

West Wiltshire District Council

Council

10 November 2004

Housing PFI Project – Progress on Outline Business Case

1. Purpose

To seek approval to submit the Outline Business Case to the Office of the Deputy Prime Minister (ODPM), prior to the next Full Council meeting.

2. Background

The Housing Private Finance Initiative (PFI) project is a valuable opportunity for the Council to secure nomination rights to 500 much needed affordable homes in addition to those properties delivered through existing subsidy mechanisms, such as Section 106 schemes and Housing Corporation grant.

At the Full Council meeting on 12 May 2004 (reconvened from 21 April) and, following approval of West Wiltshire's expression of interest in Housing PFI by the ODPM, members agreed that work should commence on the Outline Business Case (OBC).

There has been good progress on the project over the last six months as summarised below:

- August 2004 – establishment of robust project management structure.
- August 2004 – housing and financial advisors selected (Grant Thornton and Hunter and Partners).
- October 2004 – in-house project manager started.
- November 2004 – soft market testing arranged with prospective bidders.

Work is underway to prepare the OBC, but much still needs to be done to complete the document. The ODPM deadline for receiving the OBC is 31 December 2004, which is before the next Full Council meeting. It is therefore proposed that the Housing PFI Project Board should agree submission of the OBC at its meeting in December, subject to approval of the document at the next Full Council meeting on 5 January 2005.

3. Key issues

Full Council has already agreed that the OBC should be produced. It is proposed to submit the OBC before the next Full Council meeting. In making this decision, members will need to be satisfied that sufficient controls are in place to manage the associated risk and resource implications. These are set out below:

a) *Housing PFI Project Board approval:* a robust project management structure has been established, based on the proposals in the 21 April report. Details of the structure are available on request from the Housing PFI Project Manager.

The Project Board comprises of two portfolio holders (Cllrs Mounde and While) together with the relevant corporate director (Tim Darsley) and external representation from the 4Ps (the specialist public/private partnerships team within the Local Government Association). The Board is supported by an operational group, which comprises of senior officers and the Council's housing and financial advisors.

The draft OBC will undergo rigorous assessment by the operational group before it is presented to the Project Board for approval. As part of this process, we will tap into our consultants' considerable experience of housing and PFI projects. The Board will then scrutinise the draft OBC at its December meeting and, only if satisfied with the document, will it agree to submission.

b) *Consultation with ODPM and Project Review Group:* the ODPM will also be consulted during the drafting of the OBC. If there are any significant areas of concern, it is anticipated that ODPM will advise against submitting the document until these have been resolved. This will help to avoid any delays when the OBC goes forward for approval by Government.

Once the OBC has been submitted, it will be at least 12 weeks (often much longer) before it is approved by the Project Review Group (PRG) (a central government group, chaired by the Treasury, which considers all PFI projects). This will allow time for the OBC to be approved by Full Council before it is considered by the PRG.

c) *Financial implications:* there is budgetary provision of £98,000 for set-up costs during 2004/05, of which approximately £70,000 will be spent during the OBC's development.

It is important members are aware that the level of Government subsidy in the project will be effectively fixed at OBC stage. For this reason it is essential that the financial calculations within the submission are very robust. This is a major area of work for our consultants and the Finance department, which will be based on information about land supply and feedback from potential bidders.

d) Legal issues: there are no significant legal implications up to submission of the OBC. Once it has been approved, it will be necessary for the Council to appoint legal advisors. The selection process for suitably qualified consultants will start early in the New Year.

e) Staffing implications: the project manager will be responsible for co-ordinating and driving forward the project, as well as undertaking allocated tasks. However, there will continue to be a workload commitment for other Council staff in the run up to submission of the OBC and beyond.

f) Human rights: there are no significant human rights issues affecting this report.

4. Options

Assuming that the OBC is ready for submission by the 31 December 2004 deadline, members have two options for approving the document, either:

- for Full Council to approve the OBC, after it has been submitted, at its meeting on 5 January 2005; or
- to arrange a special meeting in late December 2004.

The first option is recommended in this report on the grounds that the draft OBC will undergo considerable scrutiny by the operational group and the Project Board, together with the ODPM and the Council's advisors.

5. List of background papers

"Housing Private Finance Initiative – The next stage" report to Full Council 21 April 2004 (reconvened 12 May).

6. Recommendation

It is recommended that the Housing PFI Project Board is authorised to agree submission of the Outline Business Case to the Office of the Deputy Prime Minister, subject to approval of the document at the next Full Council meeting.

Plain English Guidance Given

Authors

Councillor Michael Mounde,
Planning & Economic Development

Chris Trowell,
Housing PFI Project Manager

22 October 2004

List of Appendices

Housing PFI project management structure – available on request from Housing PFI Project Manager.