

THE EXECUTIVE

21 FEBRUARY 2006

REPORT OF THE DIRECTOR OF HOUSING & HEALTH

HOUSING FUTURES: PRIVATE FINANCE INITIATIVE (PFI) EXPRESSION OF INTEREST (EOI)	FOR DECISION AND INFORMATION
<p>Summary:</p> <p>This report informs the Executive of the Private Finance Initiative (PFI) Expression of Interest (EOI). PFI option is a major initiative aimed at making 20 high rise blocks decent by 2010 and beyond. The PFI initiative will allocate resources that can be used to meet the criteria.</p> <p>The report seeks Members' approval for officers to submit an Expression Of Interest for the PFI proposal, which comprises 20 tower blocks and 1435 dwellings as set out herein. It also seeks approval for the recommendations set out in the report.</p> <p>Wards Affected: All</p>	
<p>Implications:</p> <p>Financial:</p> <p>The effective development of the PFI programme will have resource implications for the Council, although as this report is concerned with the preparation of the bid, there are no further financial implications in agreeing its recommendations.</p> <p>Professional fees will need to be incurred in developing the Private Finance Initiative proposals between February 2006 and June 2006. It is considered that these costs will be contained within the overall level of resources available to the Housing Futures project. The size of the PFI bid will be for approximately £90.3 million PFI credits, this assumes significant redevelopment for sale, without reducing council ownership of dwellings</p> <p>Legal:</p> <p>The procurement of services and/or works will need to comply with Standing Orders and European Union (EU) rules.</p> <p>As set out at paragraph 6</p> <p>Risk Management:</p> <p>The Council's EOI is bidding against others for a relatively small national pot of £550million PFI credits, this is a high risk and even after taking actions to ameliorate this risk, it is not possible to eliminate it.</p> <p>The Council's EOI must be robust because it will not be possible to return to the Government for further PFI credits.</p> <p>Social Inclusion and Diversity:</p>	

The Race Relations (Amendment) Act 2000 places a requirement on local authorities to make an assessment of the impact of new and revised policies in terms of race equality. Existing policies have already been subjected to impact assessments. This Authority has adopted an approach of extending the impact to cover gender, disability, sexuality, faith, age and community cohesion.

As this report does not concern a new or revised policy there are no specific adverse impacts insofar as this report is concerned.

Crime and Disorder:

There are no specific implications insofar as this report is concerned.

Recommendation(s)

The Executive is asked to agree:

1. To welcome the Expression of Interest (EOI) for this major investment initiative;
 - i. The approach set out in paragraph 2 to developing the Government's response to Decent Homes Standards, and noting the ODPM will announce the outcome of the bid by June 2006.
 - ii. To delegate to the Director of Housing and Health in consultation with the Chief Executive and the Monitoring Officer, authority to finalise the EOI within the parameters set out above in order to submit the EOI to the ODPM by 31/03/06.
 - iii. The broad framework set out in paragraph 3 for "The Expression of Interest for making 20 high rise blocks decent" due to be submitted to the Office of the Deputy Prime Minister by 31 March 2006.
2. The Executive is asked particularly to note that ward specific proposals will be subject to discussion with ward members prior to submission to Community Housing Partnership meetings.

Reason(s)

The Expression Of Interest for PFI will aid in setting the course of direction necessary for submitting an Outline Business Case to Government in June to bid for PFI credits, which will help to deliver the Government's Decent Homes standard by 2010.

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1. Introduction and Background

Government and Council policy for decent homes

- 1.1 The Executive agreed at its meeting of the 31 May 2005 that the council did not have sufficient resources necessary to meet the Housing Futures Standard, which incorporates the government's Decent Homes Standard plus residents' aspirations. Executive Members also agreed that other alternative investment options such as an Arms Length Management Organisation and Stock Transfer were not options that could be pursued

Given that prudential borrowing was not a realistic possibility officers have continued to explore ways of closing the gap in capital funds needed to deliver the Housing Futures standard. This work has been undertaken against a background of changes in the Comprehensive Performance Assessment (CPA) which may make the number of homes failing to meet the decent homes standard a "killer" Performance Indicator. In effect this means that the Council's score against this PI will determine the maximum score for housing overall. At present the Council's performance is in the middle quartile. If this performance cannot be improved then the Council's overall rating for housing and the CPA in general may suffer. It is therefore important to accelerate the rate at which homes are made decent both in terms of the CPA rating and to meet the clear expectations of tenants that homes should be improved within a 5-10 year period

- 1.2 It was agreed, therefore, that a PFI/PPP scheme would be the best option for delivering long term investment to high rise stock in high need of repair. A PFI would:
- increase investment in high rise stock whilst allowing the Council to retain ownership of the stock and tenants retain their existing tenancy agreements
 - attract additional investment which would plug the investment gap and meet tenants aspirations
 - could form a key element of a mixed options strategy
- 1.3 The Executive also agreed to officers setting up an interim PFI project team to prepare for submission of an expression of interest in October 2005. The ODPM put back this invitation to 31 January 2006 with a submission deadline of 31 March 2006
- 1.4 The Council is shifting the emphasis away from allocating capital for tackling urgent repair needs, to fundamental housing renewal so that all housing stock have facilities of 21st Century standard over the coming decade.
- 1.5 The Government's Decent Homes programme also aims to encourage better collaboration with other stakeholders to create long term sustainability of communities.
- 1.6 In order for the Council to be eligible to participate in the PFI programme, an Options Appraisal has to be carried out demonstrating the improvement needs. This Options Appraisal looks at all the main options for the dwelling stock in the PFI programme. Delivery plans are expected to be well developed and local partners are expected to be committed to the Council's plans for raising standards in the housing stock.
- 1.7 The Office of The Deputy Prime Minister (ODPM) is keen to ensure that the Council has capacity to deliver this ambitious programme and will be looking for evidence of such capacity. The Council will be setting up a number of delivery vehicles to help deliver the programme. It is anticipated that the Housing Futures team will lead on procurement,

including discussions with the industry construction related financial markets to ensure that there is capacity in the industry to deliver the programme. It is anticipated that the project will enter into framework agreements with a number of suitable service providers, and will become the first point of contact for discussions on the balance between PFI funding and traditional capital local procurement.

2 LBBD's response and approach to the PFI programme

2.1 An EOI is to be submitted to the ODPM by 31/03/06 and a formal announcement in June 2006 to advise whether London Borough of Barking and Dagenham's bid has been approved. At that point, if approved, an Outline Business Case will need to be provided to the Office of The Deputy Prime Minister.

2.2 The EOI will include the following parameters;

- Corporate aims and vision
- Borough aims and vision setting out strategic plans for housing
- Scoping data for each block/blocks
- The balance between supply of and demand for housing and their distribution within the borough as well as information on tenants numbers in each block.
- Project type – new build, refurbishment/remodelling, minor refurbishment and phasing information
- Confidence levels (in being able to deliver the project types)
- Housing Needs data
- PFI Financial Model

2.3 In the process, the following will be considered in aiming for fuller consultation with the Stakeholders.

- Elements of the vision for housing in Barking and Dagenham and the building needs (to help deliver that vision) must be addressed. This vision will address;
 - Characteristics of buildings for the future
 - Capacity to deliver

2.4 The Council will have a project development and delivery process consisting of a lead officer, Project manager, Project Officer and support team, reporting to a project board with member level representation. Refer to list (PFI Project membership list), see Appendix A.

2.5 In preparing schemes to be implemented it will be necessary to package schemes so that not only economies of scale are secured but also disruption to residents is minimised (list of blocks). See Appendix B for list of blocks. The Executive should note that 20 tower blocks are affected over 15 sites comprising 1435 dwellings. Each block is subject to a detailed Options Appraisal following HM Treasury's Green Book guidance.

2.6 Appendix C sets out a timetable for the main stages (focusing on the EOI and preparatory work for the full submission) together with a project plan so as to enable Executive to see the potential scope of PFI.

2.7 Additionally the Council will be reviewing a number of initiative Public Private Partnerships PPP's models to promote the Council's long term interests.

- 2.8 Subject to the Executive's views, it is recommended that Members agree to delegate to the Director of Housing & Health in consultation with the Chief Executive, Director of Finance and Lead Members for Housing & Public Health; and Regeneration, authority to finalise the EOI within the parameters set out above in order to submit the EOI to the ODPM by 31/03/06

3 Framework Agreement

- 3.1 It is anticipated that the preparatory work will be subject to framework agreements set out by the Council and a number of service providers. It is anticipated that this framework agreement will be tendered and awarded in accordance with EU rules.
- 3.2 In such circumstances the Council and contractors will be able to procure services and works under the framework in cost efficient and effective ways
- 3.3 It should be noted that PFI is subject to separate procurement processes, following ODPM, HM Treasury and EU regulations.

4 Financial implications

- 4.1 The initial stages of PFI development are to be within existing budgets. Later development of the PFI programme will have resource implications for the Council. Since this report is concerned with the preparation of the bid, there are no financial implications in agreeing its recommendations, at this stage.
- 4.2 Professional fees will need to be incurred in developing the PFI proposals between February 2006 and June 2006. It is considered that these costs will be contained within the overall level of resources available to the Housing Futures project.
- 4.3 The estimated overall cost off the PFI development is £203million in PFI credits, which would result, if the redevelopments for sale are realised, in a bid for £90.3million PFI credits. It must be emphasised that these figures are still evolving but are indicative of the scale of the project.

It is almost certain that this bid would have to be phased over a period of years. It should be noted that this programme would not reduce Council ownership of homes, and may offer the opportunity for an increase.

4.4 Risks

The EOI is inherently a high risk phase of this project. This is a bidding process nationally, against a "pot" of £550million PFI credits. In terms of refurbishment projects, this produces under £300million of Capital spending nationally. This risk is being ameliorated by consideration of (a) phasing (b) a very close review of development options for the dwellings concerned, (c) reviewing different forms of Public Private Partnerships and (d) discussions with ODPM. Further down the line, there are development risks and financial issues which are substantial and can be ameliorated but not eliminated altogether.

5 Staffing implications

In order to effectively support the development and implementation of the programme, there will be a need to engage additional technical and project management support, the details of which will be brought before Members in due course, once the EOI is submitted.

6 Legal implications

- 6.1 The procurement of services and/or works will need to comply with UK Regulations Standing Orders and European Union (EU) rules. Legal advice will be sought at appropriate stages from the Council's in-house legal team and its appointed external legal advisers.

Background information

The following papers were used in the compilation of this report:-

Notes of meetings

PFI Initiative Schemes for HRA/non HRA housing – guidance for authorities making proposals

Survey reports

Any person wishing to inspect the above papers should contact:

James Hodgson PFI Project Manager on : 0208-227-3841

Appendix A

Private Finance Initiative (PFI)

PFI Project Board and membership

The PFI Project Board consists of:

- David Woods, Director of Housing & Health (Chair)
- Wendy Ahmun, Head of Housing Strategic Development (Project Sponsor)
- Cllr. Liam Smith Executive Member for Housing & Public Health
- Cllr. Sid Kallar Executive Member for Regeneration
- James Hodgson (Project Manager)
- Jim Ripley – Head of Landlord Services
- Colin Rigby – Head Of Housing Finance
- Doris Acquah – Project Leader Housing Futures
- Paul Fordyce – Stock Investment Manager
- Kevin Cowin - MACE
- Paul Field – Legal Services
- Gordon Glenday – Group Manager Strategic Planning
- Joan Prior – CHM 2 & 4
- John Evans – CHM 1 & 3
- Mark Grossman – Project Co-ordinator Housing Futures
- Suzanne James – Project Officer Housing Futures (PFI)
- Simon Smith – Enterprise BWNL
- Rammy Turay – Enterprise BWNL
- Peter Griffiths – PPCR

Appendix B**LIST OF TOWER BLOCKS**

Block	Address	Post-code
Bassett House	427, Goresbrook Road, Dagenham, Essex,	RM9 4YE
Colne House	103, Harts Lane, Barking, Essex,	IG11 8LN
Dunmow House	197, Maplestead Road, Dagenham, Essex,	RM9 4YE
Eastbury Court	Eastbury Square, Barking, Essex,	IG11 9SN
Enterprise House	Curzon Crescent, Barking, Essex,	IG11 0JZ
Hawkwell House	2, Gosfield Road, Dagenham, Essex,	RM8 1DN
Hepworth Court	Hepworth Gardens, Barking, Essex,	IG11 9AZ
Highview House	Hatch Grove, Chadwell Heath, Romford, Essex,	RM6 5NS
Ingrave House	429, Goresbrook Road, Dagenham, Essex,	RM9 4YE
13-38 John Burns Drive	Barking, Essex,	IG11 9RQ
67-92 John Burns Drive	Barking, Essex,	IG11 9RQ
Laburnum House	89, Bradwell Avenue, Dagenham, Essex,	RM10 7AF
Law House	Maybury Road, Barking, Essex,	IG11 0PQ
Mersea House	104, Harts Lane, Barking, Essex,	IG11 8LN
Parkside House	1, Bell Farm Avenue, Dagenham, Essex,	RM10 7AU
Peveral House	Stour Road, Dagenham, Essex,	RM10 7HY
Sebastian Court	Meadow Road, Barking, Essex,	IG11 9PE
Thaxted House	1, Siviter Way, Dagenham, Essex	RM10 9SS
Triumph House	Alderman Avenue, Barking, Essex,	IG11 0LS
West House	Loxford Road, Barking, Essex,	IG11 8PX

Appendix C

Draft PFI Project Timetable

Phase 1	Submission of Expression of Interest	Dec – March 2006
Phase 2	Submission of Outline Business Case	July 2006
Phase 3	ODPM & Treasury Dept approval	By Oct 2006
Phase 4	Advertise and shortlist bidders	By April 2007
Phase 5	Invitation to Negotiate	By July 2007
Phase 6	Evaluation of bids	By Oct 2007
Phase 7	Preferred bidder – contractual close	By April 2008
Phase 8	Mobilisation	By June 2008

These dates are very approximate.

