

Housing Private Finance Initiative : Final Tender

SUMMARY

- 1.1 On 28 November 2008, Cabinet approved the re-scoping of the Housing PFI Project, using only the sites at Spondon and Alvaston.
- 1.2 Since that time, there have been issues with Planning on the available sites, but these have now been resolved.
- 1.3 Due to the financial crisis and the unavailability of additional land, the PFI can only be delivered by developing the sites as 100% 'affordable' properties.
- 1.4 One Bidder has withdrawn from the PFI process and this has been reported to the Homes and Communities Agency - HCA.
- 1.5 HCA have advised that the Housing PFI scheme can still be delivered by continuing the process with a single Bidder, which is good news.

RECOMMENDATION

- 2.1 To authorise proceeding with the Housing PFI Project, subject to all approvals processes required by the HCA being approved.
- 2.2 To request that Cabinet delegate authority to the Corporate Director of Resources in consultation with the Cabinet Member for Housing and Environment, any decisions required to progress the project.

REASON FOR RECOMMENDATION

- 3.1 To allow the Housing PFI to continue as programmed, to provide the rented affordable housing in accordance with planning policy.
- 3.2 The timetable as outlined at Appendix B is very tight and does not allow for further reports to be submitted to Cabinet.

SUPPORTING INFORMATION

- 4.1 The Housing PFI was originally designed to deliver 175 affordable homes across the city. 125 of these were to be new build and the rest were to be acquired and refurbished properties. The original concept was for the new build properties to be spread over 5 sites at Spondon, Alvaston, Broadway, Swallowdale and Merrill School.
- 4.2 Since the initial conception of the scheme, the impact of the credit crunch has meant that 3 of the 5 original sites are no longer available for the PFI and the project has been re-scoped in an attempt to deliver affordable housing on the two remaining sites (Alvaston and Spondon) within the PFI credit allocation.
- 4.3 Several innovative initiatives have been developed to try to ensure that affordability can be maintained, however some of these have not been acceptable to HCA and have had to be discarded.
- 4.4 Recently, there have been issues surrounding planning on the two remaining sites. These planning issues have now been resolved.
- 4.5 Prior to this, negotiations of the contractual documents with the two remaining bidders, (Riverside Housing and Derwent Housing) had reached the point where the Parties' positions had been established and, subject to final confirmation, the Council could finalise the Final Tender documents.
- 4.6 Bidders were requested to submit revised financial models by December 2009. This resubmission was intended to be the final point where significant changes might be made prior to finalising the legal documents, and closing the Dialogue phase of the project prior to calling for Final Tenders.
- 4.7 Riverside submitted their financial model and proposals on 15 December 2009, but unknown to them, Derwent had contacted the Council indicating that it was considering withdrawing from the Project. Derwent's withdrawal was confirmed in late December 2009. The Council's Project Board recommended that its preferred option would be to recommend to HCA that we be allowed to continue the procurement with Riverside as a single Bidder, in view of Riverside's latest financial proposals.
- 4.8 Subsequently a report was submitted to HCA in January 2010, detailing the current position and requesting that we be allowed to continue the procurement with Riverside.

- 4.9 HCA forwarded the request to the Department for Communities and Local Government – CLG - for their consideration and on 15 February 2010 confirmation was received from HCA of their agreement to progress with Riverside, subject to certain conditions regarding the process and timescale.
- 4.10 A meeting with HCA and CLG on 24 February reinforced the position with the HCA and they have agreed the revised Project timetable included in this report at Appendix B. HCA stressed the importance of adherence to this timetable in order that they could continue to support the project with CLG and the Treasury and the project must strive to reach commercial close by June 2010.
- 4.11 Any further delays in the Project timetable are unacceptable, not least because inflation continues to eat away at our affordability.
- 4.12 The latest estimated position is that the PFI can deliver 104 new build homes by developing the two sites at Spondon and Alvaston as 100% affordable properties and an additional 66 acquired and refurbished properties, (a total of 170 properties) within the affordability envelope. To achieve this, Riverside has included the development of a site in its ownership with capacity for 11 homes.

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Background papers:	None
List of appendices:	Appendix 1 – Implications Appendix 2 - Timetable

IMPLICATIONS

Financial

- 1.1 The Council has been offered £22.25m of PFI credits towards the provision of the PFI project.
- 1.2 The original budget set aside to cover capital and revenue development costs of the project was £2.625m of which £2.520m has been spent/committed to date. There is currently sufficient budget at this time to take the project to financial close. Current estimates have been based on the best available information at this time.

Legal

- 2.1 The procurement has been carried out in accordance with EU procurement requirements.
- 2.2 As part of the Private Finance Initiative the procurement and contract documentation is subject to extensive guidance from, and the requirements of, central government. The contract documentation has been based on model documentation issued by government and any derogations from the model form will require approval. Experienced external legal advisers have been retained throughout the procurement process to act for the Council on the preparation and negotiation of the formal contract.

Personnel

3. None.

Equalities impact

4. All of the units in the Housing PFI scheme will be affordable housing.

Corporate objectives and priorities for change

5. The PFI project aligns to the Council's priorities of City Growth by planning Derby's infrastructure and regenerating our neighbourhoods and a Healthy City by delivering housing services.

Timetable

Stage/ event No.	Task/event	Target Completion (all dates except the last 2 are in 2010)
1.	Meeting with HCA to determine the forward process and timescales	24 February - complete
2.	Revise Project documentation to accommodate new HPP requirements and despatch to Bidders	12 March - complete
3.	Review Financial Model with Bidders, discuss/ negotiate final figures and identify risks/ uncertainties	1 April
4.	Discuss/ agree Project documentation with Bidders, identify derogations	16 April
5.	Receive Financial Models from Bidders with uncertainties identified and quantified (e.g. SIs, derogations)	23 April
6.	Prepare derogations and full Report on Current Position and despatch to HCA	30 April
7.	Submit Pre Preferred Bidder Final Business Case	14 May
8.	Derogations position confirmed	14 June
9.	Call for Final Tenders/ Close of Dialogue	14 June
10.	Final Tenders received (including revised Financial Models from Bidders (reflecting derogation outcome))	21 June
11.	Second Stage Review commences	25 June
12.	Second Stage Review ends PB recommended	23 July
13.	Commercial and Financial deal concluded, subject to Planning, JR, swap rate (assuming traditional close), and any outstanding risks.	27 July
14.	Detailed Planning Application prepared and submitted	30 July
15.	Final uncertainties determined and final Financial Model before swap rate received	Mid November
16.	Submit Final FBC for approval prior to close	Late November tbc
17.	Await possible call in	November – January 2011
18.	Financial Close	Early February 2011