code requires that assets provided under PFI schemes should be included in an authority’s balance sheet where :
  - (a) the local authority controls or regulates what services the operator must provide with the property, to whom it must provide them, and at what price;and
  - (b) the local authority controls – through ownership, beneficial entitlement or otherwise – any significant residual interest in the property at the end of the term of the arrangement.

Where the property is used for its entire life and there is little or no residual interest, the arrangement would meet test (b) above.

**2. Summary of PFI scheme**

- 2.1 The Little London and Beeston Hill & Holbeck PFI scheme is a joint procurement between Little London (part of the government’s Round 4 HRA programme and Beeston Hill & Holbeck (part of the government’s Round 5 HRA programme).
- 2.2 The project will include demolition of 301 residential properties, 8 commercial properties, a community centre and a local housing office and construction of 400 new Council dwellings, refurbishment of 1278 existing Council dwellings, environmental improvements to the Little London and Holbeck estates, conversion of 31 bed-sits to 24 one bedroom dwellings and construction of a new community centre, housing office and retail units in Little London. It represents a major opportunity for Leeds to address housing and regeneration needs in two of its most deprived communities. It brings together Outline Business Case approvals from two separate projects into a single, larger and more efficient procurement and delivery arrangement.

### **3. Evaluation of tests**

#### **3.1 Test (a)**

Under the contract, services are to be provided by the contractor to the local authority; the contractor does not provide services directly to the public. The nature and standard of services to be provided to the local authority and the price payable are specified in the legal contract documentation.

Appendix A of IFRIC 12 makes clear that where services and price are governed by a contract this should be considered to be 'control' by the local authority, and that circumstances where all services are provided by the operator to the local authority would meet this test.

Test (a) is therefore met.

#### **3.2 Test (b)**

The contract provides that on expiry of this project all land, buildings and other assets will revert back to City Council possession (see clause 46.1).

The effect of this is that the council has control over the future use of the asset for its residual life, even though it does not have access to the economic benefits of the residual.

Test (b) is therefore met

### **4. Conclusion**

- 4.1 This contract is a PFI agreement for which Tests (a) and (b) are both met. The authority therefore determines that it will recognise the housing assets indicated in paragraph 2.2 above on its balance sheet, together with an appropriate liability to pay for this asset over the life of the contract.





**KPMG LLP**

*Leeds City Council's Little London, Beeston Hill and Holbeck Private Finance Initiative (PFI):  
Provisional Audit Opinion under International Financial Reporting Interpretations Committee  
Interpretation 12 (IFRIC12)  
15 August 2011*

We have reviewed the basis of this assessment to consider whether we consider the conclusion arrived at by the Council to be reasonable in light of the evidence provided by the Council to support it.

You are aware that the scheme may be subject to further change and we would reiterate that any material changes could impact on both your own view of accounting treatment and our external audit consideration. We would also draw to your attention that we have not sought to independently confirm the factual accuracy of all the information provided or made available to us in connection with this review.

***KPMG's opinion on the accounting judgement***

We have reviewed the Council's assessment of the applicability of IFRIC12 to the scheme. We note its conclusion that the scheme falls in the scope of IFRIC12.

On the basis of the review of the Council's accounting determination, dated 13 July 2011, and subject to further information that has come to our attention during the course of our audit, we are not minded to challenge the Council's accounting determination that the asset should be treated as on balance sheet under IFRIC12 and the FReM.

Our view is expressed solely to the Council to discharge our responsibilities under the Code of Audit practice. If a third party were to obtain a copy without our prior written consent we would not accept any responsibility for reliance they might place on it.

We trust the above is of assistance to you and please do not hesitate to contact me on the above number should you wish to discuss any aspect of it further.

Yours sincerely

*KPMG LLP.*

KPMG LLP



EXECUTIVE BOARD

FRIDAY, 8TH FEBRUARY, 2008

PRESENT: Councillor A Carter in the Chair

Councillors R Brett, S Golton, R Harker,  
P Harrand, J Procter, S Smith, K Wakefield  
and J Blake

Councillor Blake – Non Voting Advisory Member

- 161 Chair's Announcements The Chair announced that the funeral of Mr John Gunnell, a former West Yorkshire County Councillor, Leeds City Councillor and MP for Morley was being held today. On behalf of Executive Board, the Chair paid tribute to Mr Gunnell and requested that the Board's condolences be conveyed to Mr Gunnell's family.
- 162 Exclusion of Public RESOLVED – That the public be excluded from the meeting during consideration of the following parts of the agenda designated exempt on the grounds that it is likely, in the view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present there would be disclosure to them of exempt information so designated as follows:
- (a) Appendix F to the report referred to in minute 168(C) under the terms of Access to Information Procedure Rule 10.4(3) and on the grounds that the public interest in maintaining the exemption outweighs the public interest in disclosing the information because the appendix contains details of sites scheduled for future disposal by the Council, which if disclosed would, or would be likely to prejudice the Council's commercial interests in relation to the level of capital receipts generated from the future disposal of such sites.
- (b) Appendix D to the report referred to in minute 171 under the terms of Access to Information Procedure Rule 10.4(4) and (5) and on the grounds that the public interest in maintaining the exemption outweighs the public interest in disclosing the information because the Council is currently defending a large number of equal pay cases before the Employment Tribunal and release of the information at this time could prejudice the outcome of such tribunal claims, proving costly to the Council, and thereby having an adverse impact on the public.
- (c) Appendix 1 to the report referred to in minute 177 under the terms of Access to Information Procedure Rule 10.4(3) and on the grounds that the public interest in maintaining the exemption outweighs the public interest in disclosing the information as disclosure would, or would be likely to prejudice the commercial interests of the Council by virtue of the fact that sensitive negotiations are currently ongoing with private sector investors and Yorkshire Forward to secure a contribution to the Albion Place improvement works.
- (d) Appendices 5, 7 and 8 to the report referred to in Minute 179 under the terms of Access to Information Procedure Rule 10.4(3) and on the grounds that the public interest in maintaining the exemption outweighs the public interest in disclosing the information as disclosure of information relating to the remaining leasehold properties to be acquired in both Beeston Hill and Holbeck and Little London, as detailed within the appendices would be likely to prejudice the Council's commercial

interests when undertaking negotiations in respect of such properties.

Appendix 9 to the report referred to in minute 179 under the terms of Access to Information Procedure Rule 10.4(3) and on the grounds that the public interest in maintaining the exemption outweighs the public interest in disclosing the information as disclosure would, or would be likely to prejudice the Council's commercial interests by virtue of the fact that it includes information relating to the Council's financial position in the Outline Business Case for Beeston Hill and Holbeck, the details of which are yet to be fully agreed. In addition the Council has also commenced competitive dialogue with PFI bidders, and the disclosure of such information could prejudice the ongoing procurement process.

(e) Annex 2 to the report referred to in minute 181 under the terms of Access to Information Procedure Rule 10.4(1) and (2) and on the grounds that the public interest in maintaining the exemption outweighs the public interest in disclosing the information as Education Leeds has a duty to secure improvement and increased confidence in the schools concerned and this would be adversely affected by disclosure of the information.

(f) Annex 3 to the report referred to in minute 182 under the terms of Access to Information Procedure Rule 10.4(1) and (2) and on the grounds that the public interest in maintaining the exemption outweighs the public interest in disclosing the information as Education Leeds has a duty to secure improvement and increased confidence in the schools concerned and this would be adversely affected by disclosure of the information.

(g) Appendix 1 to the report referred to in minute 185 under the terms of Access to Information Procedure Rule 10.4(3) and on the grounds that the public interest in maintaining the exemption outweighs the public interest in disclosing the information as disclosure would prejudice the Council's commercial interests as the appendix details matters where negotiations of a confidential nature will ensue. In these circumstances

it is considered that the public interest in not disclosing the commercial information outweighs the public interest in disclosure.

163 Declaration of Interests Councillor Brett declared a personal interest in the items relating to 'Health and Wellbeing Partnership Arrangements' and 'Consultation Paper – Valuing People Now: From Progress to Transformation' (minutes 186 and 187 refer respectively) as a member of the Burmantofts Senior Action Management Committee.

Councillor Smith declared a personal and prejudicial interest in the item relating to 'Pay and Grading Review' (minute 171) due to his wife being an employee of Education Leeds.

Councillor Blake declared a personal interest in the item relating to 'Health and Wellbeing Partnership Arrangements' (minute 186) due to her position as Non-Executive Director of Leeds North West Primary Care Trust and a member of Middleton Elderly Aid.

A further declaration made during the meeting (Councillor Wakefield) is referred to at minute 176.

164 Minutes RESOLVED – That the minutes of the meeting held on 23<sup>rd</sup> January 2008 be approved.

## LEISURE

- 165 Inquiry into River Safety Management at Wharfemeadows Park, Otley Final Report and Recommendations The Chief Democratic Services Officer submitted a report presenting the final report and recommendations of the Scrutiny Board (Culture and Leisure) following its inquiry into 'River Safety Management at Wharfemeadows Park, Otley'.

A minority report submitted by a member of the Scrutiny Board (Culture and Leisure) was appended to the report.

The Chair of the Scrutiny Board attended the meeting and presented the Scrutiny report.

RESOLVED – That the contents of the Scrutiny inquiry report be received.

- 166 Inquiry into River Safety Management at Wharfemeadows Park, Otley Officer Observations The Assistant Chief Executive (Corporate Governance) submitted a report in order to assist Members when considering the recommendations of Scrutiny Board (Culture and Leisure) in regard to their inquiry into the decision by Executive Board to erect fencing at Wharfemeadows Park Otley. The final report of the Scrutiny Board was considered as a separate item on the agenda (minute 165 refers).

RESOLVED – That recommendations 1, 3 and 4 of the report by Scrutiny Board (Culture and Leisure) be accepted and that the Assistant Chief Executive (Corporate Governance) report back on recommendation 2 of the Scrutiny Board's report, in relation to the availability of Counsel's advice to the public.

## CENTRAL AND CORPORATE

- 167 Budget Arrangements 2009/2010 The Chair circulated to Board members a copy of a letter from John Healey MP, Minister for Local Government confirming that the Council's failure to qualify for monies under the Working Neighbourhoods Fund would not be subject to further consideration.

RESOLVED – That, in view of the reductions in funding in 2009/2010 which can be anticipated as a result of this confirmation, the Director of Resources be requested to report back to the Board on potential savings which may be realised in that year in relation to Council publications, engagement of consultants and procurements.

- 168 Council Budget 2008/2009 and Capital Programme  
(A) Revenue Budget and Council Tax 2008/09

The Director of Resources submitted a report on the Council's budget for 2008/09 following detailed consideration of service requirements and taking account of the Local Government Finance Settlement. The report indicated that the budget would result in a Band D Council Tax of £1,064.37 for consideration by Council.

RESOLVED –

- (i) That Council be recommended to approve the Revenue Estimates for



2008/09 totalling £540,509,000 as detailed and explained in the submitted report and accompanying papers, including a 4.7% increase in the Leeds' element of the Council Tax.

(ii) That as the Police Authority budget meeting is currently scheduled for 22<sup>nd</sup> February 2008, Council be recommended to establish a committee of the Council specifically to set the final Council Tax.

(iii) That the fees and charges policy as detailed in appendix 5 of the report be approved.

(iv) That the proposal to change the childcare fee structure as detailed in the Children's Services budget briefing report be approved.

(v) That the proposed local performance indicators as detailed within paragraph 13 of the report be approved.

(B) Housing Revenue Account Budget 2008/09

The Directors of Resources and Environment and Neighbourhoods submitted a joint report on the Housing Revenue Account budget and ALMO management fee distribution for 2008/09.

RESOLVED –

(i) That the Council be recommended to approve the budget at the average rent increase figure of 5.8%.

(ii) That the Council be recommended to approve that service charges be increased in line with average rent rises.

(iii) That the Council be recommended to approve that the charges for garage rents be increased to £5.55 per week.

(C) Capital Programme 20072012

The Director of Resources submitted a report setting out the updated capital programme for 20072012.

Following consideration of appendix F to the report designated as exempt under Access to Information Procedure Rule 10.4(3) which was considered in private at the conclusion of the meeting it was

RESOLVED –

(i) That the Council be recommended to approve the capital programme as attached to the submitted report.

(ii) That the Director of Resources be authorised to manage, monitor and control scheme progress and commitments to ensure that the programme is affordable.

(iii) That the disposal of land and property sites as detailed within exempt appendix F to the report be agreed in order to generate capital receipts to support the capital programme.

(iv) That the Council be recommended to approve the proposed Minimum Revenue Provision policies for 2008/09 as set out in paragraph 5.3.2 and appendix G to the report.

(D) Treasury Management Strategy 2008/09

The Director of Resources submitted a report on the proposed Treasury Management Strategy for 2008/09 and the revised affordable borrowing limits under the prudential framework. The report also provided members with a review of strategy and operations in 2007/08.

RESOLVED –

- (i) That the initial Treasury Strategy for 2008/09 as set out in section 3.3 of the report be approved and that the review of the 2007/08 strategy and operations, as set out in sections 3.1 and 3.2 of the report be noted.
- (ii) That the Council be recommended to set the borrowing limits for 2007/08, 2008/09, 2009/10 and 2010/11, as set out in section 3.4 of the report.
- (iii) That the Council be recommended to set the treasury management indicators for 2007/08, 2008/09, 2009/10 and 2010/11, as set out in section 3.5 of the report.
- (iv) That the Council be recommended to set the investment limits for 2007/08, 2008/09, 2009/10 and 2010/11, as set out in section 3.6 of the report.

(The matters referred to in parts A(i) and (ii), B(i), (ii) and (iii), C(i) and (iv) and D (ii), (iii) and (iv) of this minute being matters reserved to Council were not eligible for Call In)

(Under the provisions of Council Procedure Rule 16.5 Councillor Wakefield required it to be recorded that he abstained from voting on the decisions contained in this minute)

- 169 Financial Health Monitoring 2007/08 Third Quarter Report The Director of Resources submitted a report setting out the Council's financial health position for 2007/08 after nine months of the financial year, in respect of the revenue expenditure and income to date compared to the approved budget, the projected year end position and proposed actions to ensure a balanced budget by the year end. The report also highlighted the position regarding other key financial indicators, including Council Tax collection and the payment of creditors.

RESOLVED –

- (i) That the projected financial position of the authority after nine months of the new financial year be noted.
- (ii) That the transfer of the projected surplus to general reserves be approved.

- 170 Final Local Government Finance Settlement 2008/09 and Revised Provisional Settlements for 2009/10 and 2010/2011 The Director of Resources submitted a report providing details of the final Local Government Revenue Support Grant Settlement for 2008/09 and the revised provisional settlements for 2009/10 and 2010/11 which were announced on 24<sup>th</sup> January 2008.

RESOLVED – That the contents of the report be noted.

- 171 Pay and Grading Review The Director of Resources submitted a report which sought approval of an amended version of the pay structure and confirmed the

position on pay protection for the purpose of the Pay and Grading Review. The report also updated members on negotiations with the trade unions. Following consideration of appendix D to the report designated as exempt under Access to Information Procedure Rule 10.4(4) and (5) which was considered in private at the conclusion of the meeting it was

RESOLVED –

- (i) That the amended pay structure, as detailed within appendix A to the report be approved.
- (ii) That the pay protection arrangements for Phase 1 and Phase 2 employees be confirmed as previously agreed by the Executive Board in March 2007, which is for those staff whose grade changes adversely as a result of the job evaluation exercise:
  - A period of no longer than 3 years protection – attracting annual pay award and increments in line with the NJC for Local Government service pay agreements effective from 1<sup>st</sup> February 2008;
  - Year 4 – go directly to the maximum point of the new substantive grade/pay range.
- (iii) That the Board notes that the Director of Resources will continue negotiations with the Trade Unions and will continue to work with the Trade Unions to identify means of avoiding individual loss wherever possible and appropriate.
- (iv) That the Director of Resources be authorised to take steps to implement the new pay structure, by agreement or otherwise, in the light of the negotiations with Trade Unions.

(Having declared a personal and prejudicial interest, Councillor Smith left the meeting during consideration of this matter)

- 172 Comprehensive Performance Assessment 2007 Result The Assistant Chief Executive (Policy, Planning and Improvement) submitted a report updating members on the arrangements for reporting Leeds City Council's Comprehensive Performance Assessment (CPA) judgement for 2007, namely a 4 star authority which is improving well.

RESOLVED –

- (i) That the contents of the report be noted.
- (ii) That all staff of the authority be offered the thanks of the Board for their contribution to this result.

- 173 225 York Road Taxi and Private Hire Licensing Section Extension The Assistant Chief Executive (Corporate Governance) submitted a report on a proposed extension to the existing purpose built accommodation for the Taxi and Private Hire Licensing Section at 225 York Road.

RESOLVED –

- (i) That the further injection into the 2007/08 capital programme of £84,000 be approved.
- (ii) That authority be given to incur expenditure of £610,000 on construction costs, £17,600 on equipment and £78,500 on fees.

- 174 West End Partnership Proposed Memorandum of Understanding The Director of City Development submitted a report on a proposed Memorandum of Understanding which would facilitate collaboration between Leeds City Council and six private developers to promote the West End vision.

RESOLVED –

- (i) That the Council be authorised to enter into the Memorandum of Understanding with the six companies comprising the West End Partnership.
- (ii) That the general terms of the Memorandum of Understanding as outlined in paragraph 2.6 of the report, be agreed, with the specific details being agreed by the Director of City Development and the Assistant Chief Executive (Corporate Governance) as appropriate.
- (iii) That the Director of City Development be requested to examine processes whereby elected Members can be briefed as to progress of the proposals.

- 175 Roundhay Road Proposed High Occupancy Vehicle Lane The Director of City Development submitted a report on the proposed implementation of a scheme to improve the existing bus lane on Roundhay Road, which would facilitate its use by High Occupancy Vehicles, in addition to ensuring a more reliable passage for buses at an overall cost of £540,000.

RESOLVED –

- (i) That the Roundhay Road Bus and High Occupancy Vehicle Corridor Scheme, as illustrated on drawing numbers 760217/002, at an estimated cost of £538,717 be approved.
- (ii) That £511,717 expenditure, comprising £336,354 works costs, statutory undertakers costs of £103,619 and a further £71,744 staff costs for supervision, monitoring and enforcement be approved. These costs to be met from the Integrated Transport Scheme 99609 within the approved Capital Programme which is eligible for 100% Government funding and may be reimbursed at a later date via Section 106 contributions.
- (iii) That the previous approval of staff costs of £27,000 which were met from the Integrated Transport Scheme 99609 within the approved Capital Programme be noted.

- 176 Private Streets Programme The Director of City Development submitted a report which provided an update on the progress of the Private Streets Programme, sought approval to extend the programme for a further 3 years from April 2008 and to incur expenditure of a further £3,600,000, which was the remaining balance of the overall capital programme provision for the initiative.

RESOLVED –

- (i) That the updated position report on the current Private Streets Programme be noted.
- (ii) That the continuation of the Private Streets Programme for a further 3 years up to and including 2010/11 be approved.
- (iii) That authority be given to the further expenditure of £3,600,000 on the

continuing implementation of the Private Streets Programme, funded from Scheme Number 28967 in the approved Capital Programme, £4,200,000 expenditure having been previously approved.

(Councillor Wakefield declared a personal interest in this matter as the owner of a property adjoining a street which had benefited under this programme)

- 177 Albion Place Refurbishment The Director of City Development submitted a report which sought approval of the project's scheme design, and sought authority to spend monies from Leeds City Council's capital budget for the refurbishment scheme.

Following consideration of appendix 1 to the report designated as exempt under Access to Information Procedure Rule 10.4(3), which was considered in private at the conclusion of the meeting it was

RESOLVED –

- (i) That the scheme design, as outlined within the report be approved.
- (ii) That the release of scheme expenditure as detailed in table (vi) at lines CPRH (3) and CPRH (6) of exempt appendix 1 be authorised.

- 178 Yeadon Town and District Centre Regeneration Scheme The Directors of City Development and Environment and Neighbourhoods submitted a joint report on a proposal to spend £941,218 to aid the regeneration of Yeadon High Street by making significant improvements to the public realm and pedestrian use of the area.

RESOLVED –

- (i) That the project brief and scheme design as presented within the report be noted.
- (ii) That the Design and Cost Report for scheme 12154/YEA/000 be approved, and that the scheme expenditure, totalling £941,218 be authorised.

## NEIGHBOURHOODS AND HOUSING

179 Little London and Beeston Hill and Holbeck PFI Projects Land Assembly Issues and Update on the Lovells MultiStorey Flats The Directors of Environment and Neighbourhoods and City Development submitted a joint report providing an update on the Beeston Hill and Holbeck and Little London PFI schemes, commenting on the Outline Business Case for Beeston Hill and Holbeck which had been made available to Members of the Board and proposing a number of key recommendations to enable the projects to progress.

Following consideration of appendices 5,7, 8 and 9 to the report designated as exempt under Access to Information Procedure Rule 10.4(3) which were considered in private at the conclusion of the meeting, it was

RESOLVED –

- (i) In respect of the properties at Little London:
  - a) That the Director of Environment and Neighbourhoods be authorised to make a Compulsory Purchase Order in respect of such properties and interests as may be required subject to the Director being satisfied that the

requirements of Section 226(1)(a) of the Town and Country Planning Act 1990 (as amended) and the provisions of Circular 06/2004 are complied with.

b) That officers be authorised to take all necessary steps to secure the making, confirmation and implementation of the Compulsory Purchase Order including:

(i) the publication and service of all notices and the presentation of the Council's case at any Public Inquiry

(ii) approving the acquisition of interest in land within the Compulsory Purchase Order either by agreement or by way of compulsory powers

(iii) approving agreements with landowners setting out the terms for the withdrawal of objections to the Order including, where appropriate, seeking exclusion of land from the Order and/or making arrangements for the relocation of occupiers

(iv) such other agreements including Indemnity and Development Agreements as may be necessary to promote the Scheme.

(ii) In respect of the properties at Beeston Hill and Holbeck:

a) That the development sites included in the PFI scheme be noted and the Director of City Development be authorised to enter into such negotiations as are required to acquire properties and interests within the area on such terms as she thinks appropriate in order to facilitate the Scheme, subject to the approval by government of the PFI Outline Business Case for Beeston Hill and Holbeck.

b) That the Director of Environment and Neighbourhoods be authorised to make a Compulsory Purchase Order in respect of such properties as may be required subject to the Director being satisfied that the requirements of Section 229(1)(a) of the Town and Country Planning Act 1990 (as amended) and Circular 06/2004 are complied with.

c) That officers be authorised to take all necessary steps to secure the making, confirmation and implementation of the Compulsory Purchase Order including:

(i) the publication and service of all notices and the presentation of the Council's case at any Public Inquiry

(ii) approving the acquisition of interest in land within the Compulsory Purchase Order either by agreement or by way of compulsory powers

(iii) approving agreements with landowners setting out terms for the withdrawal of objections to the Order including, where appropriate, seeking exclusion of land from the Order and/or making arrangements for the relocation of occupiers

(iv) such other agreements including Indemnity and Development Agreements as may be necessary to promote the Scheme

(iii) That the Director of Environment and Neighbourhoods, in consultation with the Assistant Chief Executive (Corporate Governance), be

authorised to make minor changes to the development site boundaries in both Beeston Hill & Holbeck and Little London where required as a result of further due diligence.

(iv) That the Director of Environment and Neighbourhoods be authorised to make an application to Government for Decent Homes funding for refurbishment of the Lovells multistorey flats.

(v) That the financial issues detailed in exempt appendix 9 to the report be agreed and that approval be given to the affordability of both the Beeston and Holbeck and Little London schemes and to the capital contribution for the Beeston Hill and Holbeck PFI scheme.

180 Disposal of Land for Affordable Housing The Director of Environment and Neighbourhoods submitted a report on a proposal to dispose of the first six sites from the 77 acres within the Affordable Housing Strategic Partnership at less than best consideration calculated at £5,000 per plot. The report also sought approval for the Director of City Development to undertake further disposals of sites within the Affordable Housing Strategic Partnership at less than best consideration of £5,000 per plot.

#### RESOLVED –

(i) That the disposal of the first six sites within the Affordable Housing Strategic Partnership at less than best consideration, calculated at £5,000 per plot be approved.

(ii) That the Director of City Development be authorised to dispose of other sites within the 77 acres allocated to the Affordable Housing Strategic

Partnership where the disposal is at less than best consideration calculated at £5,000 per plot.

(iii) That the Director of Environment and Neighbourhoods be requested to prioritise progress on the Highfield Gardens site within the context of the Board's decision of 19<sup>th</sup> December 2007 on options for Building Council Housing with appropriate adjustments to this programme.

#### CHILDREN'S SERVICES

181 Annual Standards Report Primary The Chief Executive of Education Leeds submitted a report providing an overview of the performance of primary schools at the end of 2006/07, as demonstrated through statutory national testing, Ofsted inspections and the Education Leeds emerging concerns protocols. It also outlined the action taken by Education Leeds to fulfil its responsibilities to this Board and schools.

Following consideration of annex 2 to the report designated as exempt under Access to Information Procedure Rule 10.4(1) and (2), which was considered in private at the conclusion of the meeting, it was

RESOLVED – That the progress which has been made in recent years, in addition to the key issues and challenges which are currently being addressed be noted.

182 Annual Standards Report Secondary The Chief Executive of Education

Leeds submitted a report providing an overview of the performance of secondary schools at the end of 2006/07 which analysed the results of the tests at the end of Key Stage 3, GCSE and vocational examinations at Key Stage 4. The report also reviewed the progress of schools receiving additional support through the extended or focused partnerships.

Following consideration of annex 3 to the report designated as exempt under Access to Information Procedure Rule 10.4(1) and (2) which was considered in private at the conclusion of the meeting it was

RESOLVED –

(a) That the contents of the report be noted, together with the good progress made in recent years, the improvements achieved in value added indicators particularly for progress between Key Stages 23 and Key Stages 34, the new floor targets which have been established at Key Stages 3 and 4 which focus upon achievement in English and mathematics and require new strategies from schools to ensure that pupils achieve, in addition to the coordination and combination of efforts from across the service areas of Education Leeds and Children Leeds that will be necessary to improve outcomes for underachieving groups and to close the gap between the most and the least successful.

(b) That the Chief Executive of Education Leeds be requested to bring a further report to the Board on the strategies being used to address identified areas of comparative under achievement.

183 The 'Children's Plan Building Brighter Futures' The Director of Children's Services submitted a report summarising the content of the recently published 'Children's Plan – Building Brighter Futures' and highlighting the key implications within the plan for children's services in Leeds.

RESOLVED – That the proposal for the authority to lead the development to renew the city's strategy for children's services through a revised Children and Young People's Plan be approved.

184 Integrated Capital Strategy for Youth Centres The Director of Children's Services submitted a report on a proposal to develop an integrated capital strategy designed to enable quality integrated youth centres to be established in Leeds.

RESOLVED –

(i) That the establishment of an integrated capital strategy for youth centres, as described within the report be approved.

(ii) That proposals be progressed for the establishment of quality youth hub centres in pursuance of the ambitions detailed within the report.

(iii) That approval be given for the strategy to be progressed by the emerging Integrated Youth Support Service and as part of the wider Children's Services Asset Management Plan.

185 Leeds Independent Living PFI Project The Deputy Chief Executive submitted a report providing an update on the affordability position of the Children's Services element of the Independent Living Project. The report also outlined the sites to be used within the Independent Living Project and sought approval to lease the relevant sites to the PFI contractor for use during the 25



year life of the contract.

Following consideration of appendix 1 to the report designated as exempt under Access to Information Procedure Rule 10.4(3), which was considered in private at the conclusion of the meeting, it was

RESOLVED –

(i) That the financial implications for the Council entering into the Children's Services element of the Independent Living Project be approved, and the maximum affordability ceiling for that element of £360,000 for the first full financial year (2010/11) as set out in exempt appendix 1 to the report be agreed.

(ii) That, subject to consent being obtained as required under Section 25 of the Local Government Act 1988, authority be given to the Chief Asset Management Officer to determine the disposal of those sites detailed at appendix 2 to the report under Section 123 of the Local Government Act 1972, to the housing management contractor under

the Independent Living Project, on a leasehold basis and at less than best consideration where indicated.

#### ADULT HEALTH AND SOCIAL CARE

186 Health and Wellbeing Partnership Arrangements The Director of Adult Social Services submitted a report outlining the proposed changes to the functions and partnership structure under the Healthy Leeds Partnership, the consultation process which had been undertaken, and the response to the key points which had emerged from such consultation. As one of the key partners, the Executive Board was asked to give its approval to the proposed changes to the Healthy Leeds Partnership.

RESOLVED –

(i) That the summary of comments received through the consultation on revised partnership arrangements for health and well being be noted.

(ii) That the proposals detailed within the consultation document on health and wellbeing partnership arrangements be supported.

(iii) That Leeds City Council's support for the partnership proposals be reported to the Healthy Leeds Partnership at its next scheduled meeting on 10<sup>th</sup> March 2008.

187 Consultation Paper Valuing People Now: From Progress to Transformation The Director of Adult Social Services submitted a report providing information on the publication of a recent document from the Department of Health entitled 'Valuing People Now – From Progress to Transformation', which followed on from earlier Valuing People documents seeking to promote equal citizenship for people with learning disabilities.

RESOLVED –

(i) That the publication of the Valuing People Now document and the wide ranging proposals it makes in relation to improving the lives of people with learning disabilities be noted.

(ii) That the implications for the Council as detailed in section 4 of the report, particularly in relation to the transfer of commissioning responsibilities from the PCT

and in relation to the provision of more individualised and community based service provision for people with learning disabilities be noted.

- (iii) That the preparation of a consultation response by the Leeds Learning Disability Partnership Board be noted.
- (iv) That the proposal for the final report to be issued by the Department of Health in the summer be noted.

DATE OF PUBLICATION: 12<sup>TH</sup> FEBRUARY 2008 LAST DATE FOR CALL IN:  
19<sup>TH</sup> FEBRUARY 2008 (5.00 PM)

(Scrutiny Support will notify Directors of any items called in by 12 noon on Wednesday 20<sup>th</sup> February 2008)





Department for  
Communities and  
Local Government

[REDACTED]

8<sup>th</sup> April 2013

[REDACTED]

**Little London, Beeston Hill and Holbeck Housing PFI Project**

I would like to thank you and Alan Gay for the revised Leeds City Council paper on project affordability and funding recently submitted to the Department. The paper was a positive response to the Department's request for fuller financial information and this is much appreciated.

As you are aware, the contents of the Council's revised paper have been subject to the consideration of the Department's Investment Sub-Committee (ISC) whose views and assessment along with key details from the Council's paper were subsequently considered by the Department's Permanent Secretary, Sir Bob Kerslake.

ISC considers and approves all DCLG business cases on behalf of the Department, including PFI business cases before their consideration by Treasury. ISC's role is to ensure the proper application of Department funding on a value for money basis and it is accountable for doing so to the Permanent Secretary and Ministers, as is the Department in turn to the National Audit Office and Parliament.

I wish to confirm that following due consideration of the Council's paper and the project, the Department has reached the following decisions.

Firstly, the level of allocated "PFI credits" for the project is to be reduced from £181.1m to £176.5m, this reflecting the benefits of the current funding arrangements as set out at Appendix 2 of your paper.

Secondly, to the extent the gilt rate buffer is not required at financial close, this will be reflected in a further reduction of funding support for the project, though still sufficient to ensure its affordability.

I know that you will be disappointed by the Department's decisions. However I do hope that the Council will appreciate that these funding decisions have been made by the Department within the context of the current Spending Review 2013 and reflect the need for the Government to ensure the value for money of all Government spending. The Department's decisions also still leave the Council

making a significantly lower contribution to the costs of the project compared to its January 2012 position.

The Department's decisions now pave the way for Leeds City Council to finalise and submit its Pre-Financial Close Final Business Case for consideration by the HCA, the Department and HM Treasury. This consideration will be undertaken on a parallel rather than sequential basis to facilitate the procurement of the project.

Although the Council's timetable for reaching financial close has recently slipped from 8<sup>th</sup> to 29<sup>th</sup> May, the Department considers that achieving financial close by the end of May should remain the firm aim of all parties. I would be grateful if the Council and its Preferred Bidder could confirm this to the HCA and the Department.

If you have any queries following receipt of this letter, I would ask that you contact [REDACTED] of the HCA in the first instance.

Yours sincerely



**Appendix 6.1 – Key decisions and approvals plan**

<b>Document or decision for approval</b>	<b>Board/authority</b>	<b>Date of decision</b>
Submission of Expression of Interest (EoI)	Executive Board	01/02/06 (LL) 19/04/06 (BH & H)
Submission of Outline Business Case (OBC)	Executive Board	17/05/06 (LL) 14/11/07 (BH & H)
PQQ & approval to proceed to OJEU	Project Board & Co-ordination Board	09/07/07
Issue OJEU notice	Project Board	20/07/07
Approval of longlist of PQQ and issue of ISOS	Project Board	08/10/07
Approval of shortlist of ISOS and issue to ISDS	Project Board	08/04/08
Approval of 2 bidders and issue to ISRS	Project Board	02/02/09
Approval of de-scope	Executive Board	04/03/09
Final Derogations	HCA/CLG	13/08/10
Close dialogue – Invitation to submit Final Tenders	Director	08/09/10
Approval to submit Pre-Preferred Bidder FBC (PPB FBC) and selection of proposed Preferred Bidder	Project Board	22/10/10
	Strategic Investment Board	22/10/10
	Director	22/10/10
Planning Permissions – Beeston Hill & Holbeck	Local Planning Authority	17/02/11
Planning Permissions – Little London	Local Planning Authority	03/03/11
Pre-Financial Close FBC (PFC FBC) and approval to proceed to Financial Close	Executive Board	09/03/11
Approval of vfm scope and affordability changes and authority to submit revised PPB FBC	Delegated Director Decision	23/05/11
Appointment of Preferred Bidder	Delegated Director Decision	22/07/11
Re-submission of PFC FBC	Delegated Director Decision	29/07/11
HCA/CLG approves PFC FBC issues section 27 consent and promissory note	HCA	16/09/11

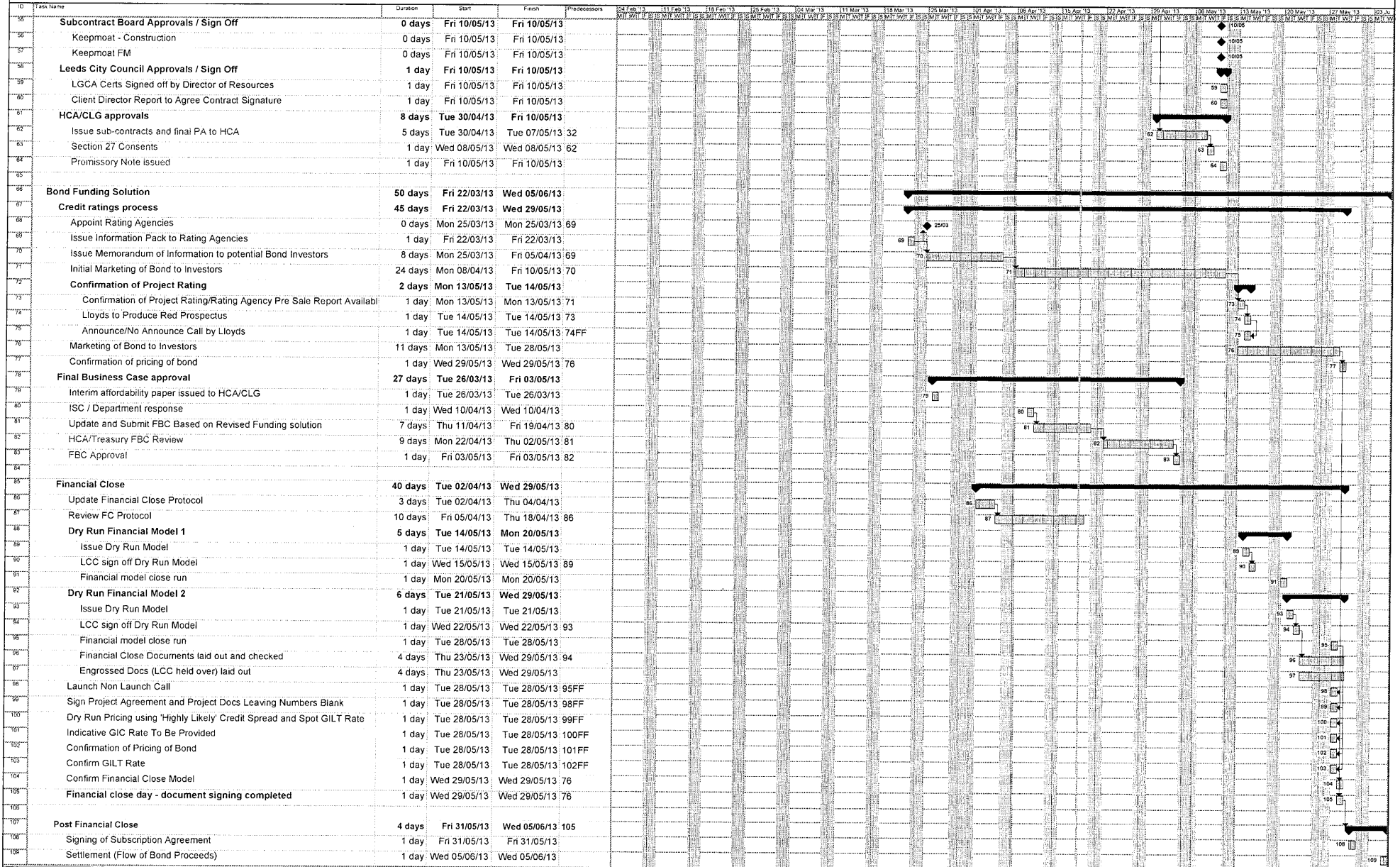
**Appendix 8.4 – Key decisions and approvals plan**

Approval to Proceed to Financial Close	Delegated Director Decision	23/09/11
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## Leeds Social Housing Financial Close Programme

ID	Task Name	Duration	Start	Finish	Processors	04 Feb '13	11 Feb '13	18 Feb '13	25 Feb '13	04 Mar '13	11 Mar '13	18 Mar '13	25 Mar '13	01 Apr '13	08 Apr '13	15 Apr '13	22 Apr '13	29 Apr '13	06 May '13	13 May '13	20 May '13	27 May '13	03 Jun '13
1	<b>LLBH&amp;H Financial Close Programme</b>	<b>84 days</b>	<b>Mon 04/02/13</b>	<b>Wed 05/06/13</b>																			
2																							
3	<b>Financial model sign off</b>	<b>29 days</b>	<b>Mon 18/02/13</b>	<b>Thu 28/03/13</b>																			
4	Update Construction Programme	1 day	Mon 18/02/13	Mon 18/02/13																			
5	Update Financial Model inputs	1 day	Mon 25/02/13	Mon 25/02/13																			
6	Issue Initial Financial Model Based on 08 May Close	1 day	Wed 27/02/13	Wed 27/02/13																			
7	Re-issue of Financial Model based on 29th May Close	1 day	Tue 19/03/13	Tue 19/03/13																			
8	LCC review Financial Model	1 day	Wed 20/03/13	Wed 20/03/13																			
9	LCC/PwC Re run Affordability Model	1 day	Wed 20/03/13	Wed 20/03/13																			
10	LCC issue Affordability model to HCA/Treasury	1 day	Thu 21/03/13	Thu 21/03/13																			
11	HCA/ Treasury Confirm Revised Structure/ Affordability	5 days	Fri 22/03/13	Thu 28/03/13																			
12	<b>Project Documents</b>	<b>61 days</b>	<b>Mon 04/02/13</b>	<b>Wed 01/05/13</b>																			
13	Funding Structure Paper agreed	1 day	Mon 04/02/13	Mon 04/02/13																			
14	HCA/CLG confirm Funding Structure	2 days	Fri 08/03/13	Mon 11/03/13																			
15	Issue Updated Documents List to LCC	1 day	Fri 22/03/13	Fri 22/03/13																			
16	<b>PA / Derogations</b>	<b>20 days</b>	<b>Thu 04/04/13</b>	<b>Wed 01/05/13</b>																			
17	Transparency derogations agreed	1 day	Thu 04/04/13	Thu 04/04/13																			
18	Funding Structure derogations issued by CMS	5 days	Mon 08/04/13	Fri 12/04/13																			
19	SPV Review of Funding Structure	3 days	Mon 15/04/13	Wed 17/04/13																			
20	Submit Funding Structure Derogations to LCC	2 days	Thu 18/04/13	Fri 19/04/13																			
21	HCA/CLG/Treasury sign off Derogations	8 days	Mon 22/04/13	Wed 01/05/13																			
22	<b>Issue Revised Project Agreement to SPV</b>	<b>15 days</b>	<b>Mon 08/04/13</b>	<b>Fri 26/04/13</b>																			
23	AG/CMS to issue Revised Project Agreement to SPV	10 days	Mon 08/04/13	Fri 19/04/13																			
24	SPV to Review and Issue Final Project Agreement	5 days	Mon 22/04/13	Fri 26/04/13																			
25	<b>Sub-contracts</b>	<b>20 days</b>	<b>Mon 08/04/13</b>	<b>Fri 03/05/13</b>																			
26	<b>Finalise Subcontract issues</b>	<b>20 days</b>	<b>Mon 08/04/13</b>	<b>Fri 03/05/13</b>																			
27	Construction	10 days	Mon 08/04/13	Fri 19/04/13																			
28	Facilities Management	10 days	Mon 08/04/13	Fri 19/04/13																			
29	Interface	10 days	Mon 08/04/13	Fri 19/04/13																			
30	AG/CMS to submit Sub Contract comments to SPV	1 day	Fri 19/04/13	Fri 19/04/13	27FF,28FF																		
31	SPV to review and return comments	5 days	Mon 22/04/13	Fri 26/04/13																			
32	Update and issue Subcontracts to All Parties (inc LCC)	2 days	Fri 26/04/13	Mon 29/04/13																			
33	Comments Received from All Parties	3 days	Tue 30/04/13	Thu 02/05/13																			
34	Issue revised Subcontracts	1 day	Fri 03/05/13	Fri 03/05/13																			
35	<b>Develop funding docs</b>	<b>28 days</b>	<b>Tue 02/04/13</b>	<b>Fri 10/05/13</b>																			
36	Camérons to develop documents (bond, monoline, offering etc)	18 days	Tue 02/04/13	Thu 25/04/13																			
37	SPV to Issue draft funding docs to all parties for review (inc LCC)	0 days	Fri 26/04/13	Fri 26/04/13																			
38	All Parties to return comments on Draft Funding Docs	6 days	Fri 26/04/13	Fri 03/05/13																			
39	SPV to Issue revised funding docs	1 day	Tue 07/05/13	Tue 07/05/13																			
40	DLA due diligence report completed	1 day	Wed 08/05/13	Wed 08/05/13																			
41	DLA/ LCC approve Funding docs	1 day	Fri 10/05/13	Fri 10/05/13																			
42																							
43	<b>Confirmation/ Approvals</b>	<b>58 days</b>	<b>Fri 15/02/13</b>	<b>Fri 10/05/13</b>																			
44	<b>Issue Final Reports to all parties</b>	<b>16 days</b>	<b>Tue 16/04/13</b>	<b>Wed 08/05/13</b>																			
45	TA	14 days	Tue 16/04/13	Fri 03/05/13																			
46	Insurance	14 days	Tue 16/04/13	Fri 03/05/13																			
47	Model Audit	14 days	Thu 18/04/13	Wed 08/05/13																			
48	<b>Final Board Approvals / Sign Off</b>	<b>5 days</b>	<b>Fri 03/05/13</b>	<b>Fri 10/05/13</b>																			
49	Lloyds	5 days	Fri 03/05/13	Fri 10/05/13																			
50	Equitix	5 days	Fri 03/05/13	Fri 10/05/13																			
51	Keepmoat	5 days	Fri 03/05/13	Fri 10/05/13																			
52	<b>AG Investment Committee (Approval / Sign Off)</b>	<b>58 days</b>	<b>Fri 15/02/13</b>	<b>Fri 10/05/13</b>																			
53	Initial Credit Approval	1 day	Fri 15/02/13	Fri 15/02/13																			
54	Final Credit Approval	5 days	Fri 03/05/13	Fri 10/05/13																			





## STAGE PLAN – Preferred Bidder V1.01

Project Title:	Little London Beeston Hill and Holbeck PFI Regeneration Procurement
Project reference Number:	LCC4057
Directorate/Service:	Environments and Neighbourhood – Regeneration
Project Sponsor:	Stephen Boyle
Project Director:	Christine Addison
Project Period:	October 2010 – March 2011
Project Stage:	Appointment of Preferred Bidder – Financial Close
Document version:	V1.02
Date:	30.01.12
Author:	[REDACTED]

### Purpose:

This plan covers the approach to be taken by the Little London, Beeston Hill and Holbeck (LLBH&H) Project Team during the Preferred Bidder stage of the procurement of the LLBH&H Housing PFI project.

This Preferred Bidder stage is the period from the appointment of preferred bidder to financial close.

Throughout the stage it is to be used as a basis for project management control and will:-

- identify the key tasks that will be undertaken during the Preferred Bidder stage,
- provide a statement of how and when the Preferred Bidder stage objectives are to be achieved, by showing the deliverables, activities and resources required;
- identify the stage's control and reporting points and frequencies;
- provide a baseline against which stage progress will be measured;
- record the stage tolerances; and
- specify the quality controls for the stage and identify the resources needed for them.

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- A. Programme
- B. Preferred Bidder Appointment Letter including Fine Tuning issues
- C. Documents List
- D. Workstream leads and membership

### Version Control:

### Revision History

#### Date of this revision:

Version	Status	Revision Date	Summary of Changes	Author
V1.0	Closed	15/9/10	FINAL	VC
V1.01	Closed	11/5/11	Updated following vfm exercise	VC
V1.02	Open	30/01/12	Updated following PB Appointment	VC

### 1.1 Review & Approvals

Name	Signature	Title	Date of Issue
Project Board			15/9/10
Project Board			25/5/11

### 1.2 Distribution

#### This document has been distributed to:

Name	Comment received	Date of Issue	Version
Project Board	Issued for information	15/9/10	1.0
Project Board	Issued for information	25/5/11	1.01

## 1. Project Scope

The project involves refurbishment of existing homes, demolishing outdated Council housing stock, replacing with new build Council homes, grounds maintenance and environmental works in the Little London, Beeston Hill and Holbeck areas of Leeds. The project has completed the PQQ, ISOS, ISDS, ISRS and Final Tender stages of competitive dialogue. Further project history details are available in the Pre Preferred Bidder Final Business Case.

The PFI contract will be for a period of 20 years and the contractor will be responsible throughout the duration of the contract for the provision of repairs and maintenance to both refurbished and new dwellings, and cleaning and caretaking services to all multi-story blocks and sheltered accommodation.

Following the Comprehensive Spending Review in October CLG announced a review of the national PFI Housing programme to establish value for money benchmarks in a significantly altered financial environment to guide the allocation of PFI credits. The results of this were given to the Council in late March 2011.

The Council has comprehensively reviewed project costs and options for delivering further efficiencies within constraints imposed by the late stage of procurement, planning requirements and the evolving relationship between programme to close and affordability. In so doing it has been necessary to further review aspects of the project scope. These were submitted to the HCA on 26<sup>th</sup> April 2011.

The scope changes were approved by the Director of Environment & Neighbourhoods under delegated authority from Executive Board on 9<sup>th</sup> March 2011.

### Objectives

The Preferred Bidder stage has the following objectives;

- approval of the Pre Preferred Bidder FBC;
- ensure that all announcements and debriefs are made to the required people in a timely manner;
- resolution of the matters outlined in Annex 1 of the Preferred Bidder Appointment letter;
- agree that any items to be carried over to the Service Period as Reviewable Design Data are clearly defined;
- approval of the Pre Financial Close FBC to enable progression to Financial Close;
- approval of Section 27 Housing Management Delegation to the proposed PFI contractor;
- achieve commercial and financial close to agreed timescales.

## 2. Plan Description

The Preferred Bidder stage commences after the preferred bidder recommendation has been approved by the Director of Environments and Neighbourhoods and the HCA have approved the Pre Preferred Bidder FBC (PPB FBC). The Council intends to resolve matters of fine tuning with the preferred bidder during this period to enable Financial Close to be achieved. It is anticipated that the preferred bidder period will consist of the following stages:-

1. Director confirmation of preferred bidder selection and HCA approval of PPB FBC;
2. Signing the Preferred Bidder Letter and public announcement,
3. Fine Tuning – resolving matters in the Preferred Bidder Appointment letter; develop contractor's proposals and the Reviewable Design Data process (RDD); and finalise the Project Agreement;
4. planning Judicial Review and stopping up application to be made;
5. pre financial close FBC – drafting, LCC and HCA approvals;
6. other consents / approvals required for Financial Close;
7. Financial Close, including Section 27 Delegation approval from CLG;
8. planning for the next stage – mobilisation and service commencement.

## Key tasks

### 2.1 Director approval of preferred bidder selection and PPB FBC

**Duration – 1 week**

**Task leader – Mark Denton (MD)**

**Status – Complete (approval received 22/10/11)**

**Revised PPB FBC approved [24/06/11]**

Following the final tender evaluation by Project Team, Project Board and Strategic Investment Board (SIB) reviewed the recommendation for preferred bidder selection and the PPB FBC submission and approval was sought from the Director of Environment and Neighbourhoods (delegated from Executive Board).

Gateway Review 3 was carried out in January 2011 and the Project received Green status.

A revised PPB FBC has been prepared following the VFM review and this was reviewed for information by SIB on 20 May 2011 and Project Board on 25 May 2011. Director approval to was received on 24 June following HCA & CLG approval of VFM on 22 June.

### 2.2 Planning

**Duration: 16 weeks**

**Task leader – Toby Meekings (TM) (planning)**

**Status – Complete**

All planning applications were determined by Members of the Councils Plans Panel meetings on 17 February 2011 (Beeston Hill and Holbeck) and 3 March (Little London).

The planning conditions matrix has been updated with the reserved matters planning conditions and the process for monitoring the discharge of the planning conditions will need to be agreed between the Planning department, the PPPU and the preferred bidder.

During the Preferred Bidder period the number, location and extent of Highways stopping up requirements, will be agreed with the Preferred Bidder, in preparation for the PB to submit applications upon receipt of planning approvals

### 2.3 HCA approval of PPB FBC

**Duration: 3 weeks**

**Task Leader – [REDACTED]**

The Project Team submitted the original draft of the PPB FBC to HCA for consideration in October 2010. Following the completion of the vfm exercise HCA/CLG sent back comments on 14 April which the Project Team have incorporated into a revised PPB FBC V2.0. As outlined above a further version of the PPB FBC was prepared in line with the five case

model. This was submitted to HCA / CLG on the 7th July and approved by Treasury on the 18 October 2011,

During this period the Project Team will update the Project Agreement and schedules following the vfm exercise and issue them to the Preferred Bidder with the Preferred Bidder Appointment letter.

Once approval from HCA has been received the award of contract will be granted and the OJEU award notice will be published within 48 days of such award (see section . Media issues will be led by the **communications** workstream in the form of a press release in conjunction with the Council's press department, the HCA and the preferred bidder.

There will be a staged dissemination of information giving further details about the preferred bidder and project detail to the following stakeholders;

- HCA/LCC press releases for announcement of PB and briefings
- bidder press release
- member & MP briefings
- communications to ALMO's
- communications to CAG
- project update
- newsletter
- website update
- stakeholder and community meetings or a letter to those who have been consulted during the process

#### **Key documents to produce;**

- Revised PPB FBC (MD) - Complete
- agreed Press Release (LC)
- Revised Preferred Bidder Appointment letter (AE/MD) - Complete
- Updated documents list (sc4L)
- Gateway Review 3 report and actions (MD) – Complete
- Revised Project Agreement and Schedules (AE / JC)
- OJEU award notice (JC)

#### **2.4 Standstill Period**

**Duration: 10 days (minimum)**

**Task Leader –** [REDACTED]

The standstill period starts when the decision to award the contract has been made . All bidders involved in the procurement from PQQ stage are to be informed who has been awarded the Contract in writing.

In accordance with the Alcatel Judgement<sup>1</sup> as soon as the award decision has been made:

1. Unsuccessful bidders are notified individually in writing, confirming:
  - (a) the award criteria
  - (b) where appropriate the unsuccessful tenderers score against those criteria
  - (c) where appropriate the winning score
  - (d) the successful bidder

<sup>1</sup> Incorporated into Article 32(3) of the new Public Contracts Regulations 2006  
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The 10 day calendar day standstill period begins from the day after the notification is issued. It is recommended letters are always emailed or faxed to avoid disagreements about when they are actually received. If the last day of the standstill period falls on a non-working day the period must be extended to the next working day.

2. Bidders may request an additional debrief. Requests may be made either verbally or in writing. If this request is made within two working days of the start of the standstill period the debriefing information must be dispatched at least three full working days before the end of the standstill period. If the information can not be provided within this timescale, the 10 day period will need to be extended.

NB Commercially sensitive details e.g. pricing must NOT be divulged during debriefing.

3. Where additional debriefing is requested after the two working day period the information must be provided within 15 days. There is no requirement to extend the standstill period if a request is made after the two working day period.
  4. A letter to the successful bidders can also be sent at the same time as letters are sent to unsuccessful bidders. The letter must be prepared in consultation with legal services and cannot indicate to the contractor that you will enter into a contract with them.
  5. If no legal challenge has been launched by the end of Day 10, the contract award letter may be issued or contract signed and sent off to the successful bidder.
  6. If a legal challenge is threatened, you must consult the Executive Legal Manager and then await the outcome of the application to the court before concluding the contract<sup>2</sup>.
- Workstream activity will include supporting any Alcatel requests if required.

## 2.5 Fine Tuning and finalising the Project Agreement

**Duration: 14 weeks (including 6 weeks prior to PB Appointment)**  
**Task leader - [REDACTED]**

The Project team and Preferred Bidder have set out matters for confirmation and clarification during the preferred bidder period, in line with paragraph 18 (26) of the Public Contracts Regulations 2006. This states that, following the identification of the most economically advantageous tender, the Council can only 'clarify or confirm commitment' in the tender. Please see **section 6** – Tolerances (quality) for the Council's interpretation of this. Annex 1 of the Preferred Bidder Appointment letter (attached at **Appendix B**) includes the updated list of matters for confirmation and clarification following the VFM exercise and work that has been completed to date.

Whilst awaiting formal appointment the Preferred Bidder had agreed to meet informally to agree a programme for fine tuning and to develop technical data so this can be progressed quickly following approval of the PPB FBC. The formal PB period will last 8 weeks, the team and the preferred bidder will be based at DLA and will hold regular workstream meetings and weekly internal project team meetings.

<sup>2</sup> **ALCATEL JUDGEMENT – IMPLICATIONS FOR CONTRACT AWARD PROCEDURE** [www.westberks.gov.uk/CHttpHandler.ashx?id=3980&p=0](http://www.westberks.gov.uk/CHttpHandler.ashx?id=3980&p=0)

### 2.5.1 Workstream activity

Workstream meetings will be held with the preferred bidder to progress the remaining fine tuning issues and finalise the Project Agreement and schedules, including the contractors proposals.

A preferred bidder issues list has been devised for each workstream which will be the main tool to track progress on each of the fine tuning issues. It will be managed by the workstream leader with support from the project management team and shared with the preferred bidder. This will feed into a documents list which will log the status of each of the documents required for financial close.

The preferred bidder documents list and project monitor is attached at **Appendix C [\[LINK\]](#)** and sets out overall responsibility for each of the Project documents and dates for their completion. The documents list will be updated within the first two weeks of this period and will be managed by the legal team. The technical schedules are set out in a separate project monitor spreadsheet that feeds into the documents list and is managed by the Preferred Bidders technical team. Documents are uploaded onto the preferred bidders document portal for review and when agreed they are transferred into an 'agreed' folder. During this period regular document list review meetings will take place with the preferred bidder and document owners to ensure that the bidders documents, such as the sub contracts, do not delay close.

Key documents to produce (all workstreams)

- preferred bidder issues lists
- Documents List
- Project Monitor
- final Project Agreement and Schedules
- Protocols (legal)

### 2.5.2 Technical workstream

The Technical workstream's primary task during this period is too convert the relevant Contractor's Final Tender Bid Submissions to Schedule 3 of the Project Agreement - Contractor's Proposals, ensuring that they meet the requirements of the Output Specification.

Key documents to produce;

- Output Specification (PA Schedule 2)
- Contractors Proposals (PA Schedule 3, Part 1 & 5)
- Service Delivery Plans (PA Schedule 3 Part 2)
- Programmes (PA Schedule 3 Part 3, 4, 6)
- First Employee List (PA Schedule 10 Part 2)

Details of the workstream structure are set out in **section 6 and Appendix D.**

### 2.5.3 Contract Monitoring

Alongside responsibility for part 1 of the Contractors Proposals the contact monitoring workstream will specifically look at;

- Confirmation/Production of;



- meetings schedules, agenda, attendees
- workshop programme
- operational staff structures
- implementation of Protocols
- ALMO interfaces
- wider Council interfaces including Highways and Parks and Countryside
- agreement of Operational Contracts Manual (OCM)
- input into development of other PA schedules as required

The workstream will also facilitate the interface with Contract Monitoring team and ALMO staff;

- “Introducing the team” sessions with both
- Developing and implementing workshop programme – partnering and risk.

This will involve a series of meetings with different levels of involvement. One session will be for senior managers, then operational involving the ALMO, preferred bidder, contract management team, and subcontractors. The partnering charter will be developed.

The Benefits Realisation Plan will need to be updated with specific preferred bidder proposals.

#### **Key Documents to produce**

- Contractors Proposals
- Operational Contract Manual
- Updated Benefits Realisation plan

#### **2.5.4 Property workstream**

The workstream will continue to progress **vacant possession** activities towards rehousing of tenants from remaining clearance sites. The remaining tenanted properties are located within Beeston Hill. The Vacant Possession programme is being delivered by the ALMO (Aire Valley Homes) and managed and monitored through the Property Matters sub group. The re-housing programme for BH&H was broken down into 4 phases. Phase 1 (Holbeck Towers) completed in July 2009. Phase 2 (Couplands, Malverns, St Lukes) was completed in April 2011. Re-housing of 117 properties in the final phase is currently underway. All re-housing is scheduled to complete by start of 2012, as per dates given to bidders in procurement documentation.

In addition to the re-housing of tenancies, 2 leasehold properties remain to be acquired on the Fairfaxes site. Property Swaps have been agreed in principle with each leaseholder and properties identified and agreed in each case. Valuations have been undertaken and work to complete the swaps is now underway.

The Property Matters has developed a series of protocols to be used in preparation of a transfer of tasks to Contract Management at the start of the Contract. These outline the processes and key resources required to deal with a range of property issues that will or may arise during the contract including; Judicial Review, Town & Village Green Challenges, treatment programmes for Japanese Knotweed, Stopping Up processes, Substation and other wayleaves and leases. The protocols will cover reporting/escalation arrangements so where required, cross cutting issues can be reported into project team. The Property Matters group will continue to meet to manage these issues as part of the transition into the contract period.

### Key documents to produce:

- Protocols relating to transfer of Property matters tasks to contract management team

### 2.5.5 Communications

As well as progressing the fine tuning issues relating to the Marketing and Media protocol communications activities will focus on;

- early initial communications meeting between the PB and Council
- SC4L establishing core values for the SPV, to inform communications activity
- finalising and agreeing the communications strategy and Marketing and Media protocol with PB,
- meetings between the preferred bidder and LCC corporate comms (Phil Jewitt) to agree partnership branding approach,
- establish the Communications Steering Group by the preferred bidder with support and guidance from the Council.

The Communications Steering Group will ensure the implementation of the Communications Strategy and compliance with the Marketing and Media Protocol. It will provide a sign-off facility for marketing and media materials as well as discussing any responsive needs to media or public enquiries or issues.

The purpose of the group is to ensure a consistent and co-ordinated approach between contractor, subcontractors and the Council. It will include communications and project representatives from LCC, the SPV, key contractors and the ALMOs. Frequency of meetings will depend on the stage of project and will be agreed by the group. However, initially, frequency should be relatively high to cover the transition phase from Council to contractor and communications activity to introduce the consortia to the community. As well as regular meetings, members of this group should be in contact remotely as per the Marketing and Media protocol.

Two sessions have been undertaken with the CAGs during the period:

1. meetings with the CAGs to inform them of the PB and an opportunity for questions on PB proposals
2. legacy meetings with CAGs (to include bidder) to close CAGs, discuss lessons learnt, community roles going forward and transition into the SC4L engagement strategy

Although the CAGs have now been formally disbanded further engagement with the former members is planned to inform them of the outcome of the VFM. This is part of an interim Comms Strategy that has been produced to update residents and stakeholders on the Council's required response to the review and changes to the project arising.

A further session will be planned with the CAGs as a 'Thank You' party.

LCC should direct the communications process at this stage giving approval for the preferred bidder's approaches to introducing themselves to the community. The bidders would lead on tenant choices and access arrangements, LCC would have an advisory role only.

The Communications workstream lead will sign off bidder marketing materials in advance of service commencement, in consultation with the Project Team.

The Communications workstream lead will ensure finalisation of the preferred bidder's communications strategy with timeframes and communications actions in line with elements of master programme.

The workstream will be responsible for preparing the newsletter for distribution to the residents informing them of the changes that will happen following Service Commencement.

Key documents to produce;

- Interim VFM Review Communications Strategy
- Communications strategy
- Media and Marketing protocol
- Branding strategy

### **2.5.6 Finance**

The **finance** workstream have agreed 1) the procedure to process dry runs, and 2) to agree the procedure for checking the term sheets on a monthly basis.

- 1) The procedure to process dry runs has been prepared by the bidder during the ISRS stage and will be included in the Final Tender Submission. The Council and PwC will further review the proposed procedure and agree it with the preferred bidder. Carrying out dry runs has a dual purpose, one is usually carried out two weeks before close to make sure the financial model is accurate and allows enough time to sort out any problems there may be, further dry runs are carried out two or three days before financial close to track the SWAP rate.
- 2) Throughout this period the finance workstream will check that the term sheets are still on market value on a monthly basis. This is the biggest task that the finance workstream will carry out during the preferred bidder period. At the first meeting a schedule of when the terms sheets will be submitted will be agreed. The Council and PwC will need to resource this to check them against current market conditions. It could take three to four days to do this each month.

## **2.6 Judicial Review – Planning & Stopping Up**

**Duration: 3 months from application**

**Task Leader: GC**

The statutory judicial review period ended on the 3<sup>rd</sup> June 2011, though it is recognised that an application could be submitted after this date. The project management team will liaise with Legal and Democratic Services within the Council on a regular basis to see if any Judicial Review proceedings have been requested. Where an application has been made for JR, the project team will identify and agree the requirement for specialist legal/counsel advice and prepare a detailed case to contest the application, based on information already collated for the HCA. Any application will be notified immediately to the preferred bidder. The project team will be required to report to the project board and identify the immediate risks to programme arising from the application.

The Preferred Bidder will apply for stopping up orders following appointment. The workstream will offer such assistance as required to move applications through any internal processes. A further 3 month judicial review period will apply to confirmed stopping up applications, though this should not have an impact on the ability to reach financial close.

### **Key Documents to produce**

- Planning conditions matrix (complete)
- Stopping up applications

**2.7 Pre Financial Close FBC (PFC FBC)**  
**Duration: 3 weeks drafting, 2 - 3 weeks HCA approval**  
**Task Leader – [REDACTED]**

**1) Drafting**

The **Project Management** workstream has overall responsibility for drafting the PFC FBC with input from other workstreams where required. It will take the form of an updated PPB FBC outlining the final financial position including the SWAP rates provided by the finance workstream.

**2) LCC Approvals**

The PPB FBC was approved by the Director of Environments and Neighbourhoods on the 24<sup>th</sup> June 2011. The PFC FBC was approved by Executive Board<sup>3</sup> on the 9<sup>th</sup> March 2011 following review by Project Board and Strategic Investment Board. Executive Board agreed the recommendations and delegations which gave authority for the Director to agree any further scope or affordability changes arising from the vfm review.

The scope and affordability changes arising from the VFM review have been incorporated within the revised PPB FBC which was also approved by the Director. As required under Governance procedures an information report will be provided to Executive Board in due course to confirm the Directors decisions. The PFC FBC was reviewed by Project Board and SIB on the 23 January 2012 and Director approval was obtained on 3 February prior to submission to HCA on the 6 February 2012.

The Director has also delegated authority for the decision to Financial and Commercial Close. The **legal** workstream has overall responsibility for ensuring that the decisions are in place.

**3) HCA Approval**

The revised PFC FBC has been sent to HCA for approval. The final derogations were included in the submission.

The precise timing for submission of this document to HCA will need to be agreed in good time, balancing the need to ensure that no further changes will be made, against the time needed for HCA to complete its assessment.

**Key Documents to produce**

- PFC FBC
- LCC formal approval – Directors Delegated Decision Notice
- HCA formal approval

**2.8 Other consents / approvals required for financial close**  
**Duration: 10 weeks**  
**Task Leader: Workstream Leaders (outlined below)**

**2.8.1 Actuarial Assessment**  
**Duration: 8 – 10 weeks, to commence 18 weeks before close.**

<sup>3</sup> See Executive Board minutes

**Task Leader: Iain Kyles (Angela Brown – LCC Pensions)**

The first employee list was sent to the actuarial department in February 2011 who will set the pensions contribution and the level of bond. This will then be issued to the preferred bidder and who will incorporate it into the Financial Model. .

**Key Documents to produce**

- Actuarial assessment

**2.8.2 Section 27 consent**

**Duration - 4 – 6 weeks, to be done 8 – 10 weeks before close**

**Task Leader – [REDACTED]**

Section 27 of the Housing Act 1985 requires that an application must be made in respect of any transfer of some or all housing management functions from a Local Authority to another organisation. An application was made to the Secretary of State when the Arms Length Management Organisations were originally set up in December 2002 and a further application is required prior to Financial Close to transfer some of the housing management functions from the ALMO's to the SPV. The application is in the form of a questionnaire and will be made when the PFC FBC is sent to the HCA.

LCC sent a draft application to HCA in February 2011 which included the following;

1. A list of all the properties that are in each ALMO now but will move to PFI once the contract is signed.
2. A list of those functions which will remain with the ALMO for the properties which have transferred to the PFI once the contract is signed and which functions will transfer to the PFI contractor.
3. Confirmation that tenants have been consulted in accordance with the ODPM guidance and provide evidence of how and what tenants were consulted on and that the proposed arrangements for the delegation allow for continuing tenant involvement and consultation in the contract.

In order for housing management work to be delegated, there must be a Management Agreement between the Local Authority and the main contractor (referred to here as the main agreement'). In PFI terms the Agreement will be contained within the Project Agreement between the Local Authority and the Special Purpose Vehicle (SPV), the main contractor.

The Chief Statutory Housing Officer is to be kept informed throughout the process, the delegation is managed by the Statutory Housing Office.

**Key Documents to produce**

- section 27 application

**2.8.3 Internal Client Approvals and Processes**

**Duration: From PB announcement onwards**

**Task Leader: [REDACTED]**

Upon confirmation of the Preferred Bidder, a range of internal consultations and approvals will be sought. The purpose of this will be to 'gear up' appropriate officer resources and processes that will be required to deliver the scheme. These will include:

**Utilities & Wayleaves** – report to Legal Services on the agreed processes in the Project Agreement and obtain agreement to the resources to support this so that agreements can be entered into in a timely way.

**Licences** – report to Legal Services on the Licences to be entered into and to identify monitoring/recording requirements for these.

**Electricity Sub-stations** – preparation for Asset Management processes and approvals in relation to relocation of sub-stations. Workstream leader to liaise with Preferred Bidder in regard to their discussions with TEDL.

**Relocation of Utilities** – briefing to Highways in relation to potential diversions, impact on road network/traffic management and requirement for timely response from LCC.

**Traffic Management/Traffic Regulation** – briefing to Highways in relation to timing and number of Orders applications that may be forthcoming.

**Compound Sites** – internal briefing and approvals (through LEDA process) where required if non-project land is required for compound use.

**Highways Design Works** – briefing and resource alignment to ensure all detailed design work is undertaken by the Highways Authority in a timely manner and minimises risk or potential for unforeseen costs.

#### **2.8.4 HCA to issue promissory note**

**Duration: 2 weeks**

**Task Leader -** [REDACTED]

The City Council cannot close until the promissory note has been issued to the funders. The City Council is required to request a promissory note from CLG (via HCA) prior to Financial Close which releases the PFI credits three weeks before close. HCA draft the note and send it to CLG to sign. This process takes two weeks and is not linked to the FBC approval process. However it may be dependent on planning approval. A hard copy of this document is shown to the bidders.

#### **Key Documents to produce**

- Promissory Note (HCA)

#### **2.8.5. Confirmation that model audit has been completed.**

**Duration: 1 month before close**

**Task Leader:** [REDACTED]

It is the preferred bidder's responsibility to carry out the model audit. The Council has requested a copy of this in the preferred bidder letter. The preferred bidder will send the Council a copy of the model audit report.

#### **Key Documents to produce**

- Model Audit Report (preferred bidder)

#### **2.8.6 Authority Conditions Precedent including LG(C)Act 1997 certificates**

**Duration: 4 weeks prior to close**

**Task Leader :** [REDACTED]

This provides statutory 'comfort' on the Council's powers to enter into the project documentation. They are signed by the Director of Resources two weeks prior to close and are shared with the preferred bidder. It includes:

- Executive Board minutes of approval of the PFC FBC
- Specimen signature list
- Certificates will be required in favour of the SPV and funder under the LG(C)Act 1997 in respect of the PA and the FDA.

The draft conditions precedent were sent to the preferred bidder on the 4 August 2011 and comments were requested.

### **2.8.7 Set up Financial Model dry runs**

**Duration: 2 weeks before close**

**Task Leader:** ■■■

The dry run procedure that was agreed under **task 2.3.3.2** above will commence and the dry runs will be carried out.

### **2.8.8 Sub contract / funder credit agreement LCC due diligence**

**Duration: 4-6 weeks (from close)**

**Task Leader:** ■■■

The legal and finance workstreams will need to complete due diligence on documents that the Council is not a party to. These documents will be submitted to the Council by the preferred bidder and will be reviewed by the legal and finance workstreams, with other workstream support as required,

### **2.8.9 LCC approval to proceed to Commercial and Financial Close**

**Duration: 1 – 2 weeks**

**Task Leader :** ■■■

A final report will be issued to the Director to approve whether the Council can proceed to Financial Close. Decisions to authorise arrangements at close, including the final SWAP rate has been delegated to the Director. It is intended that this decision is taken a week before Financial Close if all the documents and reports are in place. The delegated decision notification form will need to be prepared and signed.

- The **communications** workstream will draft a press release announcing commercial and financial close as well as briefing materials.

#### **Key Documents to produce;**

- Press Release
- Delegated Decision Notice

### **2.9 Commercial and Financial Close**

**Duration: 2 weeks**

**Task leader –** ■■■

A number of preparations will need to be made for Commercial and Financial Close. Travel arrangements need to be made to where it will take place, all the documents need to be printed and signed, the back pages of the contracts need to be sealed with the City Council's seal, a documents room needs to be booked. The signatory from the Council is Andy Eaton.

Once all the documents have been signed off by the parties and Commercial Close has occurred the last step is to close financially. This involves the Preferred Bidder's bid manager and their financial advisors calling their brokers and the Council and PwC calling

their brokers (Rathbones) at a specified time to check the SWAP rate. The aim is to obtain the same figure or a figure that is within certain parameters. The process is repeated until the SWAP rate is agreed and Financial Close can then take place. The City Council finance workstream leader will have ultimate responsibility to approve the figure, and will seek advice from PwC.

Key documents to be produced

- Financial Close press release
- The 'Bible' of Project Documentation

## **2.9 Planning for Mobilisation and Service commencement**

**Duration: 4 weeks (concurrent with above stages)**

**Task Leader:** [REDACTED]

Stage plans will be prepared for each workstream for the next stage and lessons learnt workshops will be carried out.

### **Contract Monitoring Team**

Preparations of technical information for the PFI contractor at contract start to ensure a seamless handover (annual gas inspections records, list of outstanding repairs, Prior Approved Tenant Improvements, T mark drawings, existing and pending adaptations and disrepair cases, annual repair records for the last 12 months, pending RTB, etc).

Supported tenancies - need to consider what impact, if any, supported tenancies may have on works, specifically, in relation to access.

## **3. Quality**

A Quality Plan has been developed for the project identifying the quality criteria for key products. [\[LINK\]](#);

### **3.1 Configuration Librarian – [REDACTED]**

Responsibility for the configuration management of project products will be that of the configuration librarian (usually a Project Assistant with agreed responsibility assigned under the PPPU document management strategy (**see section 7.0**)). The configuration librarian and the workstream leader will manage the workstream related documents.

Using the Configuration Item Record, the configuration librarian will record who products have been issued to, a summary of changes and the date of issue.

The configuration librarian will also be the document owner, responsible for the implementation of the Change Control procedure. It is this person or team who are delegated to amend versions.

A baseline product can only be changed under Change Control, through an authorised Request for Change Form being presented to the Configuration Librarian, having been recommended by the product owner and approved by the Executive Project Manager and Project Manager.

To further ensure control of products and management of change, key project documents will be issued only in PDF, with the master copy remaining in the project files.

### **3.2 Change Authority**



The project has an established procedure to manage change [\[LINK TO PLAN\]](#). Changes with regards to the contract documentation will not be made during this period unless classified as fine tuning. Anything that exceeds tolerances in this stage plan will need to go through this procedure.

The relevant workstream leader will initially deal with the request. If deemed necessary, due to the impact of the change, authority may be sought from the Executive Project Manager / Project Director.

Any changes requested will be managed through the project officer via the Request for Change process in consultation with the workstream leader / Executive Project Manager / Project Director as appropriate. The workstream leader / EPM / Project Director will assess the requests based on the following criteria;

- what would have to change?
- what effort the change would need?
- what the impact on the team, stage and project plan would be?
- whether the impact would cause deviation beyond Team Stage or Project tolerances?
- what the impact on the Business Case would be?
- what the impact on the risks would be?
- what the impact on the project budget would be?
- Would it be classified as fine-tuning?

#### **4. PLAN PREREQUISITES**

The success of the preferred bidder stage depends on a number of prerequisites;

- successful approval of the recommendation of the preferred bidder
- successful approval of the updated PPB FBC (by LCC and HCA)
- the preferred bidder and their funders are willing to continue through the competitive dialogue process.

#### **5. EXTERNAL DEPENDENCES / ASSUMPTIONS**

The success of the Preferred Bidder Stage depends on a number of external factors:

- timely approval of the Pre Financial Close FBC, Section 27 consent and issue of the promissory note by HCA
- planning approval is granted in a timely manner
- Director approval is obtained for the revised PFC FBC and to proceed to Financial Close
- the preferred bidder's approvals process running to time
- timely resolution of fine-tuning issues with the preferred bidder
- no challenges during the Alcatel and Judicial Review periods

#### **6. TOLERANCES**

##### **Time**

**Appendix A** includes the updated procurement programme setting out the proposed start and end dates of the Preferred Bidder Stage. The Financial Close date has a bid validity

period of 6 months up to June 2011. As Financial Close has been delayed the cost increase has been shared with the Preferred Bidder. Any variances to the procurement programme of plus or minus a week will be reported to Project Board.

## Cost

CLG set out in the Beeston Hill and Holbeck OBC approval letter on 1<sup>st</sup> April 2008 that Leeds will jointly procure the Beeston Hill & Holbeck scheme with the Little London scheme.

The letter applied to the joint scheme and replaced the Little London endorsement letter issued on 20<sup>th</sup> March 2007 setting out the total PFI credits of [REDACTED] to cover both schemes in one project. The figure has been reduced as a result of the VFM proposals to [REDACTED] and submitted for approval to HCA /CLG.

The Council contribution level of [REDACTED] for year one was approved by Executive Board in February 2008. As part of final tender evaluation the bidders need to meet a year 1 and year 6 unitary charge affordability target. No deviation from these amounts are allowed during the Preferred Bidder Stage. Any variances up or down will be reported to Project Board.

The procurement budget for 2011/12 has been agreed with Environment and Neighbourhoods

Regular quarterly financial up-dates will be provided, any variances to the above financial profile will be reported to the Project Board within the monthly reports.

## Quality

Quality levels are expressed through the Output Specification at Schedule 2. The preferred bidder has responded to the specification in the form of Contractors Proposals and Service Delivery Plans which will be further developed with the City Council during the preferred bidder period. Any variations from the output specification must be reported to the Project Director in the first instance.

During the preferred bidder period paragraph 18 (26) of the Public Contracts Regulations 2006 sets out the quality tolerances for this state<sup>4</sup>. This provides that, following receipt of final tenders, the City Council may only 'clarify, specify or fine tune' a tender, and that following the identification of the most economically advantageous tender, to 'clarify or confirm commitment' in the tender.

The City Council interpret this to mean that during evaluation it can ask for details which describe the object in question more clearly or more precisely, provided that such clarifications and confirmation do not:

1. have the effect of modifying substantial aspects of the tender or of the call for tender;
2. risk distorting competition or causing discrimination;
3. alter any element which makes up the evaluation criteria;
4. reopen discussion; and
5. generally require anything more than a "yes" or "no" answer.

The City Council considers that after the appointment of the preferred bidder the bidder can:

1. undertake detailed design works;

<sup>4</sup> **The Public Contracts Regulations 2006** - <http://www.opsi.gov.uk/si/si2006/20060005.htm#2>  
U:\HO06-LL-BHH\HOUSING-JTPROC - TEMP DOCS\15 PUBLISHED DOCS\FBC\Appendices\MD to redact\Appendix 6.3 Preferred Bidder Stage Plan TRACKED V1.02.docPage 17 of 25

2. complete approvals or permit processes;
  3. confirm arrangements with third parties (e.g. sub-contractors and funders);
- and
4. submit detailed planning applications

provided that such actions are in accordance with the form of final tender.

## **7. HOW WILL THE PLAN BE MONITORED AND CONTROLLED**

7.1 The following documents are PPPU's internal control mechanisms;

Project Management documents;

- Stage Plan
- Risk Log
- Issues Log
- Communication Strategy
- Checkpoint Reports
- Stage Programme
- Update Reports
- Change log

7.2 The Project Management team are responsible for updating the project documents in consultation with the workstream leaders.

Project Management structures;

- Workstreams
- Project Team
- Project Board
- End Stage review – Lessons Learned workshops

Supporting Management

- Housing Project Board
- PPPU Management Team
- Environments and Neighbourhoods Management Team
- Project Sponsor and client management meetings

Other Management control

- 4ps (Gateway Reviews)
- Homes and Communities Agency (Sponsoring Department)

### **7.3 Workstream structure**

Workstream leads and membership are attached at **Appendix D.**

The workstreams consist of the following:

- project management;
- technical;
- contract management;
- communications;
- property ;
- legal; and
- finance.

### 7.3.1 Project Management

The project management workstream will be led by [REDACTED]. They support the procurement of the project including project planning and management and overall coordination of workstreams against programme and budget. The workstream prepare monthly update reports to the Project Board and Strategic Client, arrange and contribute towards project team meetings, coordinating risk and issue management and project record keeping.

### 7.3.2 Technical

The workstream will be led by [REDACTED], the Client lead is [REDACTED]. [REDACTED] and [REDACTED] will be responsible for co-ordinating the activities of the workstream, collating the documentation produced by the work groups in to the Contractor's Proposals, and taking primary responsibility for liaison with the financial and legal workstreams and Project Team.

[REDACTED] and [REDACTED] will also be responsible for ensuring that the Output Specification as included as Schedule 2 of the Project Agreement is consistent with the Schedule 3 Contractors Proposals prepared by the Preferred Bidder.

The Workstream will have four groups with three subgroups.

#### 7.3.2.1 Group One – Works (New build, refurbishment, conversion and environmental works)

The Works Group will be led by [REDACTED] and is required to ensure that the contractor's final tender proposals are developed in to a comprehensive series of drawings and specifications that are consistent with the Output Specification and Planning Submission (where appropriate) providing sufficient detail to ensure certainty of provision for the Council for inclusion within Schedule 3 of the Project Agreement. [REDACTED] will be supported by [REDACTED] and [REDACTED] with [REDACTED] taking client lead with [REDACTED], [REDACTED] and [REDACTED] and specialist technical input from [REDACTED]. Project Management support will be provided by [REDACTED].

##### 7.3.2.1.1 Sub Group - Liaison

The Liaison sub group will be led by [REDACTED] and [REDACTED]. The Group will develop the liaison and consultation arrangements, covering boths works and services, with the preferred bidder to ensure that the bidder's proposals are compatible with the Output Specification and Protocol requirements. This process will extend in to the Mobilisation Period and will require input from ALMO and LCC Housing Teams.

#### 7.3.2.2 Group Two – Services

The Services Group will be led by [REDACTED] and is required to ensure that the Contractor's Final Tender Proposals are developed in to a comprehensive series of processes and specifications that are consistent with the Output Specification and provide sufficient detail to ensure certainty of provision for the Council for inclusion within Schedule 3 of the Project Agreement. The processes will be split in to Hard and Soft Services, where [REDACTED] will be supported by [REDACTED] and [REDACTED].



### 7.3.2.4 Group 4 -Programmes

The programme group will be led by [REDACTED] and will be responsible for developing the various programmes that are included within parts 3, 4 and 6 of the Contractors Proposals. Tom will be supported by the rest of the Technical Team as required in finalising the programmes for inclusion in to the Project Agreement.

### 7.3.3 Property Matters

The Property Matters work stream will be led by [REDACTED]. This work stream will be supported by a number of working groups including the Property Matters Group which will continue to be operational through to the mobilisation and full service period.

### 7.3.6 Communications

The Communications and Community Group will be led by [REDACTED]. The group will manage external communications, complete the CAG liaison process, set up the replacement body and develop and agree the Communications Strategy and the Marketing and Media Protocol.

### 7.3.7 Legal

The Legal workstream is led by [REDACTED] with client rep [REDACTED]. The workstream is responsible for the completion of the Project Agreement, Protocols and related legal documentation and ensuring that the required Authority Conditions precedents are in place.

### 7.3.8 Finance

The Finance workstream is led by [REDACTED] with client representation from [REDACTED]. It is responsible for agreeing the financial model and the final SWAP rates.

## 7.4 Project Assurance

The principal Project Assurance role is undertaken by the Housing Project Board. Other internal assurance will be undertaken by managers and experts in Environment and Neighbourhoods and PPPU. The councils Corporate Procurement Unit have been consulted on the procurement process for refinement and are in agreement with the programme.

Progress of each task outlined in this stage plan will be reviewed by the Project Management team through the use of issue logs and project team updates.

The documents listed above will track the core contractual documentation and it will be the main document control mechanism. Fine tuning and other progress will be checked at key points throughout the 8 week period.

The project will continue to use standard project management tools to support successful delivery. Internal issues will be raised, tracked and actioned through a regularly reviewed issues log for each workstream. There will also be an issues log that is shared with the preferred bidder. A project Risk Log will also be maintained, with new and high level risks being highlighted to Project Board. An overall procurement programme is also kept under review and reflects, at the appropriate level, the key milestones and activities for each workstream within the preferred bidder stage and beyond.

Where the mitigating actions exceed the tolerances set by the Project Board, then it will be necessary to refer it to them for advice and guidance. The Executive Project Manager will produce a report detailing recommendations and present them to the Project Board who will approve or reject the proposed course of action.

Throughout this stage the workstream leaders (as required) will be asked to produce checkpoint reports which are presented at Project Team meeting which will take place fortnightly. Workstream leaders are responsible for ensuring that checkpoint reports identify relevant issues, risks and programme issues that require consideration or decision at Project Team meetings. During these meetings, workstream leaders will also consider cross cutting issues.

Update Reports will continue to be taken to Project Board on a monthly basis to escalate issues involving risk, programme, budget and quality.

Communications with stakeholders will continue to be fundamental and regular updates and opportunities for involvement in line with the Communications Strategy will continue.

Lessons learnt through this delivery stage will be continually logged using the lessons learnt log for the benefit of the project as it goes forward, as well as future projects within PPU and Environments and Neighborhoods.

## 8. REPORTING

8.1 The project reports to the following forums;

Meeting	Frequency	Purpose
Executive Board	Monthly	Approval of VFM scope changes
Strategic Investment Board	Monthly	Review of pre-preferred bidder final business case prior to Director Approval.
Project Board	Monthly	Project Assurance. Review of PPB FBC prior to Director Approval
Project Team and cross cutting issues	Weekly	Review Project issues risks and progress, take action, record lessons Ensure that cross cutting issues are shared and resolved across workstreams.
Documents List meeting	Fortnightly from appointment	Progress on document production.

## 8.2 Decisions expected during preferred bidder

Decision	Action owner	Date
Approval of PPB FBC	Treasury	18/10/11
Approval of PFC FBC	HCA	19/03/12
Section 27 Approval by TSA	TSA	29/03/12
Approval to use the Council seal	Executive Solicitor	March 2012

Decision	Action owner	Date
Approval to proceed to financial close (SWAP rate)	Delegated Director Decision	March 2012

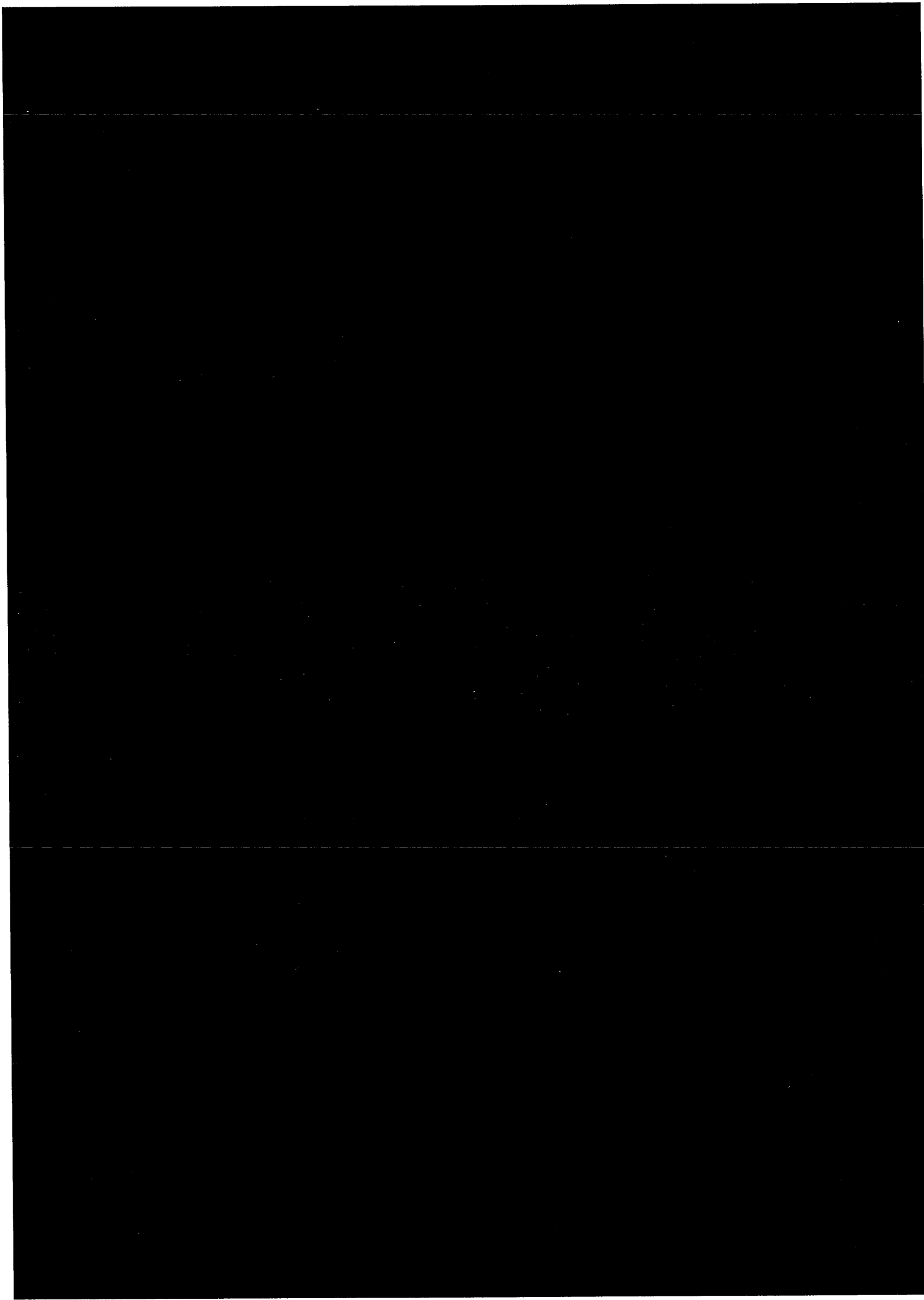
## APPENDICES

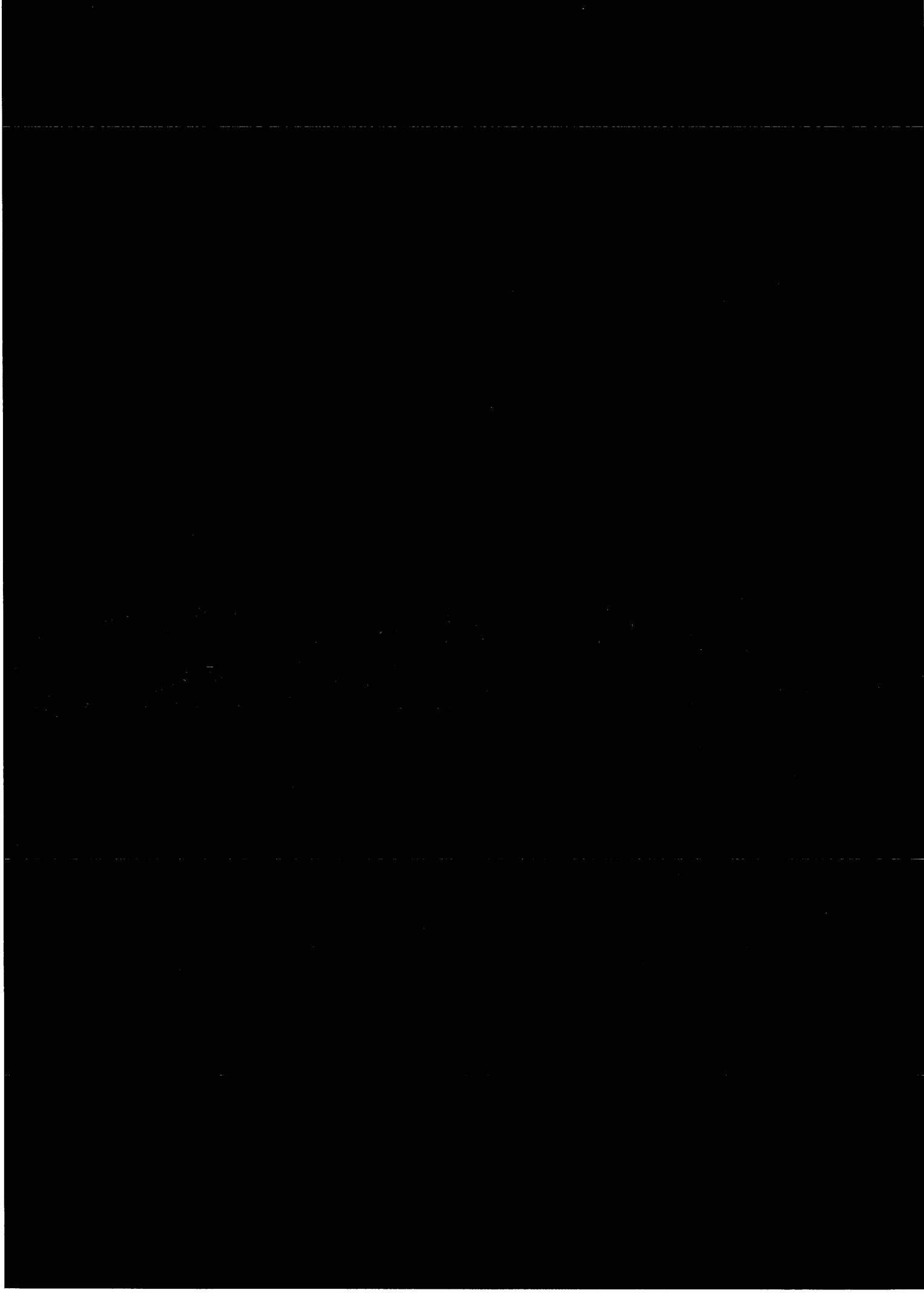
**Appendix A -Programme [\[link\]](#)**

**Appendix B -Preferred Bidder Appointment Letter including Fine tuning issues [\[link\]](#)**

**Appendix C Documents list [\[link\]](#)**

















## Benefits Realisation Plan

Project: Little London and Beeston Hill & Holbeck PFI  
Version: v20

Date last updated: 10.6.11

Benefit ID	Benefit Title	Strategic Outcome			Business Outcome			Realisation Measure			Expected Realisation Date	Dependencies - Activity / Trigger Required to Confirm Realisation	Risks to Realisation	Benefit Owner	Proposed Benefit Review	To be completed at project close	
								Method	Baseline Value	Target Value						Date Realised	Value Realised
001	New Council properties built to code for sustainable homes Level 4 within first 5 years of contract and maintained for 20 years.	TP-1	HW-2	0	1 - Values lead organisation	2 - Intelligent Organisation	3 - Resources clearly prioritised	Measurable	Currently 0 council homes are at CFSH level 4	388 dwellings built to achieve CFSH level 4 (new build)	Benefit Review 1 (5 years into the contract)	Maintenance phase of contract or when refurbishment works complete Achievement of Certification Standards Compliance with Availability Standards OS, Vol 4c, Annex 10, App 1, Asset 1, para 1.1 - 1.5 External influences - Labourforce and construction material costs	Scope changes Access refusals Output Specification not achieved		Post Project review (12 months after operation) Benefit Review 1		
002	Refurbished dwellings to achieve Eco Homes XB which exceeds decent homes standards within first 5 years of contract and maintained for 20 years	TP-1	HW-2	0	1 - Values lead organisation	2 - Intelligent Organisation	3 - Resources clearly prioritised	Measurable	Currently 54.50% units (equates to 714 units) at decent homes standards across Little London and Beeston Hill & Holbeck PFI areas.	1245 dwellings refurbished to achieve ECOHomes (60) (refurb)	Benefit Review 1 (5 years into the contract)	Maintenance phase of contract or when refurbishment works complete Achievement of Certification Standards Compliance with Availability Standards OS, Vol 4c, Annex 10, App 1, Asset 1, para 1.1 - 1.5 External influences - Labourforce and construction material costs	Scope changes Access refusals Output Specification not achieved		Post Project review (12 months after operation) Benefit Review 1 4 (every 5 years)		
003	Higher energy efficiency of new build properties in the scheme to reduce CO2 emissions from Council buildings and support reduction in the cost of fuel bills.	ENV-1	0	0	1 - Values lead organisation	2 - Intelligent Organisation	3 - Resources clearly prioritised	Quantifiable	No properties are CFSH	CFSH level 4 successfully achieved (new build) OS requires a SAP rating of 78	Benefit Review 1 (yr 5)	All refurbished and new build works delivered Certification Standards achieved (OS, Vol 4c, Annex 3 (6), Annex 8 (5) and Annex 9 (7)) Compliance with Availability Standards (OS, Annex 10, Appendix 1, Asset 24 (8.4) and	See master risk log. Contractor does not meet certification or availability standards. Scope changes reduce requirements.		Post Project review (12 months after operation) Benefit Review 1 4 (every 5 years)		
004	Higher energy efficiency of refurbished properties in the scheme to reduce CO2 emissions from council buildings and support reduction in the cost of fuel bills.	ENV-1	0	0	1 - Values lead organisation	2 - Intelligent Organisation	3 - Resources clearly prioritised	Quantifiable	No properties are ECO homes assessed Current SAP ratings 77	EcoHomes XB (60) standard successfully achieved (refurb) OS requires a SAP rating of 78	Benefit Review 1 (yr 5)	All refurbished and new build works delivered Certification Standards achieved (OS, Vol 4c, Annex 3 (6), Annex 8 (5) and Annex 9 (7)) Compliance with Availability Standards (OS, Annex 10, Appendix 1, Asset 24 (8.4) and	See master risk log. Contractor does not meet certification or availability standards. Scope changes reduce requirements.		Post Project review (12 months after operation) Benefit Review 1 4 (every 5 years)		
005	Improved road safety around the Little London Primary School (Little London only) leading to fewer accidents in the area	HW-3	0	0	1 - Values lead organisation	2 - Intelligent Organisation	3 - Resources clearly prioritised	Quantifiable	22	14 or less over 5 years	Benefit Review 1 - 4	Dependencies - Carlton Gate development sites completed Planning conditions successfully completed and discharged Traffic Safety Education within the school	To be determined		Post Project review (12 months after operation) Benefit Review 1 4 (every 5 years)		
006	Investment in public, semi-private and private green spaces and outdoor activity areas to improve the quality of these areas through environmental works and ongoing maintenance throughout the life of the contract	ENV-1	0	0	1 - Values lead organisation	2 - Intelligent Organisation	3 - Resources clearly prioritised	Quantifiable	No significant investment has been made since the current facilities were provided No Contractors Proposals or KPI's in existence	Contractors proposals for environmental works that have been achieved 97% or more of works completed (KPI's 13 & 14)	Benefit Review 4 (contract completion)	All environmental works delivered Certification standards met (OS, Annex 7) Compliance with availability standards (OS, Annex 10, Appendix 3, Asset 1 (1.1)) KPI's not achieved (Payment Mechanism, Appendix 1, KPI's 12, 13 & 14) Linkages to neighbourhood management programmes / area management teams work in the area	Certification and availability standards not met KPI's not achieved Contract management measures are not effective		Post Project review (12 months after operation) Benefit Review 1 4 (every 5 years)		
007	Legible and useable cycle and pedestrian routes through the areas improving connectivity with the city centre, which are maintained throughout the life of the contract	TR-1	0	0	1 - Values lead organisation	2 - Intelligent Organisation	3 - Resources clearly prioritised	Measurable	0 dedicated or shared cycleways Pedestrian routes through the estates are illegible	New cycleway in Little London New pedestrian routes through development sites Reduction of pedestrian routes through neighbourhoods Additional signage	Benefit Review 4 (contract completion)	Dependencies - Environmental works completed Planning conditions successfully completed and discharged Successful completion of the Leeds cycleway project	Failure of stopping up orders Cycleway project is delayed		Post Project review (12 months after operation) Benefit Review 1 4 (every 5 years)		
008	Increased access to recycling and waste management facilities (sorting, kerbside or communal areas) providing the infrastructure to support and enable residents to recycle household waste. There will be ongoing maintenance of the facilities over the 20 year contract. This will contribute towards the integrated waste strategy's and Leeds Strategic Plans recycling and composting targets	ENV-2			VP-5	IO-2	VIM-2	Quantifiable	Existing low rise properties in BH&H already have a kerbside collection of non-recyclable and recyclable waste. Little London has remained on a black bin bag collection for non-recyclable waste with limited recycling recently introduced at various points within the neighbourhoods. High rise and multi-occupancy and sheltered blocks currently have central collection points (by chute or bin store) for both non-recyclable and recyclable waste.	All residents to have sorting facilities, access to kerb side domestic refuse and recyclable collection facilities or access to communal areas (1630 dwellings, 1230 refurb + 400 new build across both areas) (tbc with preferred bidder proposals)	Benefit Review 4 (20 years into the contract)	All environmental works delivered Certification Standards achieved (Output Spec, Annex 7, Env Works) Compliance with Availability Standards (OS, Annex 10, Appendix 2, Asset 7 (2.5 & 2.6) and Appendix 3, Asset 3, (1.8) and 4 (1.9)) Improvement in recycling education and awareness Business Changes - Collection Services	See master risk log Lack of support and coordination by streetscene services. Do not achieve certification and availability standards Lack of adequate contact monitoring Failure to design or design changes to accommodate works required to provide facilities.		Post Project review (12 months after operation) Benefit Review 1 4 (every 5 years)		

## Benefits Realisation Plan

 Project: Little London and Beeston Hill & Holbeck PFI  
 Version: v20

Date last updated: 10.6.11

Benefit ID	Benefit Title	Strategic Outcome		Business Outcome			Realisation Measure		Expected Realisation Date	Dependencies - Activity / Trigger Required to Confirm Realisation	Risks to Realisation	Benefit Owner	Proposed Benefit Review	To be completed at the Project Completion			
							Method	Baseline Value						Target Value	Date Realised	Value Realised	
009	Increased ecological initiatives in the project areas.	SI Profile (9) B13					Measurable	There are no ecological initiatives in the areas.	Completion of preferred bidders proposals	Benefit Review 1 (5 years into the contract)	All environmental works delivered Certification Standards achieved (Output Spec Annex 7, Env Works) Compliance with Availability Standards (OS, Annex 10, Appendix 2, Asset 7 (2.5 & 2.6) and Appendix 3, Asset 3, (1.8) and 4 (1.9))	See master risk log Do not achieve certification and availability Standards	[Redacted]	Post Project review (12 months after operation) Benefit Review 1 - 4 (every 5 years)		Ex or x%	
010	Improved communications with local residents and stakeholders during the service period through regular newsletters and tenant liaison meetings leading to local residents who are involved in the regeneration of their neighbourhood	HM-1	0	0	1 - Values lead organisation	2 - Intelligent Organisation	3 - Resources clearly prioritised	Measurable	1) No Bidder constulation strategy 2) Twice yearly newsletter (2 - 3 month project updates) 3) No tenant liaison meetings, briefings are carried out when required 4) Bidders to do survey in year 1 and score on 'community involvement' is XX (needs to be established)	1) Contractors community consultation strategy implemented 2) A newsletter is to be published every 3 months (4 per year) (KPI 20) and contribute to existing publications. 3) Hold 12 public meetings per year. 20 tenant liaison meetings to be attended by the Contractor (KPI 23) 4) Maintaining a "satisfied" score on community involvement	Benefit Review 4 (contract completion)	ISDS and ISRS procurement phases, monitoring throughout delivery phase KPI's not achieved (Payment Mechanism, Appendix 1, KPI's 20 & 23) and Service Performance Standards achieved OS, Annex 6)	Lack of interest / participation / commitment on an ongoing basis up to contract close Limitations of timescale and resources Delays in stages of the programme of works leads to lack of trust from community and loss of momentum for community participation	[Redacted]	Post Project review (12 months after operation) Benefit Review 1 - 4 (every 5 years)		
011	Maintaining satisfaction with housing and environmental services (including refurbishment, repairs and maintenance, environmental services) which is regularly measured throughout the service period	HM-1	0	0	1 - Values lead organisation	2 - Intelligent Organisation	3 - Resources clearly prioritised	Quantifiable	1) No customer satisfaction with housing and environmental services are carried out for this project 2) Results of customer satisfaction survey in year 1	1) Customer satisfaction with housing and environmental services are carried out on an annual basis throughout the life of the contract 2) 97% or more of tenants expressing satisfaction with the repair service received (KPI 4)	Benefit Review 4 (contract completion)	Triggers - Contract commencement Achievement of Performance Standards and KPI's	See master risk log	[Redacted]	Post Project review (12 months after operation) Benefit Review 1 - 4 (every 5 years)		
012	New training and employment opportunities created.	TP-1	0	0	1 - Values lead organisation	2 - Intelligent Organisation	3 - Resources clearly prioritised	Quantifiable	In 2009 there are no employment or training opportunities in relation to this scheme	1) 60% of outputs are residents from the immediate Project Areas of Little London and Beeston Hill & Holbeck 2) 60% of outputs are residents from the worst 20% SOA's in Leeds on the Index of Multiple Deprivation 3) 100% of outputs are previously unemployed residents of Leeds	Benefit Review 1 - 4 (contract completion)	Development of appropriate model of engagement with the preferred bidder Number of vacancies within the organisation External Influences - Number of unemployed people or people seeking training and employment opportunities	See master risk log	[Redacted]	Post Project review (12 months after operation) Benefit Review 1 - 4 (every 5 years)		
013	Improved perception of the neighbourhoods, contributing to the positive image and identity of Leeds	TP-1	0	0	1 - Values lead organisation	2 - Intelligent Organisation	3 - Resources clearly prioritised	Quantifiable	1) Year one customer satisfaction survey results 2) 2009 Neighbourhood Index - overall scores and ranks. Little London - score = 43.57 rank = 20. Holbeck - score = 37.15 rank = 14. West Hunslet and Hunslet Hall - score = 34.14 rank = 7	Increased score in the perception of the neighbourhood questions achieved after the works and sustained throughout the life of the contract. Neighbourhood Index will be updated annually. Target is for an increased score following completion of the improvement works	Benefit Review 4 (contract completion)	Triggers - Site development & environmental improvements completed External Influences - 1) Press coverage 2) Housing market conditions 3) Other development opportunities 4) Housing Turnover and Voids	Project not delivered on time, to cost or quality Expectations not managed effectively. See master risk log	[Redacted]	Post Project review (12 months after operation) Benefit Review 1 - 6 (every 5 years)		
014	Implementation of secured by design measures contributing to improved community safety in the project areas.	TP-2	0	0	1 - Values lead organisation	2 - Intelligent Organisation	3 - Resources clearly prioritised	Quantifiable	Existing estate layouts and property measures do not currently meet secure by design standards Neighbourhood Index 2009 - 'community safety' indicators. Little London - score = 46.21 rank = 7. Holbeck - score = 45.75 rank = 6. West Hunslet and Hunslet Hall - score = 45.47 rank = 5	Secured by design standards achieved Type of doors / windows Removal of X number of underpasses Secure gating of ginnels and alley gating Security lighting Neighbourhood Index will be updated annually. Target is for an increased score in the Community Safety Indicators following completion of the improvement works and sustained throughout the life of the contract.	Benefit Review 1 - 4	Completion of works phase, achieving secure by design standards Achievement of Certification Standards (OS, Vol 4c, Annex 3 (7) and Annex 9 (9)) Compliance with Availability Standards (OS, Vol 4c, Annex 10, Appendix 1, Asset 2, (1.6) Asset 17 (6.7 - 6.8, Appendix 2 Asset 24 (7.4 - 7.6, Asset 25 (7.7) External Dependencies - Local, regional and national crime rates West Yorkshire police - policing numbers, budget	Secured by Design not achieved Secured by design measures need to be maintained and developed.	[Redacted]	Post Project review (12 months after operation) Benefit Review 1 - 4 (every 5 years)		

**Local Partnerships Gateway Review 3: Investment decision**  
**Programme Title: Leeds Little London, Beeston Hill & Holbeck Project**  
**Local Partnerships Gateway Number: LP466G300**

## **Local Partnerships Gateway Review 3 – Investment decision**

**Version number: Final**

**Date of issue to PO: 27 January 2011**

**PO: [REDACTED]**

**Authority: Leeds City Council**

**Local Partnerships Gateway Review dates: 25-27 January 2011**

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**Local Partnerships Gateway Review Team Leader:**

[REDACTED]

**Local Partnerships Gateway Review Team Members:**

[REDACTED]  
[REDACTED]  
[REDACTED]

Local   
Partnerships

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Page 1 of 16

This report is an evidence-based snapshot of the project's status at the time of the review. It reflects the views of the independent review team, based on information evaluated over a three to four day period, and is delivered to the PO immediately at the conclusion of the review.

**Local Partnerships Gateway Review 3: Investment decision**  
**Programme Title: Leeds Little London, Beeston Hill & Holbeck Project**  
**Local Partnerships Gateway Number: LP466G300**

**Local Partnerships Gateway Delivery Confidence Assessment**

<b>Delivery Confidence Assessment</b>	<b>Green</b>
<p><i>At the time of the Gateway Review the Council has not had confirmation that the PFI credits are being made available for this project (although an announcement is imminent). This however remains a key risk to the project. Therefore the Review Team has considered the DCA on those issues within the control of the Council, and on the assumption that the full allocation of PFI Credits will be forthcoming on a timely basis.</i></p>	
<p>The Review Team finds that overall this is a very well run project which is well placed to deliver the outcomes sought. The Project has benefitted from a strong and knowledgeable client and the close working relationship with the Council's Public Private Partnerships Unit (PPPU). The project is ready to move forward as soon as the Final Business Case (FBC) has been approved and PFI credits confirmed.</p>	
<p>The Project has a committed team that is focussed on delivery. There has been strong leadership and good project governance and decisions appear to have been taken in a timely manner. Comprehensive and robust project management processes have been applied. The use of the Community Advisory Groups (CAG) and the stakeholder engagement is considered to be good practice, particularly given the diversity of the community groups.</p>	
<p>There are however a number of key issues that need attention and these include;</p> <ul style="list-style-type: none"><li>• Future delivery arrangements including commercial management, governance and short-term contingency planning.</li><li>• It is understood that some key individuals within the Council will be leaving/moving posts. It is vital that suitable arrangements are put in place to ensure that transitions are made smoothly and all the recommendations within this report are actioned in a timely manner.</li></ul>	

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The Delivery Confidence assessment RAG status should use the definitions below.

<b>RAG</b>	<b>Criteria Description</b>
Green	Successful delivery of the project/programme to time, cost and quality appears highly likely and there are no major outstanding issues that at this stage appear to threaten delivery significantly
Amber/Green	Successful delivery appears probable however constant attention will be needed to ensure risks do not materialise into major issues threatening delivery
Amber	Successful delivery appears feasible but significant issues already exist requiring management attention. These appear resolvable at this stage and if addressed promptly, should not present a cost/schedule overrun
Amber/Red	Successful delivery of the project/programme is in doubt with major risks or issues apparent in a number of key areas. Urgent action is needed to ensure these are addressed, and whether resolution is feasible
Red	Successful delivery of the project/programme appears to be unachievable. There are major issues on project/programme definition, schedule, budget required quality or benefits delivery, which at this stage does not appear to be manageable or resolvable. The Project/Programme may need re-baselining and/or overall viability re-assessed

**Summary of Report Recommendations**

The Review Team makes the following recommendations which are prioritized using the definitions below.

<b>Ref. No.</b>	<b>Recommendation</b>	<b>Critical/ Essential/ Recommended</b>
1.	<b>The Council should consider options to address potential funding scenarios</b>	<b>Critical</b>
2.	<b>The Council should assess the remaining programme to close and satisfy itself that the timescales are realistic and achievable</b>	<b>Critical</b>
3.	<b>The Council should plan for and resource continuing support from PPPU during the transition from procurement to contract management</b>	<b>Essential (on-going)</b>
4.	<b>The Council should provide on-going specialist commercial Project Management support to the Project</b>	<b>Essential (on-going)</b>
5.	<b>The Council should review future governance arrangements for the project</b>	<b>Recommended</b>

**Critical (Do Now)** – To increase the likelihood of a successful outcome it is of the greatest importance that the programme/project should take action immediately

**Essential (Do By)** – To increase the likelihood of a successful outcome the programme/project should take action in the near future. [Note to review teams – whenever possible Essential recommendations should be linked to project milestones e.g. before contract signature and/or a specified timeframe e.g. within the next three months.]



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**Recommended** – The programme/project should benefit from the uptake of this recommendation. [Note to review teams – if possible Recommended recommendations should be linked to project milestones e.g. before contract signature and/or a specified timeframe e.g. within the next three months.]

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**Background**

**The aims of the programme:**

This PFI project involves the refurbishment of existing housing stock and some new build council housing and associated environmental improvements and facilities management for a period of 20 years.

The Beeston Hill & Holbeck Housing Project is focussed on the clearance of unsustainable properties, the construction of new housing and refurbishment of property to achieve decent homes.

The Little London Housing part of the scheme aims to achieve and maintain a sustainable mixed and cohesive community and to create an area that people will choose to live in, by contributing to the delivery of a comprehensive regeneration plan for the inner City area of Leeds.

In total the project comprises the following:

- Demolition of 309 residential properties and 8 commercial properties, a community centre and a local housing office;
- Construction of 400 new Council dwellings;
- Refurbishment of 1278 existing Council dwellings; environmental improvements to the Little London and Holbeck estates;
- Conversion of 31 bed-sits to 23 one bedroom dwellings; and construction of a new community centre, housing office and retail units in Little London

With the support of HCA and DCLG, these 2 component projects were combined in March 2008 into a single project (after OJEC issue) to create a more efficient delivery vehicle and this is the first Gateway Review for the merged project.

The total value is [REDACTED]

**The driving force for the programme:**

This project supports a number of key objectives set out in the Government's Housing and Regeneration Act 2007 in the following ways:-

- address and replace non-decent social housing stock and provide refurbished and new replacement social rented homes to above decent homes standards;
- develop brown-field sites to provide replacement homes;

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- improve areas to provide settlements that are attractive places with good quality neighbourhoods and green public space that help create healthy communities;
- provide new housing which is more sustainable for the future;
- provide well designed new housing to improve the quality of life for all members of the community, as well as improving the environment, creating safer and stronger communities and reducing our carbon footprint; and
- increase provision of family housing.

The outcomes of the project contribute to the Leeds Regeneration Plan which sets out the practical steps to achieving the aim of 'narrowing the gap' across the eight themes of the Vision for Leeds (2004-2020), the long term community strategy of the Leeds Initiative (Local Strategic Partnership).

The project also contributes to the Yorkshire and Humber Regional Housing Strategy's (2005) three key themes which are also key objectives of the City Council's Housing Strategy.

**The procurement/delivery status:**

The project is at Preferred Bidder (PB) stage having conducted a procurement using the Competitive Dialogue process, though there has been no formal announcement.

**Current position regarding Local Partnerships Gateway Reviews:**

The project has previously had a Gate 1 review on the Beeston Hill and Holbeck portion of the project in October 2007 and a Gate 2 review on the Little London part in July 2007. Both reviews were carried out when there were 2 separate projects.

A summary of recommendations, progress and status from the previous Local Partnerships Gateway Review can be found in Appendix C.

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**Purpose and conduct of the Local Partnerships Gateway Review**

**Purpose of the Local Partnerships Gateway Review**

The primary purpose of a Local Partnerships Gateway Review 3 is to confirm the business case and benefits plan now that the bid information has been confirmed and check that all the necessary statutory and procedural requirements were followed throughout the procurement process.

Appendix A gives the full purpose statement for a Local Partnerships Gateway Review 3.

**Conduct of the Local Partnerships Gateway Review**

This Local Partnerships Gateway Review 3 was carried out from 25-27 January 2011 at the Civic Centre and PPPU Offices in Leeds. The team members are listed on the front cover.

The people interviewed are listed in Appendix B.

The Review Team would like to thank the Leeds Little London, Beeston Hill and Holbeck Project Team for their support and openness, which contributed to the Review Team's understanding of the Project and the outcome of this review.

The Review Team would particularly like to thank [REDACTED] and [REDACTED] [REDACTED] for making the arrangements and the Community Advisory Group Members [REDACTED] for their contributions to this review.

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**Findings and recommendations**

**1: Business case and stakeholders**

A draft Final Business Case (FBC) has been produced and submitted to HCA and CLG for a Value for Money evaluation. The Review Team understands that the HCA have completed their work, however the Council is still waiting to hear from CLG. There is a buffer within the financial assumptions should there be an increase in the Swap rate. Overall the draft FBC is robust and the scheme appears to be affordable as it is currently projected.

A key driver for this project is the much broader regenerative benefits including employment and training opportunities, the establishment of two successful neighbourhoods that are connected to the city. The Review Team are encouraged by the dedication of the Client Team and stakeholders to ensure that these benefits are not lost during the contract management and delivery phase.

The vast majority of the documents required to enable financial completion to be undertaken are substantially complete. There are some documents that are still in progress including the development and incorporation of method statements into the contract. This needs to be completed as part of the process to close out the contract.

The project has a wide range of stakeholders including Elected Members, Community Groups and Arms Length Management Organisations (ALMOs) Boards. There is also a wider audience of local residents, some directly affected by the project and some not. A considerable amount of work continues to be done to actively involve the local community in participating and contributing to the project. The Authority has appointed a dedicated Communications Manager (to financial close) and this is considered to be good practice given the complexity of the project and the diversity of the community. A Community Advisory Group (CAG) has been established in each area and the Review Team was impressed by the enthusiasm and the variety of methods used to engage with these groups. For example the Tenants version of the Output Specification that was circulated amongst the community, was accessible and very innovative. The inclusion of the community representatives in the evaluation assessments is an indication of the progress made in the development of the CAGs.

A key driver for the consultation strategy is to engage with tenants that are considered to be "hard to reach". As the project moves into the mobilisation phase, continued attention must be given to the methods of consultation and the wording used in newsletters to ensure the inclusion of all community stakeholders.

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The CAGs could be used to encourage younger tenants to participate in the engagement in the development of the project.

The Council needs to ensure as the project moves towards implementation, that the key partners (ALMOs) are participating in key decision making.

The lack of planning permission remains a risk to the project. The final Planning Applications are being submitted for approval in February and March 2011. There are 15 applications in total and all have outline approval. There has been a great deal of work done with the Planning Department in advance of submission to Members, and the majority of planning conditions have already been identified. It is anticipated that any delays or refusal are unlikely.

### **2: Assessment of the proposed solution**

The Review Team have been reassured that the original outcomes desired from the project will be achieved and that the project is on target to achieve the original aims and objectives, in particular the priority given to the regeneration aims.

Issues surrounding derogations are still pending but considered to be minor. An issue remains around fossils and antiquities for which the bidder has been given clarification.

The project has clearly articulated the divisions of responsibility between the private sector provider, the ALMOs and the Council. It is essential the partners involved work closely to avoid duplication of roles and responsibilities, but equally to ensure that key functions are not missed. This is particularly important in the early phase of the project delivery.

Whilst there is no indication to the contrary, there is a slight risk that the VfM exercise being undertaken by CLG, could result in a reduction of the PFI credits. To ensure the project remains affordable, this could involve some rescoping of the project. The Review Team considers that it would be prudent to do some preliminary work as to what might be deleted from the project without impacting on the overall outcomes and objectives.

### **Recommendation**

**The Council should consider options to address potential funding scenarios.**

### **3: Review of current phase**

The Council has conducted a robust procurement in accordance with the OJEU Notice and its documented strategy and it appears to have established an appropriate audit trail to underpin the evaluation process. Despite the

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protracted timescales and disruptions associated with the procurement process, the Council's project team have delivered in an effective and professional way.

The current phase now involves the establishment of a Preferred Bidder and close out of the contract.

A Preferred Bidder has been identified, through a thorough evaluation process and a draft Pre-Preferred Bidder Final Business Case prepared and forwarded to HCA. HCA have conducted a value for money review which the Review Team understands has been sent to CLG for their assessment and final Ministerial approval. Once this process is complete, there will be formal announcement of the Preferred Bidder.

The Council has developed a detailed stage plan for the activities and work required to close out the contract and enable signature. The current programme identifies contract signature at the end of March 2011, this represents a significant challenge, notwithstanding Government approvals. Whilst the Council is doing all it can to progress the activities in the various work-streams with the full cooperation of the proposed preferred bidder, the timeframe remains challenging.

Derogations are being resolved by the Council in a systematic way and those remaining appear to be relatively minor and should not represent major obstacles though resolution should be sought as quickly as possible.

The Review Team acknowledge that significant progress has been made in progressing outstanding issues but there remain a number of areas which require further attention prior to contract signature, such as final planning approvals, detailed contract management arrangements and future governance arrangements. Issues may also arise from the Government approval and any conditions which may be attached to it. However, it is also understood that the deal must be closed within the bid validity period [REDACTED]. Key factors to account for would include; the May Local Government elections, mobilisation period and launch activities.

#### **Recommendation**

**The Council should assess the remaining programme to close and satisfy itself that the timescales are realistic and achievable.**

The current project management and governance arrangements have served the project well to date and the Council recognises the need to review the governance and management structures and processes to ensure fitness for purpose for the next stage.

#### **4: Risk management**

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The project has developed a robust risk management process. Risks are recorded in the comprehensive risk register with appropriate analysis, mitigating measures, progress/status details, owners and officers responsible for actions. This information is subject to regular review and update with senior ownership of the key risks which are considered at Board level.

The Key risks currently facing the project are:

- Issues arising from approval from HCA/DCLG
- Cost rises due to delays leading to increased borrowing costs and/or escalation arising from bid validity period lapsing
- Future Commercial Project Management
- Planning approvals (changes and/or conditions)

The Project Team has not yet fully assessed the impact of any delays to the approvals process and so contingency arrangements have yet to be formalised, though potential outcomes are being considered.

#### **5: Readiness for next phase – readiness for service**

The Project is now moving forward towards contract signature and a rapid commencement of the delivery phase. The Council's PPPU has managed the procurement to-date and will continue to lead until contract signature. It is understood that the management for contract implementation will transfer to the Environment and Neighbourhoods Directorate (E&N). E&N are completing the construction phase of the Swarcliffe PFI Project from which a number of important lessons have been identified through an effective review and workshop process. It is the intention that the lessons learned should be incorporated within the delivery arrangements for the Little London, Beeston Hill and Holbeck Project.

The PPPU is currently drafting a contract manual which will clearly describe the contract requirements, activities, roles and responsibilities and key processes and procedures that need to be addressed to effectively manage the contract.

A contract management work-stream has been established involving all key stakeholders that will be involved in delivering the contractual obligations. This includes the Housing Contract Management team, the ALMOs, PPPU and the proposed Preferred Bidder. The Review team acknowledges that there is significant expertise within the existing Housing Contract Management team gained from the Swarcliffe Project, however this is a new contract which is different in nature, complexity and operational mechanisms and they will require continuing support from PPPU for a period to ensure effective embedding of the new arrangements. Although there is confidence in the effectiveness of the proposed arrangements for day-to-day contract



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management with on-going support from PPPU, as appropriate, the Review Team believes that there should be additional specialist support to ensure that the commercial aspects of the contract are effectively overseen.

**Recommendation**

**The Council should plan for and resource continuing support from PPPU during the transition from procurement to contract management.**

**Recommendation**

**The Council should provide on-going specialist commercial Project Management support to the Project.**

The Council has an established governance structure for the procurement phase. However it may be that what has been fit for purpose to-date may not be the most effective way of serving the project as it moves into the contract delivery phase. In particular, it is noted that there is no formal representation of the ALMO on the Project Board and there is a lack of clarity over the purpose and role of the Strategic Client Group for the future. Further consideration should be given to the governance arrangements and in particular; membership, terms of reference, approvals/decision making, continuity and retention of knowledge, reporting and escalation mechanisms etc.

**Recommendation**

**The Council should review future governance arrangements for the project.**

The Council has extensively considered the physical transition aspects of the project and preparations are advanced with the Arms Length Management Organisations (ALMOs) having already commenced decants for residents of the programmed refurbishments.

The Project possesses a Benefits Realisation Strategy and Plan (BRP), which is comprehensive, detailed and addresses all the areas expected. It includes monitoring arrangements, is understood and represents an excellent tool for the future. The project should be capable of delivering against the criteria contained within the BRP.

The Review Team believe that the proposed Preferred Bidder is currently working hard to ensure project close and that they are ready to mobilise at the earliest possible opportunity.

**The next Local Partnerships Gateway Review is expected prior to service commencement**

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**APPENDIX A**

**Purpose of Local Partnerships Gateway Review 3: Investment decision**

- Confirm the business case and benefits plan now that the bid information has been confirmed.
- Check that all the necessary statutory and procedural requirements were followed throughout the procurement process.
- Confirm that the recommended contract decision, if properly executed within a standard lawful agreement, is likely to deliver the specified outputs/outcomes on time, within budget and will provide value for money.
- Ensure that management controls are in place to manage the project through to completion, including contract management aspects.
- Ensure there is continuing support for the project.
- Confirm that the approved procurement strategy has been followed.
- Confirm that the development and implementation plans of both the client and the supplier or partner are sound and achievable.
- Check that the business has prepared for the development (where there are new processes), implementation, transition and operation of new services/facilities.
- Confirm that there are plans for risk management, issue management and change management (technical and business) and that these plans are shared with suppliers.
- Confirm that the technical implications, such as 'buildability' for construction projects; and for IT-enabled projects information assurance, the impact of e-government frameworks (such as e-business and external infrastructure) have been addressed.

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**APPENDIX B**

**Interviewees**

<b>NAME</b>	<b>ROLE</b>
[REDACTED]	Chief Regeneration Officer and Project Owner
[REDACTED]	Head of City Project Office and Project Director
[REDACTED]	Senior Project Manager, Leeds City Council (LCC)
[REDACTED]	Contract Manager, Little London, Beeston Hill & Holbeck
[REDACTED]	Local Ward Member Beeston and Holbeck
[REDACTED]	PPPU Chief Officer
[REDACTED]	Beeston Hill and Holbeck Community Advisory Group Member
[REDACTED]	Executive Project Manager, PPPU
[REDACTED]	Little London Community Advisory Group Member
[REDACTED]	Strategic Landlord Manager, LCC
[REDACTED]	Chief Officer (Financial Management)
[REDACTED]	Proposed Preferred Bidder
[REDACTED]	Director of Resources, Section 151 Officer
[REDACTED]	Chief Executive (WNW Homes Leeds)
[REDACTED]	Executive Member for Environment and Neighbourhoods
[REDACTED]	Delivery Managers, HCA
[REDACTED]	Chief Executive Aire Valley Homes
[REDACTED]	Deputy Chief Planning Officer, LCC
[REDACTED]	PFI Project Advisor, ALMOs
[REDACTED]	Communications Manager, LCC
[REDACTED]	Executive Project Accountant, PPPU
[REDACTED]	Technical Manager, PPPU
[REDACTED]	Executive Legal Manager, PPPU
* Telephone Interview	

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**APPENDIX C**

**Recommendations from previous Local Partnerships Gateway Review**

<b>Recommendation</b>	<b>Progress/Status</b>
<b>The project team should appoint an Independent Tenants' Advisor to encourage wider resident engagement in the project.</b>	Complete
<b>The project team should revisit the project plan for delivery of the Little London project in the light of the inclusion of the Beeston project in the procurement and identify pinch points and other issues (e.g. the results of the tower block survey and potential financial remodelling) which may distract or delay the Little London project, add those to the risk register and plan suitable mitigation.</b>	Complete
<b>The project team should consider the programme management gap and identify and populate the roles and responsibilities which need to be performed in order to satisfy that gap.</b>	Complete
<b>The project team should revisit its governance arrangements to reflect programme level issues.</b>	Complete
<b>The project team should re-consider the roles within the current Resource Plan, given the wider pressures facing the PPPU, required to deliver the Little London project and take steps to fill those roles.</b>	Complete

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<p><b>The Resource Plan should reflect, as a contingency, the approach that will be taken under Competitive Dialogue in the event that the lots are divided between the two main elements of the project or the two elements of the programme proceed via a single contractor with different timetables. Either of these scenarios will consume substantially more resource than a single unified procurement.</b></p>	<p>Complete</p>
<p><b>The Descriptive Document issued to respondents to the OJEU should include a clear and straightforward statement setting out the forward timetable, the Authority's intentions with regard to widening the scope of the procurement and the conditions that will have to be met to achieve this (both in terms of CLG processes and best value solutions).</b></p>	<p>Complete</p>

**Little London and Beeston Hill & Holbeck Housing PFI  
Community Advisory Group (CAG) Index of Meetings and Documents**

**July 2008 – October 2010**

Other docs include:

signed Confidentiality Agreements,

signed receipt forms of the Bid Deliverable Docs from Sept 2009

<b>Date</b>	<b>Title</b>	<b>Documents</b>
23 <sup>rd</sup> July 2008	Initial Meeting	Intro presentations Info pack and disposable camera Icebreaker exercise – Hopes and Dreams post-it exercise Notes of meeting and Q&As
1 <sup>st</sup> Oct 2008	Meeting 1 - Introduction. LL	Agenda Terms of Reference Confidentiality Agreement PFI Tenants Guide TPAS Jargon Buster TPAS Role of ITA Design Champion process – information sheet Planning Process – information sheet Hopes & Dreams Exercise follow up
2 <sup>nd</sup> Oct 2008	Meeting 1 - Introduction. BHH	Agenda Terms of Reference Confidentiality Agreement PFI Tenants Guide TPAS Jargon Buster TPAS Role of ITA Design Champion process – information sheet Planning Process – information sheet Hopes & Dreams Exercise
10 Nov 2008	Meeting 2 Design Workshop LL	Agenda Urban design presentation LCC Urban Design Principles CAG comments on bidder plans Summary notes from session Minutes and actions 10 December ITA Report – LL
12 Nov and 15 Nov 2008	Meeting 2 Design Workshop BHH	Agenda Urban design presentation LCC Urban Design Principles

		CAG comments on bidder plans Summary notes from session Minutes 12 and 15 December ITA Report –BHH
17 Dec 2008	PFI Workshop LL & BHH	PFI presentation PFI flow chart Roles and Responsibilities table PFI quiz Minutes - 17 December 2008 (LL and BHH)
29 Jan 2009	Grove Village Site visit	Initial letter of invite Letter with confirmation of arrangements Coach briefing LCC trip Itinerary TPAS tour of Hulme Grove Village presentation and information pack Notes of visit Letter of thanks to Grove village ITA report
21 Feb 2009	Meeting 4 Procurement Update -Scope Change briefing (LL & BHH)  Works & Services Part 1 (Works) LL & BHH	Procurement update (scope change): Presentation Notes LL (pink paper) Notes BHH (pink paper) Scope change minutes Letter – outcome of Board decision on 4 March (followed meeting)  Works session: Refurbishment – Works and Services – An explanation of the Output Specification for tenants brochure Presentation – Output Specification Presentation – Works Scenarios instruction and exercises W&S Minutes 21 Feb 2009
1 April	BHH ITA Meeting	ITA Meeting note 01/04/09
8 April 2009	Little London ITA meeting	Agenda items with CAG responses DCLG Supplementary Guidance
16 April 2009	LCC response to ITA meeting and issues raised.	Award criteria ISRS Evaluation Methodology scoring matrix

		PFI flow chart Minutes 16 April 2009
22 April 2009	Meeting 4. W& S Part 2 (Services and Environmentals) LL & BHH	Agenda Presentation - services Environmental works exercise Post-it not responses to exercise Minutes 22 April 2009
16 May 09	Meeting 5. - Design Workshop. External works and environmental design (LL & BHH)	██████████ presentation (LL and BHH) ██████████ presentation (LL and BHH) LL CAG summary issues ██████████ LL CAG summary issues ██████████ BHH CAG Summary issues ██████████ BHH CAG summary issues ██████████ LL Minutes (██████████) 16 May 2009 (not issued to CAG) BHH Minutes (██████████) ██████████, 16 May 2009 (not issued to CAG)
19 May 09	BHH ITA and LCC Feedback Meeting	Agenda Minutes 19 May 2009
1 June	Meeting 5. Design Workshop. New build design LL	LL CAG issues ██████████ LL CAG issues ██████████ Minutes ██████████ LL 1 June 09 Minutes ██████████ LL 1 June 09
03 June, 17 June and 23 June 09	Output Specification sub group Meetings	Output Specification – tenants guide
08 June 09	LL ITA Meeting – areas of interest for assessment of bid deliverables	ITA Meeting Notes
09 June 09	BHH ITA Meeting - areas of interest for assessment of bid deliverables	ITA Meeting Notes
20 June	Meeting 5. Design Workshop. New build design BHH	BHH CAG issues ██████████ BHH CAG issues ██████████ Minutes ██████████ BHH 20 June 09 Minutes ██████████ BHH 20 June 09
24 June 09	BHH ITA and LCC feedback meeting – bid deliverables	Agenda Minutes 24 June 09 “Open House” flyer circulated for approval
25 June 09	LL ITA and LCC feedback meeting – bid deliverables	Agenda Minutes 25 June 09 “Open House” flyer circulated for approval
03 July 2009	LL CAG Q&A session with bidders	Headline issues for bidders LL CAG Qs for bidders



		Minutes [REDACTED] LL Q&A 7 July Minutes [REDACTED] LL Q&A 7 July
07 July 2009	BHH CAG Q&A session with bidders	Headline issues for bidders BHH CAG Qs for bidders Minutes [REDACTED] BHH Q&A 7 July Minutes [REDACTED] BHH Q&A 7 July
11 July 2009	Consultation Event : Holbeck Gala	LCC display boards Bidder displays newsletters open house leaflet Feedback Forms
15 July 2009	Consultation Event: St Matthew's Community Centre, Holbeck  Summary exhibition left in venue for week	LCC display boards Bidder displays newsletters open house leaflet Feedback Forms
20 July	ITA and CAG prep for evaluation BHH	ITA meeting notes 20 July
22 July	ITA and CAG prep for evaluation LL	Agenda ITA meeting notes 22 July
25 July 2009	Consultation Event: Little London Community Centre  Summary exhibition left in venue for week	LCC display boards Bidder displays newsletters open house leaflet Feedback Forms
23 July 2009	Consultation Event : Tiger 11, Beeston  Summary exhibition left in venue for week	LCC display boards Bidder displays newsletters open house leaflet Feedback Forms
13 August 09	BHH ITA and LCC Feedback Session – evaluation process	Agenda Minutes 13 August 09
17 August 09	LL ITA and LCC Feedback Session – evaluation process	Agenda Minutes 17 August 09
7 – 13 Sept 09	Bid Deliverable documents hand delivered to BHH and LL CAG Members	Bid Deliverables for [REDACTED] and [REDACTED], complete with appendices issued to both CAG: W42 S3 S6  Issued to BHH only: S1 S4 S5  Issued to LL only: W23

		W19 D1 D4 D5
15 and 18 Sept	ITA and CAG meeting LL – comments and observations on bid deliverables	ITA notes 18 Sept
19 Sept 2009	Bidder Feedback Sessions LL and BHH (separate session on same day)	Bidder presentations Minutes [REDACTED] BHH 19 Sept 09 Minutes [REDACTED] LL 19 Sept 09 Minutes [REDACTED] BHH 19 Sept 09 Minutes [REDACTED] LL 19 Sept 09
22 Sept 09	LL prep for Shadow Evaluation session	Bid deliverables docs (as listed above) used Shadow Evaluation issues log
23 Sept 09	ITA and CAG meeting BHH – comments and observations on bid deliverables	ITA notes 23 Sept
28 Sept 09	BHH prep for Shadow Evaluation Session	Bid deliverables docs (as listed above) used Shadow Evaluation issues log
01 Oct 09	BHH Design Review with Design Champion	Agenda Design champion presentation Notes of session 1 Oct 09
02 Oct 09	LL Design Review with Design Champion	Agenda Design champion presentation Notes of session 2 Oct 09
05 Oct 09	BHH Lead Evaluator, Shadow Evaluation	Shadow Evaluation issues log updated
06 Oct 09	LL Lead Evaluator, Shadow Evaluation	Shadow Evaluation issues log updated
16 Dec 09	LL Bidder responses meeting	Agenda Shadow Evaluation issues log updated with bidder clarifications Minutes 16 December
21 Dec 09	BHH Bidder responses meeting	Agenda Shadow Evaluation issues log updated with bidder clarifications Minutes 21 December
22 April and 6 May 2010	LL review of latest version bidder submissions	Agendas Shadow Evaluation issues log updated Design presentation Environmental design presentation
26 April and 5 May 2010	BHH review of latest version bidder submissions	Agendas Shadow Evaluation issues log updated Design presentation

		Environmental design presentation
14 September 2010	LL pre-evaluation meeting	Agenda Programme Milestones Final Tender Evaluation Scoring Schedule Table of CAG issues [REDACTED] Table of CAG issues [REDACTED] Bid Deliverable Version 1.04 Final Tender Evaluation Methodology
16 September 2010	BH&H pre-evaluation meeting	Agenda Programme Milestones Table of CAG issues [REDACTED] Table of CAG issues [REDACTED] Bid Deliverable Version 1.04 Final Tender Evaluation Methodology
29 September 2010	Evaluation Session for the Development Agreement – LL CAG rep attending	
30 September 2010	Evaluation Session for Services – LL and BHH CAG reps attending	
1 October 2010	LL Evaluation Session for works – LL CAG rep attending	
19 October 2010	BH&H Evaluation feedback sessions with ITA	ITA report
19 October 2010	LL Evaluation feedback sessions with ITA	ITA report

Date of event	Housing arrangements					New build proposals comments	Community hub comments	Refurbishment proposals comments	Interior improvement comments	Environmental improvements comments	Other Comments
	Rent from LCC	Rent from Registered Social Landlord	Rent from private owner	Owns home	Other						
25/07/2009		x									Leave access through under bedsit No 27, as need it to clean windows, hang washing and access garden which faces onto Carlton Road.
25/07/2009					x						Good opportunity for people to have better facilities and housing
25/07/2009		x				Designs for houses and colour schemes O.K. but better choice of colours would help	New shops and community centre components are good			Recycling points would be a good idea	What security issues does the company have in place?
25/07/2009		x						Taken with refurbishment ideas		Taken with the environmental improvements.	
25/07/2009		x				Excellent					Interested in door to property back and front (22 Servia Gdns)
25/07/2009		x						Satisfied that the refurbishment will be carried out in a proper manner			
25/07/2009		x				Don't like the multicoloured brickwork.	More services for teenagers. Blocking walkways will not benefit community element.				Not sure about blocking up walkways
25/07/2009					x	Interesting					
25/07/2009					x	Pleased with comments					
25/07/2009		x				Plans are O.K. Will take getting used to.					
25/07/2009		x									
25/07/2009		x				Designs for Carlton Croft. The balconies having glass on them sounds a great idea, but we would need a window on the side of the glass, which is more important than the front, as the wind blows from the side of the building, which we need for hot days to sit on the balcony to cool down. Also the step from the balcony door is too high as it is now, for the disabled tenants in the block. The private garden at the back needs a gate for access, for the elderly with shopping you can't expect elderly people to walk some distance with shopping from the bus stop on Oastland Lane to the front entrance, it is too far for the elderly, a gate with keys for every tenant is needed. Continued in next cell		...Continued from previous cell... it would also be great for the elderly, who can't sit in the garden because of the sun (some can't because of their medical condition), to have a conservatory built for them, off Day Room 1, would be ideal for them. We also need a room on the ground floor for their scooters, as the flats are too small for them. Having a car park at the front of the building for any one to use, is not helpful for the elderly. We have about eight elderly with cars, so if you have 20 car spaces, most would be taken up with family visiting and other tenants in the area using it, which is still going to cause problems, not only tenants, there will be work vans, ambulances, doctors, home care nurses, all wanting to park there. There should be a separate car park for Carlton Croft tenants. Really don't like this design, can see problems Continued in next cell		Continued from previous cell. The main doors for the building front & rear, should open sideways, not outwards or inwards, for wheelchairs. Fire doors on the ground floor, need altering as these cause problems for the disabled with wheelchairs & scooters, we also need hand rails on all the floors for the disabled. Something needs to be done about the chutes, especially for the lower floors, when those tenants are sitting on the balcony they get a foul smell coming up the chutes from the bin rooms. We are glad we are getting new windows, but not the style that is in now, they roll over to clean, which is very hard for the elderly as most like to clean their own. It would be better if they could rotate sideways for easy cleaning. The small pane at the bottom is impossible for them to clean outside. The small panes in the bedroom are impossible to clean outside, I am not old and I have trouble cleaning them.	
25/07/2009		x				██████████ had no designs for the new homes at the event for the general public to see. No depth to the refurbishment of the existing homes - especially the interiors. In regards to the exteriors they are obsessed with putting colour almost everywhere - this goes back to a dye works over 40 years ago, they seemed blinkered by this. When talking about the balconies on the Carlton balconies I was told that they would not be "cased in". They are only concerned by putting in colour in area. They do not take into consideration for the people who are living here - what may be ok now, may not be in the future. The environmental improvements will not be so easy to change. ██████████ are expecting the shops, community centre (activities and so on) to run in "porta kabin style" facilities, not sure of the housing office. This is not acceptable.					
25/07/2009		x				The contractors and LCC should re consider their plan for new housing in the area and include a few bungalows for the elderly not all elderly people want to live in highrise. They need to consider disabled people too, as there are people on this estate who have lived in this area all their lives and are well into their 60 / 70 years. Also, a youth centre should be considered, I don't mean the community centre as I was told by the contractors. A youth centre that will have different activities for fourteen to eighteen year-olds such as physical education (and table tennis etc), joinery swimming, football, netball for girls and cookery, design, clothing and making of garments, dance for both boys and girls - something to give them a feel of being needed in the community. That will give them self respect and take them off the streets. This will help all in the community from young to old as they won't respect others if they don't respect themselves I am sure. Volunteers could be found to help these kids so please consider this for the sake of future generations. Also, the people who run our shops deserve the opportunity to go into the new shops when built. Some will be losing their livelihood.					

Date of event	Postcode	Street Name	Housing arrangements					New build proposals comments	Refurbishment proposals comments	Interior Improvement comments	Environmental Improvements comments	Other Comments
			Rent from LCC	Rent from Registered Social Landlord	Rent from private owner	Owns home	Other					
25/07/2009	LS7 1NX	Carlton Place	x								Leave access through under bedst No.27, as need it to clean windows, hang washing and access garden which faces onto Carlton Road.	
25/07/2009	LS7 1NT	Carlton Hill				x					Good opportunity for people to benefit from modern housing and better facilities.	
25/07/2009	LS7 1SB	Outland Towers	x				The designs are good but there is no thought in making the houses stand out and look pleasant.			Environment issues are good, but security issues on the open spaces are an issue. Recycling points, especially in multistorey, would be a good idea.		
25/07/2009	LS7 1SL	Outland Gardens	x								Not able to talk to them.	
25/07/2009	LS7 1NP	Servia Gardens	x								Not Viewed	
25/07/2009	LS7 1SQ	Outland Heights	x									
25/07/2009	LS7 1NN	Servia Drive	x					Some garages should be updated, rather than demolished.		Prefer open space at back of Servia Drive to remain an open space without the trees. Trees would block light, and clear view.		
25/07/2009	LS7 1SW	Outland Close				x	More detail plans, look better, very good in every way.					
25/07/2009	LS7 1SQ	Outland Heights				x	Pleased with what was explained, work very good.					
25/07/2009	LS7 1NT	Carlton Hill	x									
25/07/2009	LS7 1SG	Outland Heights	x				Impressed with plans. See how it goes next year.					
25/07/2009	LS7 1HF	Carlton Croft	x				Designs for Carlton Croft. The balconies sound great with the glass, but we do need a window at the side, to let the breeze in. Balcony door onto the balcony, sounds perfect for wheelchair access. The private garden at the back, is perfect, so long as we get a gate with access with keys for all tenants it would be good to have a conservatory built onto Day Room 1 for those tenants that can't sit out in the sun because of medical reasons. We also need a room on the ground floor for their scooters, as the flats are so small. The car park sounds really good, just for tenants of Carlton Croft, but we do need a spot in the car park for ambulances only & work vans and home care. Continued in next cell.		... continued from previous cell... The main & rear door sounds perfect, opening up side ways for wheelchairs. But the fire doors on the ground floor would have to be altered, as these do cause problems for the wheelchairs. The chutes sound great where there is a door at the bottom of the chute, so when something is thrown down it opens then closes, so no smell is carried up to the balconies. The style of the windows need to be changed, as with the style now, it is very hard and dangerous for elderly tenants to clean, they need to rotate sideways, the small panes of window in the living room and bedrooms are impossible to clean outside with elderly tenants. Just one other thing about the car park, you are only putting about nine spaces for the cars, what about the future, as new tenants move in, more and more are moving in with cars, so where would these new tenants park. Didn't have time to see the designs of the kitchens or any other designs, would be great to hold another session. I think [redacted] is the better company.			
25/07/2009	LS7 1HJ	Carlton Close	x				The few designs for new homes are ok, but nothing to excite people with. The refurbishment of the existing properties has been more considered with the people in mind. They are willing to listen to the locals and take on board their ideas. The environmental improvements are more in keeping with the area and the opinions of the people are being listened to. The designs are better. The shops and community centre will be still open for business while the new ones are being built. The housing office would be able to cope in temporary accommodation. Overall this consortium has considered all the options and are willing to listen to the locals.					
25/07/2009	LS7 1FH	Carlton Croft, off Carlton Gardens	x				I preferred this contractors ideas. But when asked if they were building any bungalows for elderly & disabled was told this would have to be discussed with LCC as they were following their instructions on what they wanted. There was no mention of a new Doctors Surgery as was mentioned previously. All these should be taken into consideration including the building of a youth centre and I don't mean a community centre, I mean somewhere fourteen to eighteen year olds can go instead of hanging around the streets, if our generation doesn't care why should they. We have a responsibility to structure future generations.					
25/07/2009	LS7 1SB	Outland Drive	x				I have lived here 20 years now. I like the refurbishment of existing homes (exterior and interior). To be able to choose between 6 designs for my kitchen and bathrooms is great. Also is very important to do both interior and exterior of the building, they will look like new flats without us moving. I always maintain my flat an entrance impeccably, I don't mind throwing our rubbish through the shuffle of our small room - but the smell at the entrance of the building in summer is horrible. I am please about rewiring, doors windows hesters etc and any form of making our surroundings better I am all for it. I can see other places that have been regenerated and after a few years still looks good and people have looked after them well. So it shows that people like comfortable beautiful buildings and surroundings.					

# B18

## Statement of Community Involvement

## Introduction

1. As part of the Competitive Dialogue process, sc4L has undertaken a rigorous series of consultation activities, both prior to and post Interim Submission. These activities and events have related specifically to our design proposals, and have followed the processes prescribed by Leeds City Council (the Council) in Appendix 7 of the ISRS Bid Instructions tender documentation.
2. In doing so, we have developed this Statement of Community Involvement (SCI) which provides clear evidence that we have effectively engaged with and assessed the comments of those communities directly affected by the Little London, Beeston Hill & Holbeck PFI Project (the Project).
3. Our SCI therefore clearly sets a picture for public consultation, and shows that such consultation has been taken into consideration in the design process.
4. The format and extent of the consultation detailed in this Statement is in conformity with the Council's adopted SCI and Appendix 2.1 of the ISRS tender documentation (Volume 1b - Bid Deliverables) and includes the following:
  - Details of the consultation undertaken
  - Details and a commentary of the events held
  - Summaries of comments made
  - Confirmation of where comments have resulted in revisions to our design proposals including an explanation where comments have not been able to be taken on board
5. We have structured our SCI in two distinctive sections:
  - Section One - Pre Interim Submission Consultation
  - Section Two - Post Interim Submission Consultation

## Section One - Pre Interim Submission Consultation

6. This process has involved the following four elements of consultation at the ISRS stage:

- One - Project specific Design Workshops with the Council
- Two - A series of briefing sessions held for Ward Members
- Three - A series of Community Advisory Group (CAG) Design Workshops
- Four - Wider public consultation events arranged by the Council

7. In undertaking each of these series of events, we have fully engaged and consulted with the appropriate stakeholders and local communities regarding our design proposals.
8. Our SCI focuses on each of the four elements and details the consultation undertaken at each stage.

### **One - Project specific Design Workshops with the Council**

9. Notwithstanding previous engagement at earlier stages of the procurement process, during the ISRS stage we have participated in the Design Workshops listed below, where our design proposals have been reviewed and revised with the Council. Our ISRS designs have therefore evolved over this period of time, and reflect due cognisance of the detailed discussions which have taken place.
- Design Workshop 1 - ISRS re-scope and Community Hub designs - 9 April 2009
  - Design Workshop 2 - Little London - 7 May 2009
  - Design Workshop 2 - Beeston Hill & Holbeck - 14 May 2009
  - Design Workshop 3 - Beeston Hill & Holbeck - 4 June 2009
  - Design Workshop 3 - Little London - 11 June 2009
  - Design Workshop 4 - Little London - 2 July 2009
  - Design Workshop 4 - Beeston Hill & Holbeck - 9 July 2009
  - Design Panel (Design Workshop 5) - Both areas - 30 July 2009
  - Design Workshop 6 - Little London - 5 August 2009
  - Design Workshop 6 - Beeston Hill & Holbeck - 13 August 2009
10. Copies of the agenda's from each of these workshops are included as SCI Appendix 1 on pages 316 to 327 to outline the issues discussed on each occasion.
11. These workshops have informed design direction and ultimately influenced our current ISRS proposals.



### **Two - Briefing sessions for Ward Members**

12. During the month of May, we undertook the following briefing sessions with elected Members for the three Wards within the project areas. These sessions were arranged by the Council who invited the relevant Ward Members and arranged venues etc.

- City and Hunslet Ward Members - Friday 1 May 2009 at Leeds City Museum
- Little London Ward Members - Thursday 7 May 2009 at the Civic Hall, Leeds
- Beeston Hill & Holbeck Ward Members - Tuesday 12 May 2009 at Tiger 11 Beeston Road

13. At each of the briefing sessions a presentation was undertaken by sc4L, copies of which are included as the following Appendices:
- SCI Appendix 2 - City and Hunslet Ward Members Briefing 1 May 2009 – on pages 328 to 348
  - SCI Appendix 3 - Hyde Park & Woodhouse Members Briefing 7 May 2009 – on pages 349 to 370
  - SCI Appendix 4 – Beeston Hill & Holbeck Ward Members Briefing 12 May 2009 – on pages 371 to 404
14. Notes were taken by sc4L staff attending each of the briefings, and comments relating to our design proposals were taken on board as detailed in the tables on the following pages. Our feedback is shown under the colour coded headings below, and highlights areas where comments have resulted in revisions to our design proposals including an explanation where comments have not been able to be taken on board.

Design

Works (Construction Management)

Resident Liaison

Services and service delivery

## City and Hunslet Ward Members Briefing - 1 May 2009

	Issue raised/Comment made	Feedback/Response
Design	An issue was raised as to whether Highways would come down Coupland Road and whether the road was adopted	The road in question provides access to a car park for existing residents only. As such, it will not be formally adopted by Highways
	Similarly, a question was raised as to whether Folly Lane could be made adoptable	This road currently services the substation only. The proposed new road will have parking facilities for only three properties and as such is not 'adoptable'
	An issue was raised about rear parking on Folly Lane	All rear car parking has been removed from our proposals
	A comment was made that flats and houses do not mix, and a query raised as to whether flats are actually needed at all	The Council brief requires a mixture of property types across all of the areas concerned. The required densities in many cases leave little option but to include flats which the Council confirm there is a demand for
	A request was made that we try to enable cars to get closer to the houses on Malvern Road	Due to site constraints and mix requirements, existing highway designs and parking arrangements mean that in some cases the provision of individual parking for residents cannot be located in the perfect locations. However, in all cases parking is as close to the property curtilage as is practically possible
	A preference was stated for integral garages on Malvern Road	Designated space standards and mix requirements prohibit the use of this option on this site
	Concern was expressed regarding the proposed use of SUDS	SUDS is a requirement of the Sustainable Homes Code and is the first choice option available in dealing with surface water discharge

## City and Hunslet Ward Members Briefing - 1 May 2009

	Issue raised/Comment made	Feedback/Response
Design	A query was raised about providing a water butt for each property	Water butts will be provided to all new dwellings
	A comment was made about there being too much green space at Bismarck Drive	The proposed area is private amenity space which is a requirement of Planning
	A request was made to make Bismarck Drive look more like a main road and that it was too straight	Works to the existing carriageways are outside of the project red line boundaries and as such are not covered under the Project
	Concern was expressed about the proposed amenity spaces	As indicated above this is a Planning requirement with minimum standards being applied
	A request was made to consider re-designing Bismarck Drive to make it into more streets	Our proposals have been re-designed specifically to reflect this request
	Concern was expressed about the allotments	The allotments on this site have been removed as part of our re-design
	Concern was expressed about the number of proposed flats	As indicated above, the number of flats proposed enables us to meet the mix requirements of the Project
	A question was raised as to whether all of the flats could be made into minimum 2 bed 3 person	We confirm that all flats will be 2 bed 3 person
	Concern was expressed about the proposed 'pond'	The pond has been removed from our design proposals in light of comments made

## City and Hunslet Ward Members Briefing - 1 May 2009

	Issue raised/Comment made	Feedback/Response
Design	Concern was expressed that the gardens at Bismarck Drive may be too large to maintain	All garden sizes are appropriate to the house type and size
	On Bismarck Drive a request was made to consider additional housing instead of allotments	Allotments have been removed from this site and the designated areas brought back into use as part of our development proposals
	A request was made to avoid alleys and walkways	Our designs will remove both alleys and walkways to the rear of properties
	Concern was raised to ensure the area was going to be secure	All sites will be to the minimum requirements of Secure by Design standards as approved by the Architectural Liaison Officer

## Little London Ward Members Briefing - 7 May 2009

	Issue raised/Comment made	Feedback/Response
Design	A query was raised about ensuring that all infrastructure works were undertaken at the same time to provide cost effectiveness	This will happen as part of our programming for the Project. Infrastructure works will be carried out in the most expeditious and cost effective manner
	Concern was raised about the proposed Arena and access routes/parking issues	Parking is currently provided on the basis of permits. This will be retained which will alleviate the potential issue
	Will there be a 'Gateway' feature at the entrance to the estates?	Both accesses onto Carlton Gate will feature iconic structures. These are currently under discussion prior to agreement with the Planning Authority
	Carlton is seen as a 'rabbit run'. What are we doing to change this?	New road layouts have been designed to open up access between dwellings. Narrow footpaths have been avoided and all highways and paths are viewed from properties creating a more secure and friendly environment. All retained access ginnels will also be gated
	Grassed spaces in Little Carlton are very steep. Can we overcome this?	Where appropriate, steeply banked areas will be softened as part of the landscaping process
	Will the cost of works to owner occupiers be extortionate or reasonable?	A formal payment mechanism will be agreed based on the rates charged through the project to the Council which will therefore be favourable for the owner occupiers

## Little London Ward Members Briefing - 7 May 2009

	Issue raised/Comment made	Feedback/Response
Design	Concern was expressed to ensure we do not create ginnels and alleyways	Where appropriate and dependant upon site layout, some ginnels will be removed. Where ginnels need to be retained due to a rear access requirement, they will be gated so as to avoid being used as a thoroughfare
	We were asked about our proposals for taking on board the needs of the increasing number of families with disabled occupants	All dwellings will be developed to a Lifetime Homes standard

## Beeston Hill & Holbeck Ward Members Briefing - 12 May 2009

	Issue raised/Comment made	Feedback/Response
Design	A query was raised about the use of garages for wheelie bin storage	Some garages are scheduled for demolition, and in these areas facilities have been made to accommodate wheelie bin areas. In other areas facilities will remain as is
	Will a communal door be provided for access to flats?	Yes. A communal front door, secure entry system will be provided to all flats
	The community is undecided about the use of Meynell Square. (50% want football, 50% don't)	Our current design proposals show this area to be landscaped. Outdoor play facilities are provided elsewhere on the estate
	Will the properties have insulated render, as there is a big issue with fuel poverty?	All existing properties will be insulated externally in some form as part of measures introduced specifically to address the issue of fuel poverty
	Can a fanlight be provided in the windows to increase natural light?	It is not proposed to alter window fenestrations for this project
	A preference for double parking spaces at Malvern Road/Coupland Place was requested	The design brief guides us away from the provision of double parking spaces which if provided would be at the expense of amenity space
	An issue was raised about the provision of larger houses as opposed to flats at St Lukes Green	Flats on this site have been removed and the provision is now solely for houses
	Concern was expressed about the difficulty of finding the entrance to the building at Ingram Court	A new formal entrance is part of our proposals for the reconfiguration of Ingram Court

## Beeston Hill & Holbeck Ward Members Briefing - 12 May 2009

	Issue raised/Comment made	Feedback/Response
Design	Is it possible to retain some of the exposed feature internal brickwork walls at Ingram Court?	Final internal designs have yet to be agreed. Where possible and appropriate, existing features will be retained
	A query was raised about the mix of properties on this site and the potential for slightly larger properties	Our site layout has been revised to accommodate dwellings up to 5 bed 9 person



### **Three - Community Advisory Group (CAG) Design Workshops**

15. Similarly, a series of four Community Advisory Group (CAG) Design Workshops were held on the following dates:

- Little London CAG Design Workshop (External and Environment) - Saturday 16 May 2009 at the Civic Hall Leeds
- Beeston Hill & Holbeck CAG Design Workshop (External and Environment) - Saturday 16 May 2009 at the Civic Hall Leeds
- Little London CAG Design Workshop (New Build) - Monday 1 June at Space@ Little London
- Beeston Hill & Holbeck CAG Design Workshop (New Build) - 20 June 2009 at Tiger 11, Beeston Road

16. These workshops followed a similar format to the Members Briefings, and were attended by representatives from local community groups who had been invited and briefed about the project by the Council.
17. Copies of the presentations delivered by sc4L at each of the CAG Design Workshops are included as the following Appendices:
- SCI Appendix 5 - Little London CAG Design Workshop (External and Environmental) – on pages 405 to 448
  - SCI Appendix 6 - Beeston Hill & Holbeck CAG Design Workshop (External and Environmental) – on pages 449 to 485
  - SCI Appendix 7 - Little London CAG Design Workshop (New Build) – on pages 486 to 527
  - SCI Appendix 8 - Beeston Hill & Holbeck CAG Design Workshop (New Build) – on pages 528 to 577
18. As with the Members Briefings, comments and feedback on our design proposals were recorded by sc4L representatives and officers of the Council, which were given due consideration as detailed in the tables on the following pages. Our feedback is shown under the colour coded headings below, and highlights areas where comments have resulted in revisions to our design proposals including an explanation where comments have not been able to be taken on board.

Design

Works (Construction Management)

Resident Liaison

Services and service delivery

## Little London CAG External and Environment Design Workshop - 16 May 2009

	Issue raised/Comment made	Feedback/Response
Design	How do we deal with 'hotspots' to ensure that cold areas are insulated?	Thermally insulated external render will be fitted, and where internal 'cold spots' occur, thermally insulated plasterboard will be applied to the inner face of the wall
	Will the existing warm air heating system be removed from flats and maisonettes?	Yes, the existing warm air heating to these property types will be removed and replaced with an efficient electric heating system
	What do we intend to use for heating?	High efficiency condensing gas boilers will be used generally, but as noted above, electric heating installation will be provided using fanned convection heaters in flats and maisonettes
	Flat roofs on the maisonettes are a problem	All roofs on the maisonettes will be replaced which will overcome any existing problems with water penetration
	Can we provide place names in prominent places on high rise blocks?	Yes. As part of our design proposals all blocks will be identified either at roof level or in a prominent position on the external facade
	Courtyard design needs to be specific to each area	Courtyard options will be subject to further detailed discussions with residents at local level prior to commencement of works in each area
	A request was made for the removal of ginnels due to crime	Where appropriate and dependant upon site layout, some ginnels will be removed. Where ginnels do need to be retained due to a rear access requirement, they will be gated so as to avoid being used as a thoroughfare

## Little London CAG External and Environment Design Workshop - 16 May 2009

	Issue raised/Comment made	Feedback/Response
Design	Adequate street lighting was raised as a particular issue	Street lighting is the subject of a separate PFI agreement. Consultation with the appropriate PFI contractor will seek to address this issue
	Concern was expressed about youths congregating around Hawkins Drive	Landscaping design will seek to minimise this occurrence by bringing existing open spaces back into community usage, and by our proposals to integrate some of the existing incidental open space into individual plot integral gardens
	Issues were raised about the use of play areas in 'The Hub'	Play areas are integrated within our overall design for the estate, with an enhancement being undertaken to the existing facilities at 'The Hub', and additional provision being made at Oatlands 1. Both of these areas are relatively well distanced from residential areas and their design and location form part of our wider play strategy approach for 3 to 8 year olds and 8 to 13 year olds
	The possible ceasing of trading while new shops are built	Phasing will be programmed to minimise disruption to the existing retail units. In addition, we will discuss with the Council the need for any temporary provision as necessary
	Whatever goes in to the Courtyard the contractor should maintain	Where Courtyards are provided they will be maintained either by sc4L or by local residents

## Little London CAG External and Environment Design Workshop - 16 May 2009

	Issue raised/Comment made	Feedback/Response
	Could left over spaces which have no particular use be made into play areas?	Our proposals have taken into account all open spaces, however further environmental improvements will be open to community consultation should they arise
	We were asked about our proposals for taking on board the needs of the increasing number of households with elderly / disabled occupants	Before and during works our Resident Liaison Officers will identify any special needs or requirements. All dwellings will be developed to a Lifetime Homes standard
	Will gas be available in high rise blocks?	No. We will not be providing gas in any of the high rise blocks
Works	How will the refurbishment works be coordinated?	A detailed programme will be provided in advance of works commencing. We will contact residents well in advance of works to their home
	How long will Little London be a building site?	Construction work at Carlton Gate and The Hub will take place between November 2011 and March 2014.  Although construction work will be ongoing between these dates, it will follow a phased process. Residents will be kept informed throughout and Health & Safety measures will be paramount across all sites

## Little London CAG External and Environment Design Workshop - 16 May 2009

	Issue raised/Comment made	Feedback/Response
Works	Will refurbishment work within a home be piecemeal or will all works be completed at once?	As much work as possible will be undertaken in one go, combining elements of internal refurbishment at the same time, subject to individual property surveys undertaken prior to the commencement of works
	Can sc4L offer improvements to third party owners to allow them to take advantage of the work?	A selection of external improvements will be offered to owner occupiers and publicised well in advance of work commencing in each area
	If so, will they pay the same rates, and can sc4L offer a finance scheme?	A formal payment mechanism will be agreed based on the rates charged through the project to the Council
	Can a resident refuse to have works done?	Although there will be a Resident Waiver Protocol included in the contract, an agreement to opt out of works will be an issue between the Council and the ALMO
Services	Snow clearance needs to be improved	Our grounds maintenance team will grit all footpaths before any forecast bad weather. We will have grit bins placed around the area which will be kept full through the winter. We will clear snow on unadopted paths and highways
	Concern was expressed about the lack of maintenance in the area	A landscape maintenance schedule will form an integral part of the Project Agreement with levels of servicing agreed for each area

## Beeston Hill & Holbeck CAG External and Environment Design Workshop - 16 May 2009

	Issue raised/Comment made	Feedback/Response
Works	Can sc4L offer improvements to third party owners to allow them to take advantage of the work?	A selection of external improvements will be offered to owner occupiers and publicised well in advance of work commencing in each area
	If so, will they pay the same rates, and can sc4L offer a finance scheme?	A formal payment mechanism will be agreed based on the rates charged through the Project to the Council
	How long will it take to complete the refurbishment?	The refurbishment programme will take approximately two and a half years to complete
Services	Could we consider a Concierge at Meynell Heights	A secure door entry system will be installed at Meynell Heights
Design	Allotments and communal growing spaces are not a good idea for shared Courtyards and could be vandalised. Whatever goes in to the Courtyard the contractor should maintain	Allotments are only one of a number of potential solutions and will be subject to further detailed discussions with local courtyard residents prior to commencement of works in each area. Where allotments are provided they will be maintained either by sc4L or by local residents. sc4L will provide tuition and tool hire for local residents to encourage them to take ownership and maintain the allotments in their area. In areas where local residents do not take ownership, the allotments will be regularly maintained by sc4L
	There is currently a shop behind the flats. Consider developing a plan to provide a shop in Meynell Heights	There is no provision in our proposals to replace the existing convenience shop at Holbeck as this is not a requirement of the Project Brief

## Beeston Hill & Holbeck CAG External and Environment Design Workshop - 16 May 2009

	Issue raised/Comment made	Feedback/Response
Design	Smaller baths create problems. Could we consider our design?	Bathroom refurbishment is restricted by the existing room size. In general terms therefore there will be 'like for like' replacement unless a referral is required due to specific individual needs
	Do not make rat runs for motorbikes	'Alley gating' is being introduced as part of our design proposals specifically to address this and other related issues
	Could we get rid of garages at Meynell Heights?	We can confirm that the garages adjacent to Meynell Heights will be demolished as part of the project
	Materials and plants should be robust to resist vandalism. There was a preference for 'single tree' designs (no saplings unless protected)	All landscaping has been designed to be robust and will be carefully maintained for the duration of the Project in accordance with the Project Agreement
	Care should be taken in choosing trees so as to ensure we do not block light to houses	Careful consideration to this issue has been given throughout our design process by our specialist landscape architects
	Seating attracts youths who will congregate	The provision of seating in courtyards will be subject to detailed discussions with local residents at the appropriate time, and will be located to avoid future problems
	Residents living around Courtyards should be offered a choice of what improvements are made	Courtyard options will be subject to further detailed discussions with residents at local level prior to commencement of works in each area

## Beeston Hill & Holbeck CAG External and Environment Design Workshop - 16 May 2009

	Issue raised/Comment made	Feedback/Response
Design	If the improvements don't work (e.g. they are constantly vandalised or attract ASB) can they be changed over the 20 year service period?	sc4L will work closely with local residents to ensure that the courtyard areas are not vandalised. However, our proposals for each courtyard (once agreed with local residents) will provide flexibility to review and alter their use over the course of the Project within budgetary provision
	How will private owners be encouraged to participate in works such as boundary treatments?	Owner occupiers will be pro-actively encouraged to participate through our consultation process and communications strategy which will make it clear when the proposed works are happening in each area so that owners can identify any treatments they wish to have undertaken. Owner occupiers will have the same choices as residents and we will be as flexible as possible in meeting their needs
	We were asked about our proposals for taking on board the needs of the increasing number of households with elderly / disabled occupants	Before and during works our Resident Liaison Officers will identify any special needs or requirements. All dwellings will be developed to a Lifetime Homes standard
	Will showers be fitted to all properties?	Showers will be fitted where appropriate to do so and in line with the Councils Output Specification
	How will we deal with the insulation on the back to backs?	Thermally insulated plasterboards will be installed internally. Loft insulation and double glazed windows will be provided



## Little London CAG New Build Design Workshop - 1 June 2009

	Issue raised/Comment made	Feedback/Response
Design	Some slight concern was raised about the use of balconies on the new dwellings	Balcony space is only proposed where appropriate to do so. In other areas 'Juliet balconies' with inward opening French doors will be provided to produce the same effect
	A query was raised regarding car parking at kerb side	With new build houses, parking will be provided within the dwelling curtilage. With apartments, designated parking areas will be provided
	Will low kerb drops be provided for wheelchairs and pushchairs?	Yes. This is a requirement of the local Highways Department
	A query was raised about the provision of turning heads, road crossings and lay-by provision	New roads and turning heads etc. have all been designed and will be constructed in line with Highways Department requirements
	A request was made to avoid the introduction of ginnels in our designs	Ginnels have been avoided throughout, other than where access is specifically required to the rear of a property. In all such cases they will be gated so as to avoid being used as a thoroughfare
	Concern was expressed that footpaths were currently being used by vehicles as an 'escape route'	Our landscaping proposals have addressed this issue with new walling and fencing provided reducing the widths of footpaths where appropriate
	Concern was expressed about youths climbing on roofs	Our design for the retail units at 'The Hub' addresses this issue by raising the height of the buildings and including a canopy above

## Little London CAG New Build Design Workshop - 1 June 2009

	Issue raised/Comment made	Feedback/Response
Design	Questions were raised regarding the use of 'renewable' energy resources on the project	It is intended that a combination of solar hot water, photovoltaics and exhaust air heat pumps will be used across the project
	What adult leisure facilities will be provided on the green area in the middle?	There is provision within our proposals for the enhanced play area at The Hub for a 'Trim Trail' including parallel bars and hurdles etc. In addition, a proportion of the budget for play equipment provision has been set aside for discussion with the local community in order to take into consideration their requirements prior to commencement of works
	Concerned about height of flats to rear of shops and relationship with existing low rise homes	Although the flats are 3 storey, the roof treatments have been designed using shallow mono-pitched roofs which mean that they will only have the same height as a 2 storey pitched roof building
	Parking is presently a big issue around the shops	Dedicated parking space will be provided directly around the new retail units
	Details of where the new build will be sited, mix of flats and houses, and height of new construction was requested	This information was provided at the additional CAG Question and Answer session held on 3 <sup>rd</sup> July and was displayed at the wider consultation events

## Beeston Hill and Holbeck CAG New Build Design Workshop - 20 June 2009

	Issue raised/Comment made	Feedback/Response
Design	Will there be a problem with noise transfer between the flats which are located next to houses?	All dwellings will be built to Building Regulations and the Sustainable Homes Code, both of which address the issue of sound transfer
	Will the height of Block 9 create problems for the adjacent houses which will be 'looked over'?	Block 9 is now only two storeys high and should therefore not create a problem
	A number of concerns were raised about the height of various apartment blocks which could result in them 'overlooking' houses	As a result of the concerns raised: <ul style="list-style-type: none"> <li>• Block 3 has been raised to 7 storeys</li> <li>• Block 2 has been reduced to 5 storeys</li> <li>• Block 1 has been reduced to 5 storeys at the west end of the block</li> <li>• Block 9 has been reduced to 2 storeys as indicated above</li> </ul>
	Concern was raised about the provision of six 5 bed 9 person dwellings being in the same place	As a result of these concerns, the 5 bed 9 person dwellings have now been dispersed and relocated across the site
	A request was made to consider re-locating one of the 5 bed properties on Coupland Road	We have considered this request, but unfortunately the lack of space does not allow us to include one of these property types on Coupland Road
	Some concern was expressed about the location of footpaths around Blocks 5 and 7 at The Bismarcks	Footpath proposals have been amended to reflect the desire lines for foot traffic to local shopping facilities

## Beeston Hill & Holbeck CAG New Build Design Workshop - 20 June 2009

	Issue raised/Comment made	Feedback/Response
Design	A request was made to consider raising the height of the flats at Folly Lane to 4 storeys	Unfortunately this cannot be done as there is an issue with the amenity space to the flats
	A request was also made to provide double yellow lines on Folly Lane	This issue lies outside of the Project site boundary
	Some concern was expressed about the brick colours, door and canopy types and style of some of the properties shown in the presentation	All designs shown at the workshop were computer generated images to give an indication of the different proposed house types. All final elevation treatments have yet to be agreed with Council Planners
	Concern was expressed that children in the area would “destroy the Moor”	The number of families across the estate has been reduced since the tower blocks were fully occupied. From a design perspective all houses have their own gardens which provide private play space
	A request was made for the consideration of a community shop at Meynell Heights	Our current proposals do not require the use of the existing room within the block as part of the refurbishment programme. As such, we will liaise directly with local residents on the required future use of the room prior to the commencement of works in order that we can refurbish it to meet their express needs
	Can shops be created at the base of the new apartment blocks?	Provision of retail units is outside of the Project Brief in this area

B18 - Statement of Community Involvement

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19. An additional two Question and Answer sessions were also held with the Little London CAG, and the Beeston Hill & Holbeck CAG, on 3<sup>rd</sup> and 7<sup>th</sup> July respectively, where a number of issues relating to our design and service provision proposals were discussed. These discussions were primarily clarification of issues raised in the initial CAG Workshops and no additional feedback was received which directly affected our design proposals.
20. At these sessions, requests were made by the CAGs for information to be provided for them to review. The following information was subsequently forwarded to the Council for the attention of the CAGs on 10 July 2009:
  - Little London CAG – Details of the proposed solutions for the enclosing of balconies to the high rise blocks
  - Beeston Hill & Holbeck CAG – A selection of elevations and floor plans for the proposed new build dwellings

**Four - Wider public consultation events**

21. Finally, a series of wider public consultation events (listed below) were held during the month of July as required by the Council in their Community Consultation Strategy. A copy the strategy is included as SCI Appendix 9 – Leeds City Council Community Consultation Strategy on pages 578 and 579.
22. This stage comprised of staffed events where sc4L staff were on hand to discuss our design proposals with the local community, and week long unstaffed exhibitions in each of the communities.

- Holbeck Gala (staffed) on 11 July
- Holbeck (staffed) at St Matthews Community Centre, Holbeck on 15 July
- Unmanned display in St Matthews, Holbeck from 15 - 20 July
- Beeston (staffed) at Tiger 11 on 23 July
- Unmanned display in Beeston Tiger 11 from 23 July - 29 July
- Little London (staffed) on 18 July and 25 July
- Display in Little London Community Centre from 20 July - 25 July

B18 - Statement of Community Involvement

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23. These events in particular directly align with several of the Council's adopted SCI requirements as follows:
- Consultation has been undertaken in each of the project areas as required via staffed events and static exhibitions which have remained in situ in the locality for a week
  - Locations for the events (identified by the Council) were all accessible and close to development proposals
  - As per the Council's brief, and the Community Consultation Strategy issued on 29<sup>th</sup> May, all publicity for the events has been undertaken by the Council and has included flyer invites and a press release (as detailed below)
  - A link with the sc4L website for residents to view our proposals was provided
24. Due to the nature of the Competitive Dialogue process, the Council undertook all of the publicity for the wider community consultation. This involved a number of different measures to ensure local residents were fully aware of the consultation process. These are set out below:
- People living in the Project area and nearby were notified by means of a door to door leaflet drop undertaken by the Council. Copies of these leaflets are attached as appendices as follows:
    - SCI Appendix 10 - Little London Leaflet – on page 580
    - SCI Appendix 11 - Beeston Hill & Holbeck Leaflet – on page 581
  - Posters were placed in the housing areas by the ALMOs and Area Management Teams
  - Community Advisory Group (CAG) members notified the groups that they represent
  - Flyers advertising the events were placed in local community centres, libraries, churches, health centres, shops and the ALMO offices. Email and telephone contact details for Val Smith, Communications Manager at the Council were provided on the flyer for people to contact. Flyers were also handed out at the Beeston Gala and Little London Community Day. Copies of these flyers are attached as appendices as follows:
    - SCI Appendix 12 - Little London Flyer – on pages 582 to 583
    - SCI Appendix 13 - Beeston Hill & Holbeck Flyer – on pages 584 to 585
  - A press release was issued to the local press by the Council. This was covered in Yorkshire Evening Post, BBC Radio Leeds and on the BBC website. A copy of the Press Release issued is included as SCI Appendix 14 – on pages 586 to 588
  - A banner was placed outside each venue on the day of the event

B18 - Statement of Community Involvement

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25. Display material at each of the events followed the criteria stipulated in the Council's Community Consultation Strategy (SCI Appendix 9 on pages 578 to 579) and comprised of project specific AO boards containing the following:
  - 10 boards for each of the events as follows:
    - i) Company and members of consortia x 1
    - ii) New build x 4
    - iii) Refurbishment - Works x 2
    - iv) Refurbishment - Services x 2
    - v) Environmental improvements x 1
26. Copies of the display boards used at each of these events are included as SCI Appendix 15 - Wider Consultation Event AO Boards – on pages 589 to 618.
27. The display boards used at these events also formed part of a presentation made by the Council on 29<sup>th</sup> July to Aire Valley Homes Leeds staff.
28. The Council collected feedback at each of the Wider Consultation Events which was forwarded to bidders for our consideration. Copies of the feedback forms used at the events are included as follows:
  - SCI Appendix 16 - Little London Wider Consultation Event Feedback Form – on pages 619 to 622
  - SCI Appendix 17 - Beeston Hill & Holbeck Wider Consultation Event Feedback Form – on pages 623 to 627
29. The feedback received by sc4L from the Wider Consultation Events has been collated into the following tables, which includes our response to any comments raised where appropriate. Our feedback highlights areas where comments have resulted in revisions to our design proposals including an explanation where comments have not been able to be taken on board.

## Wider Consultation Events comments and sc4L responses - Little London

Residents Street Name/Area	General Comments	Design Comments	sc4L response
Carlton Croft	<ul style="list-style-type: none"> <li>I preferred this contractors ideas</li> </ul>	<ul style="list-style-type: none"> <li>Would have liked some bungalows to be built</li> </ul>	<ul style="list-style-type: none"> <li>The specific provision of bungalows is not a requirement of the Project Brief</li> </ul>
Carlton Close	<ul style="list-style-type: none"> <li>The few designs for the new homes are okay but nothing to excite people with</li> <li>The refurbishment of the existing properties has been more considered with the people in mind</li> <li>They are more willing to listen to the locals and take on board their ideas</li> <li>The environmental improvements are more in keeping with the area and the opinions of the people</li> <li>The designs are better</li> </ul>		



## Wider Consultation Events comments and sc4L responses - Little London

Residents Street Name/Area	General Comments	Design Comments	sc4L response
Carlton Close (Continued)	<ul style="list-style-type: none"> <li>The shops and Community Centre will still be open for business while the new ones are being built</li> <li>Overall this consortium has considered all the options and are willing to listen to the locals</li> </ul>		
Carlton Croft	<ul style="list-style-type: none"> <li>I think sc4L is the better company</li> </ul>	<ul style="list-style-type: none"> <li>The private garden at the back is perfect provided we get a gate access with keys for all tenants</li> <li>The balconies sound great but we do need a window at the side to let the breeze in</li> </ul>	<ul style="list-style-type: none"> <li>The gated garden will be accessed via the rear entrance of the Carlton Croft block. As such, only residents of the block will have access</li> <li>All enclosed balconies will be provided with an openable window</li> </ul>

## Wider Consultation Events comments and sc4L responses - Little London

Residents Street Name/Area	General Comments	Design Comments	sc4L response
Carlton Croft (continued)		<ul style="list-style-type: none"> <li>• The car park sounds really good, just for tenants of Carlton Croft but we need a spot for ambulances, work vans and Home Care</li> <li>• The fire doors on the ground floor will need to be altered for wheel chair access</li> <li>• The style of the windows needs to be changed as it is very hard and dangerous for elderly tenants to clean. They need to rotate sidewards</li> </ul>	<ul style="list-style-type: none"> <li>• Sufficient parking provision has been provided for residents of the block and visitors. A designated Ambulance Parking Area has also been provided adjacent to the block</li> <li>• All ground floor doors will be wheelchair accessible</li> <li>• Internal windows to tower blocks will be either tilt and turn, or fully reversible to allow for internal cleaning. All windows will include locks and restrictors, will be Secure by Design, and approved by the Architectural Liaison Officer</li> </ul>

## Wider Consultation Events comments and sc4L responses - Little London

Residents Street Name/Area	General Comments	Design Comments	sc4L response
Carlton Place		<ul style="list-style-type: none"> <li>Please leave access under bedsit number 27 as I need access to clean windows, hang washing out and access to garden which faces onto Carlton Hill</li> </ul>	<ul style="list-style-type: none"> <li>Access beneath number 27 will be infilled as required by the Project Brief. Although this particular route will be closed, access to Carlton Hill will be re-routed via alley gating. Access to the garden will be maintained</li> </ul>
Carlton Hill	<ul style="list-style-type: none"> <li>A very good opportunity for people to benefit from modern housing and better facilities</li> </ul>		
Oatland Towers		<ul style="list-style-type: none"> <li>The designs are good, but there is no thought in making the houses stand out and look pleasing</li> </ul>	<ul style="list-style-type: none"> <li>Designs have been reviewed as part of an ongoing process with both Design Champions and Council Planning Officers. This process has added significant detail to enhance the elevation treatments</li> </ul>

## Wider Consultation Events comments and sc4L responses - Little London

Residents Street Name/Area	General Comments	Design Comments	sc4L response
Oatland Towers (continued)		<ul style="list-style-type: none"> <li>The environment issues are good, but again security, disabled access etc on the open spaces are an issue</li> <li>Recycling points especially in the multi storeys would be a good idea</li> </ul>	<ul style="list-style-type: none"> <li>All environmental works have been designed to facilitate disabled access and meet the requirements of Secure by Design for Estates</li> <li>Recycling facilities have been included at the foot of the multi storey blocks and elsewhere across the estates</li> </ul>
Servia Drive		<ul style="list-style-type: none"> <li>I would like the open space at the back of Servia Drive to remain an open space without the trees. Planting trees will block light and mean no clear view</li> <li>I think that some garages should be updated and be left alone, not demolished</li> </ul>	<ul style="list-style-type: none"> <li>This area has been converted into a proposed 'habitat area' to promote local bio-diversity. However, final landscaping layouts have yet to be agreed with Council Planning Officers</li> <li>Demolition of certain garages at Servias is part of the Council's Project Brief, however some are being retained</li> </ul>

## Wider Consultation Events comments and sc4L responses - Little London

Residents Street Name/Area	General Comments	Design Comments	sc4L response
Servia Drive (continued)		<ul style="list-style-type: none"> <li>I would like some of the walkways to remain unlocked so you are not blocking off a community and building a self made prison</li> </ul>	<ul style="list-style-type: none"> <li>Alley gating is proposed to some of the ginnels and walkways to avoid them being used as thoroughfares. Easy pedestrian access into and around the estate is maintained, as are existing links with the Carltons and Oatlands estates, and the surrounding area</li> </ul>
Oatland Close	<ul style="list-style-type: none"> <li>A lot more detail</li> <li>Plans look better</li> <li>Very good in every way</li> </ul>		
Oatland Heights	<ul style="list-style-type: none"> <li>I was pleased with what I was told and explained</li> <li>The work looks very good</li> </ul>		
Oatland Heights	<ul style="list-style-type: none"> <li>Impressed with sc4L's plans</li> <li>See how it goes when it starts next year</li> </ul>		

## Wider Consultation Events comments and sc4L responses - Beeston Hill & Holbeck

Residents Street Name/Area	General Comments	Design Comments	sc4L response
Meynell Square	<ul style="list-style-type: none"> <li>I am very happy with the exterior improvements. It will enhance the properties greatly</li> <li>The interiors should look very good and it's good that there will be re-wiring</li> <li>All in all I am very pleased with everything</li> </ul>	<ul style="list-style-type: none"> <li>With reference to the environmentals, on paper the courtyards look very pretty, but with regard to seating I fear this will attract gangs of children</li> <li>As for the ginnels, they should be removed completely making it harder for the wrong kind of person to come into the estate</li> </ul>	<ul style="list-style-type: none"> <li>The layout and provision of seating in individual courtyards will be subject to further discussion and agreement with residents in the immediate locality</li> <li>There is a need to retain some of the ginnels and alleyways to allow access to the rear of dwellings. However, where this is the case, locked alley gating will be used, and only the appropriate residents will be key holders</li> </ul>

## Wider Consultation Events comments and sc4L responses - Beeston Hill & Holbeck

Residents Street Name/Area	General Comments	Design Comments	sc4L response
Temple Crescent	<ul style="list-style-type: none"> <li>• Positive treatment of all Beeston sites</li> <li>• Good mix of house sizes</li> <li>• Sites need to address their surroundings especially on boundaries</li> </ul>	<ul style="list-style-type: none"> <li>• Please consider 'HOLBECK' as a treatment for Meynell Heights written down the side</li> </ul>	<ul style="list-style-type: none"> <li>• The issue of signage to blocks has been discussed with Design Champions and Council Planners, and considered to be inappropriate in this circumstance</li> </ul>
Beeston Hill	<ul style="list-style-type: none"> <li>• Good to have some car parking off road</li> <li>• Nice to have fencing and walled boundaries. Looks more private</li> <li>• Like the design for high rise flats</li> <li>• Good green spaces and open spaces</li> </ul>	<ul style="list-style-type: none"> <li>• Concerned about front gardens getting messy and uncared for</li> </ul>	<ul style="list-style-type: none"> <li>• Maintenance of gardens will remain the responsibility of individual residents. However, sc4L will provide a garden tool hire service and gardening advice etc</li> </ul>
Waincliffe Garth	<ul style="list-style-type: none"> <li>• Very modern but lots of confusing things to take in</li> <li>• Love the 20 year maintenance plan</li> </ul>		

## Wider Consultation Events comments and sc4L responses - Beeston Hill & Holbeck

Residents Street Name/Area	General Comments	Design Comments	sc4L response
Oldroyd Crescent	<ul style="list-style-type: none"> <li>The appearance of houses are very good. Simple but just right</li> <li>The representatives explained their proposals well</li> </ul>		
Coupland Place	<ul style="list-style-type: none"> <li>Better design of homes, more scenic and better greener issues</li> </ul>		
Meynell Square	<ul style="list-style-type: none"> <li>We were well impressed with both the layout and designs of the new build properties</li> <li>The staff were very helpful in explaining everything</li> </ul>	<ul style="list-style-type: none"> <li>The only problem was no plans for a shop which we feel is required for the area</li> </ul>	<ul style="list-style-type: none"> <li>The provision of a shop is beyond the remit of the Project Brief</li> </ul>



## Wider Consultation Events comments and sc4L responses - Beeston Hill & Holbeck

Residents Street Name/Area	General Comments	Design Comments	sc4L response
Fairfax Road	<ul style="list-style-type: none"> <li>The designs seem quite stylish</li> </ul>	<ul style="list-style-type: none"> <li>Personal concern is when building commences, the impact of access to my property as I have elderly disabled parents who need access</li> </ul>	<ul style="list-style-type: none"> <li>Safe access will be maintained for the duration of the project, and individuals will be consulted about their specific needs and kept fully informed throughout</li> </ul>
Meynell Approach	<ul style="list-style-type: none"> <li>Really, really pleased with look and layout of gardens etc</li> </ul>	<ul style="list-style-type: none"> <li>Not happy about losing garages at Meynell Heights</li> <li>Please can we lose the grass verge at the back of Meynell Approach and have off street parking</li> </ul>	<ul style="list-style-type: none"> <li>Demolition of the garages at Meynell Heights is a requirement of the Project Brief</li> <li>Due to the need to provide a minimum level of green space, this site has been developed to create a Meadow and Habitat planting area to promote local bio-diversity. Sufficient parking for residents and visitors has been provided within our design proposals</li> </ul>

## Wider Consultation Events comments and sc4L responses - Beeston Hill & Holbeck

Residents Street Name/Area	General Comments	Design Comments	sc4L response
Runswick Place	<ul style="list-style-type: none"> <li>• Very good presentation</li> <li>• Liked the ideas of all sorts of housing from small to large</li> <li>• Well thought out</li> </ul>		
Ingram Close	<ul style="list-style-type: none"> <li>• Want it done as soon as possible</li> <li>• 1<sup>st</sup> on list with sc4L</li> <li>• They seem more concerned about my home and myself</li> </ul>		
Meynell Approach		<ul style="list-style-type: none"> <li>• Great ideas as long as they DON'T take down the garages at Meynell Heights as I will sit in my garage and stop them!</li> </ul>	<ul style="list-style-type: none"> <li>• Demolition of the garages at Meynell Heights is a requirement of the Project Brief</li> </ul>
Tilbury Terrace	<ul style="list-style-type: none"> <li>• Looks like a warm inviting estate, improving the community feel with plenty of green areas</li> </ul>		

## Wider Consultation Events comments and sc4L responses - Beeston Hill & Holbeck

Residents Street Name/Area	General Comments	Design Comments	sc4L response
Meynell Heights	<ul style="list-style-type: none"> <li>• They look very smart and I would consider very strongly on trying to move into one</li> <li>• They look very pleasing on the eye and blend in very well</li> <li>• Please make the area safe and well maintained</li> </ul>		
Cross Flatts Avenue	<ul style="list-style-type: none"> <li>• I like these houses. The windows are large allowing for natural light.</li> <li>• I would feel proud to live in one</li> <li>• I like the mix of houses</li> <li>• I like the routes between the houses especially the plants and trees</li> <li>• These houses don't scream council houses at you</li> <li>• I like the hand tool loan service and all gardens and communal areas, proposals for resident involvement and recycling</li> </ul>		

## Wider Consultation Events comments and sc4L responses - Beeston Hill & Holbeck

Residents Street Name/Area	General Comments	Design Comments	sc4L response
Cross Flatts Avenue (continued)	<ul style="list-style-type: none"> <li>• sc4L gets my vote</li> <li>• Like the consultative proposals and involvement of people locally</li> </ul>		
Tilbury Terrace	<ul style="list-style-type: none"> <li>• Loved the differing designs of the houses and the incorporation of parking spaces</li> <li>• Liked the material choice</li> </ul>		
Meynell Heights	<ul style="list-style-type: none"> <li>• Improvements explained very well</li> <li>• Like the colour schemes. Much better and very tasteful.</li> <li>• Liked the ideas for outside areas</li> <li>• Liked the ideas, very well explained</li> </ul>	<ul style="list-style-type: none"> <li>• Cannot understand why they are knocking down secure parking (garages) for open parking spaces</li> </ul>	<ul style="list-style-type: none"> <li>• Demolition of the garages at Meynell Heights is a requirement of the Project Brief</li> </ul>
Sandlewood Green	<ul style="list-style-type: none"> <li>• Looks good</li> <li>• Plans are impressive</li> <li>• Properties look more appealing</li> </ul>		

## Wider Consultation Events comments and sc4L responses - Beeston Hill & Holbeck

Residents Street Name/Area	General Comments	Design Comments	sc4L response
Runswick Street	<ul style="list-style-type: none"> <li>Like the look of new buildings. Modern and practical</li> <li>Pleased to hear about ongoing upkeep and management</li> </ul>	<ul style="list-style-type: none"> <li>Not sure about the idea of new smaller apartment blocks</li> </ul>	<ul style="list-style-type: none"> <li>Provision of flats is part of the Project Brief to ensure a good mix of property types</li> </ul>
Gaitskill Walk	<ul style="list-style-type: none"> <li>Like the design of the houses</li> <li>Like environmental improvements</li> </ul>		
Cross Flatts Grove	<ul style="list-style-type: none"> <li>Like the proposed new apartments</li> <li>Ingrams refurbishment looks very good</li> </ul>		
Fairfax Road	<ul style="list-style-type: none"> <li>I believe these designs would more readily fit in with existing private owned properties</li> <li>They haven't crammed in quite as many dwellings and more or less keep the layout of the street as it is</li> </ul>	<ul style="list-style-type: none"> <li>On the whole I favoured this scheme, but would also like to see some of the existing dwellings kept and adapted</li> </ul>	<ul style="list-style-type: none"> <li>The Project Brief includes the refurbishment and conversion of existing dwellings in certain areas, in addition to those which are due to be replaced</li> </ul>

## Wider Consultation Events comments and sc4L responses - Beeston Hill & Holbeck

Residents Street Name/Area	General Comments	Design Comments	sc4L response
No address provided		<ul style="list-style-type: none"> <li>Removal of grass verges to rear of Meynell Approach and use as on street parking would be good due to lack of parking spaces</li> </ul>	<ul style="list-style-type: none"> <li>Due to the need to provide a minimum level of green space, this site has been developed to create a Meadow and Habitat planting area to promote local bio-diversity. Sufficient parking for residents and visitors has been provided within our design proposals</li> </ul>

## Wider Consultation Events comments and sc4L responses - No address provided

Residents Street Name/Area	General Comments	Design Comments	sc4L response
No address provided	<ul style="list-style-type: none"> <li>Environmental improvements look good</li> </ul>	<ul style="list-style-type: none"> <li>Designs seem to be quite cramped houses to fit in numbers of bedrooms</li> </ul>	<ul style="list-style-type: none"> <li>The Project Brief defines the minimum space standards for all dwelling types. In all circumstances, our designs exceed the minimum requirement, with some exceeding the maximum</li> </ul>
No address provided	<ul style="list-style-type: none"> <li>Good variety. Interesting layout of buildings</li> <li>Liked the emphasis on gardens/gardening</li> <li>Display information was clearer and more comprehensive</li> <li>Gave better impression of customer focus</li> </ul>		

## Section Two - Post-Interim Submission Consultation

30. Following the Interim Submission on 28 August 2009, a further series of consultation was undertaken which comprised the following:

- One - Additional feedback meetings with Ward Members
- Two - Additional feedback meetings with Community Advisory Groups (CAGs)
- Three - Briefings with Arms Length Management Organisations (ALMOs)
- Four - Council Plans Panel Meetings

### **One - Additional feedback meetings with Ward Members**

31. The following additional feedback meetings were held with Ward Members to update them on comments which have been taken into consideration in our revised design proposals following the initial meetings with them.

- Beeston Hill and Holbeck Ward Members - Tuesday 8 September 2009 at the Civic Hall, Leeds
- Little London Ward Members - Thursday 24 September 2009 at the Civic Hall, Leeds

32. Copies of the presentations from each of these meetings are included as the following appendices:

- SCI Appendix 18 - Beeston Hill & Holbeck Ward Members Feedback Presentation – on pages 628 to 657
- SCI Appendix 19 - Little London Ward Members Feedback Presentation – on pages 658 to 683

33. As indicated, these sessions were primarily for the clarification of issues raised at the initial meetings, and to advise Ward Members of our updated designs submitted at the Interim Submission stage. No specific issues arose from the meetings which had a direct impact on our design proposals.



**Two - Additional feedback meetings with Community Advisory Groups (CAGs)**

34. Two additional meetings were also held with the local CAGs to update them on the comments which have been taken to consideration in our revised design proposals following the initial meetings with them.

- Little London CAG - Saturday 19 September (a.m.) 2009 at the Civic Hall, Leeds
- Beeston Hill and Holbeck CAG - Saturday 19 September (p.m.) 2009 at the Civic Hall, Leeds

35. Copies of the presentations from each of these meetings are included as the following appendices:

- SCI Appendix 20 - Little London CAG Feedback Presentation – on pages 684 to 707
- SCI Appendix 21 - Beeston Hill & Holbeck CAG Feedback Presentation – on pages 708 to 735

36. Feedback and comments raised at these meetings was recorded, and is included together with our responses in the following tables.

## Additional Beeston Hill & Holbeck CAG Feedback Meeting - 19 September 2009

CAG Comment/Query	sc4L Response
What happens with existing properties which don't have in curtilage parking?	With the exception of the high rise, in-curtilage parking is not provided as part of the environmental works
The best place to have a shop if the Council allows it is in the end of the first row	The provision of a retail unit is outside of the requirements of the Project Brief
Will we be fencing off the open space at Holbeck Moor to keep Travellers off?	The area will be bounded by a trip rail around the perimeter of the proposed green space with bollards to footpaths at key locations to prevent vehicular access onto public landscaped areas
What happens if a tenant has a kitchen within the cellar? Please provide details of our solution	Kitchens will remain as is. For indicative proposals of basement floor plan proposals see drawing BH-18-215
The view of the CAG is that all garages at Meynell Heights should be demolished	All garages at Meynell Heights will be demolished as required by the Project Brief
Develop a solution for the ground floor of Meynell Heights with the possibility of extending the area	No further work has been done with this proposal due to cost constraints. Further work could be carried out if successful with a value engineering process in conjunction with the Council required to facilitate this

## Additional Little London CAG Feedback Meeting - 19 September 2009

CAG Comment/Query	sc4L Response
Would rather have lower level of housing where possible	The proposed level of new housing complies directly with the requirements of the Project Brief, which has been developed to provide a suitable mix of property types
Would you have bedrooms next door to living rooms?	On refurbished units where bedrooms are adjacent to living rooms in some of the flats these will remain because of design layout. On new build properties, bedrooms have not been located next to living rooms
There is no indication of where the bus stop or the zebra crossing is	Subject to discussions with Highways, our proposal is to create two new controlled crossings
Are you still intending to use solar panels on the Housing Office?	Yes, it is still our intention to use solar panels on the Housing Office
I am concerned about what is happening in the middle of The Hub - What is the public art and how will you address it?	Our design proposals include provision of an art installation feature which will be a focal point for the Community Hub. Our initial concept is to develop an installation that acts as a beacon/landmark which reflects St. Matthews Church which once stood on the site. The final form of this design will be developed through artist commission and public consultation
Be careful about adding further trees as they act as places for people to loiter	All landscaping and tree provision has been carefully planned and fully complies with Secure by Design requirements
Carlton Garth (Sheltered Block) was promised to have an enclosed space for people to sit in	An enclosed private area will be provided for residents only to the rear of the block

## Additional Little London CAG Feedback Meeting - 19 September 2009

CAG Comment/Query	sc4L Response
We require private gardens to all high rise blocks	This is a requirement of the out put specification. Private gardens will be provided to all the high rise blocks at The Carltons
How many garages are being retained in the Little London and Beeston Hill area?	95 garages at Little London are being retained with up to 81 being demolished, while 64 are being demolished at Beeston Hill with 26 being retained
Can we have diagonal parking where possible?	All parking arrangements where they are situated within the public highway will be dependant on the agreement of the adopting highways authority
Waste Removal - Disabled people will have difficulty in removing rubbish if the chutes are removed	This is only being considered as an option at the moment. A final decision on whether chutes are removed or not will be dependant on further public consultation
How are we addressing the recycling issue within the high rise blocks?	Waste recycling points will be provided at the base of each of the high rise blocks
What do we do with floor covering on the Wimpey No Fines in the kitchen?	We have included for new vinyl floors to kitchen areas only

### **Three - Briefings with Arms Length Management Organisations (ALMOs)**

37. Presentations on our Design and Services proposals were made to ALMO staff and Board members on the following dates.

- Aire Valley Homes Leeds - Monday 14 September 2009 at Navigation House, Leeds
- West North West Homes Leeds - Wednesday 16 September 2009 at the Corn Mill Lodge Hotel, Leeds

38. Copies of the presentations from each of these meetings are included as the following appendices:

- SCI Appendix 22 - Aire Valley Homes Leeds Presentation – on pages 736 to 783
- SCI Appendix 23 - West North West Homes Leeds Presentation – on pages 784 to 827

### **Four - Council Plans Panel Meetings**

39. Finally, our proposals were presented to the Council's Plans Panels on the following dates.

- Beeston Hill & Holbeck - Wednesday 9 September 2009 at the Civic Hall, Leeds
- Little London - Friday 18 September 2009 at the Civic Hall, Leeds

40. Copies of the presentations from each of these meetings are included as the following appendices:

- SCI Appendix 24 - Plans Panel Presentation Beeston Hill & Holbeck – on pages 828 to 847
- SCI Appendix 25 - Plans Panel Presentation Little London – on pages 848 to 864

## Summary

41. In summary, our Statement of Community Involvement provides comprehensive evidence that extensive consultation has taken place on a variety of levels in order to engage with key stakeholders and the local community. This consultation has given the community the opportunity to be involved and shape the form of development proposed before an application is submitted, and aligns with the requirements of the Councils adopted SCI.

