

**LONDON BOROUGH OF BRENT**

**MEETING OF THE EXECUTIVE  
11 October 2004**

**FROM THE DIRECTOR OF HOUSING SERVICES/ DIRECTOR OF SOCIAL SERVICES**

FORWARD PLAN REF: HSG/-04/05-30

**NAME OF WARD(S)  
ALL**

**REPORT TITLE: MODERNISING RESIDENTIAL CARE FOR PEOPLE WITH  
LEARNING DISABILITIES AND ACQUISITION OF PERMANENT  
AND TEMPORARY ACCOMMODATION: PRIVATE FINANCE  
INITIATIVE**

**Action**

**Above**  **Below**   
**Confidential Line**

**1.0 Summary**

1.1 This report brings Members up to date with the proposed PFI project which has received conditional consent from the Office of the Deputy Prime Minister (ODPM) in regard to the Outline Business Plan (OBC) and seeks authority to undertake the necessary tasks in order that an OJEU notice can be prepared. In addition it advises Members of the anticipated costs associated with taking the project forward to commercial close and asks Members to confirm their decision to support the project.

**2.0 Recommendations**

2.1 That Members confirm their support for the project.

2.2 That Members agree to the preparation of the OJEU notice.

2.3 That Members note the anticipated expenditure required to bring the project to commercial close and the proposed funding strategy.

**3.0 Financial Implications**

3.1 The report clearly states an estimated spend of £350K on external advisers and project support. This is consistent with expenditure incurred on other similar projects. Unlike many other housing projects the costs will not be attributable to the Housing Revenue Account (HRA) but are attributable to the General Fund as these properties will not form part of the HRA – indeed these properties will be in relation to the provision of housing homeless persons on both a temporary and permanent basis

3.2

3.3 Officers have requested that the expenditure be considered as part of the 2005/06 budget process and spending in 2004/2005 be funded by any Housing General Fund under-spends in 2004/2005 relating to homeless operations. It is also proposed to negotiate including the expenditure within the scheme cost and thus deferring expenditure over the life of the project. The risk will be that if the scheme does not proceed these costs will fall in the year incurred and will not be fully met by other under-spending. This will need to be monitored closely.

3.4 Whilst £350K is not an inconsiderable budget, Members need to consider this sum in relation to the PFI credits of £24M and the significant increase in permanent 'temporary' and long term affordable housing which will deliver considerable benefits to the Council.

3.5 It is anticipated that the costs of this project that fall on the General Fund will be funded from the savings in nomination rights. It is unlikely that any payments to the successful contractor will occur before the financial year before 2007/07. Clearly Members will receive full details of potential costs falling on the General Fund when bids are received by the Council.

#### **4.0 Staffing Implications**

4.1 None directly arising out of this report. As indicated in the March 2003 report to the Executive there are no staffing issues for Housing. However for Social Services there are a number of issues because this is a proposed externalisation of an existing service (as outlined in that report).

#### **5.0 Diversity Implications**

5.1 The Council will either be increasing both the number of dwellings available for housing those with need and in the case of the residential care aspect of the project substantially improving the quality of accommodation provided.

5.2 Accommodation will be allocated to those persons in a manner wholly consistent with current council policies and legislative requirements.

#### **6.0 Detail**

6.1 In March 2003 the Executive received a report which described, in detail, the proposed OBC in respect of this project. The decisions taken at that meeting were:

6.1.1 That agreement in principle be given to re-provide and develop the residential and supported living homes as detailed in the OBC and the acquisition through PFI of additional social housing;

6.1.2 That agreement in principle be given to release the Social Services sites, Homelea and Melrose to enable the PFI development to be funded;

6.1.3 That the Outline Business Case be submitted to the Office of the Deputy Prime Minister;

6.1.4 That officers report back for approval of the tender process once the OBC is approved by the ODPM.

6.2 Members are reminded that the scheme seeks to address, in the main additional accommodation, both permanent and temporary, to meet the housing need in the Borough. Given this demand remains strong, and that this project offers the opportunity to increase the supply of affordable housing with the backing of PFI credits of £24M, this project remains both relevant and viable. The Social Services part of the scheme, whilst relatively small, provides important re-provision of current, inadequate accommodation with external financial assistance from government. The outputs will include:

- Temporary accommodation for 300 homeless families
- The provision of long term permanent accommodation for those families within 3 years
- The on-going provision of temporary accommodation for those families
- The replacement of existing accommodation for Adults with Learning Disabilities with 50 units of accommodation

6.3 The OBC was submitted to ODPM. No technical issues were raised through this process and any issues were resolved by our external consultants at an early stage. Conditional consent was given to the OBC and received in November 2003. The indicative level of PFI credits available to the project is in the region of £24M.

6.4 It was clear from the conditional consent that ODPM had concerns around the capacity of the local authority, and in particular the Housing Service at that point to proceed with the PFI project. In particular the service was seeking to bring to commercial close the Stonebridge PFI style arrangements in regard to the succession strategy in addition to the ALMO programme and South Kilburn. Therefore ODPM has required Brent to submit to them our project management arrangements (including details of both the higher tier arrangements (the 'Project Management Board') and the lower tier ones (e.g. the 'Project Management Group') before advertising in the OJEU.

6.5 Since receipt of the conditional consent the Stonebridge Housing Action Trust project has been approved by members and it is anticipated that the contracts will be signed shortly. In addition the ALMO is now fully operational and the South Kilburn master plan is at the stage where the process of selecting a partner has commenced.

6.6 Moreover, the possibilities of developing the project on a successful basis is considered to be enhanced with at least the opportunity for land to be acquired for the project that is fully compatible with the aims and objectives of all these initiatives.

6.7 In conjunction with the Borough Solicitor external lawyers have been appointed following a tendering and interview process. This appointment is currently under review by the Borough Solicitor following the departure of particular, appointed solicitors to another firm.

6.8 Considerable research was undertaken to appoint a part-time project manager – a crucial role in this type of project. Public Private Partnership Programmes (4Ps)

assisted with this process and eventually a candidate with sufficient experience and credibility was appointed, on a 'consultancy basis' to assist with the project.

- 6.9 A further appointment needs to be made in regard to the Housing/Financial Consultants. Robson Rhodes was appointed to assist in the delivery of the OBC. Whilst the OBC was completed and submitted to ODPM, the consultants who were engaged 'moved on' to other firm(s) and hence the lack of continuity was not particularly helpful in securing consent from ODPM. Robson Rhodes were engaged up to OBC stage with a clear understanding that future work would need to be further market tested. The process of securing external Housing/Financial Consultants will commence shortly with a view to engaging consultants that can support the scheme to contract close.
- 6.10 Clearly in order to successfully deliver the project considerable 'at risk' costs need to be incurred in relation to external advice/project support. It is anticipated for the remainder of the financial year and 2005/06 a total budget of £350K will be required to fund:
- 6.10.1 External legal advice
  - 6.10.2 External Financial/Housing Advice and other technical advice.
  - 6.10.3 Project Support (including project manager)
- 6.11 Given the relative confidentiality in regard to revealing financial figures when contracts have not been let it is not thought appropriate to break the anticipated spend between contracts. Members will be fully informed as to the cost of letting each of these elements and proper budgetary control will be undertaken throughout the assignments.
- 6.12 It should be noted that these expenditure heads will be a charge to the Council's General Fund. During the 2004/05 budget process the fees connected with this project were identified as a 'hot spot' and as such were deemed a risk rather than a funded item. This was because it was not clear expenditure would be incurred in 2004/2005. Currently other than officer time any expenditure to date has been found from existing resources.
- 6.13 Clearly this position is not sustainable in the longer term. Discussions have taken place with the Director of Finance and this expenditure is being taken into account in the current budget process. It is anticipated that a funding strategy of partially funding the costs from under spends on the 'Housing General Fund' in 2004/2005 and seeking the successful contractor to roll costs up into the overall project and thus defraying expenditure over the life of the contract is the most likely outcome.
- 6.14 The Project Structure will follow the standard recommended style which appears to be favoured by ODPM and their advisers, that is a Project Board that oversees and approves major decisions/policy direction and the Project Group that oversees the general progress of the project and advises the Project Board on matters of substance etc. Both the Project Board and Project Group will have access to the external advisers and the Project Manager/Project Administrator.

- 6.15 It is anticipated that the Project Board will consist of:
  - 6.15.1 Director of Housing (Project Sponsor)
  - 6.15.2 Director of Social Services
  - 6.15.3 Director of Finance
  - 6.15.4 Borough Solicitor
  - 6.15.5 Head of Property Services
  - 6.15.6 Representative from 4Ps
  
- 6.16 It is anticipated that the Project Group will consist of:
  - 6.16.1 Head of Housing Finance (Project Leader)
  - 6.16.2 Assistant Director Community Care
  - 6.16.3 Assistant Director Strategy and Regeneration
  - 6.16.4 Head of Housing Resources Centre
  - 6.16.5 Assistant Director of Resources Social Services
  - 6.16.6 Head of Learning Disability Partnership
  - 6.16.7 Joint Commissioner for Learning Disability
  - 6.16.8 Head of Estate Management
  - 6.16.9 Project Manager
  - 6.16.10 Borough Solicitor's nominee
  - 6.16.11 Director of Finance's nominee
  - 6.16.12 External Housing/Financial/Technical Advisers
  - 6.16.13 External Legal Advisers
  
- 6.17 The main principles underpinning both the Board and Project Group is that there is coverage from service areas (bringing experience of service delivery to the project ), regulatory and professional expertise (particularly in the areas of law and finance) and general PFI project management experience.
  
- 6.18 It is anticipated that the timeframe between the issue of the OJEU notice and contract close is approximately 69 weeks.
  
- 6.19 The key tasks/processes have preliminary been estimated as follows.
  - 6.19.1 Issue OJEC Notice 1 week
  - 6.19.2 Expression of Interest 6 weeks

- 6.19.3 Issue of Pre-Qualification Questionnaire 6 weeks
  - 6.19.4 Bidders conference
  - 6.19.5 Evaluate PQQ and confirm long-listed bidders 4 weeks
  - 6.19.6 Issue Preliminary Invitation to Negotiate (PITN) and Draft Project Agreement 10 weeks
  - 6.19.7 Evaluate PITN Tenders etc. 8 weeks
  - 6.19.8 Issue Invitation to Negotiate and Final Project Agreement 16 weeks
  - 6.19.9 Evaluate ITN Tenders and confirm bidder. 8 weeks
  - 6.19.10 Final Negotiations with Preferred bidder 10 weeks
  - 6.19.11 Contract Award
- 6.20 Clearly Council officers will endeavour to work with their external advisers in a manner that ensures the project develops expeditiously. Whilst the Housing Service/Social Services has no previous experience of PFI project that attract credits, other Council services are experienced in the PFI process and Members will be aware of the substantial timescales required to successfully bring these projects to commercial close.

## **7.0 Background Information**

Report to Executive 10 March 2003.

Any person wishing to inspect the above papers should contact the report's author:

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