

Item No.	Classification: Open	Date: 15 June 2010	Meeting Name: Cabinet
Report title:		Proposed Amendment to Interim Outline Business Case for Aylesbury Estate Private Finance Initiative	
Ward(s) or groups affected:		Faraday	
From:		Strategic Director of Regeneration and Neighbourhoods	

RECOMMENDATIONS

That the Cabinet agrees to:

1. Amend the scope of its Outline Business Case (OBC) under the Government Private Finance Initiative (PFI) to include sites 1b & 1c as well as those in Phases 2 & 3.
2. Request officers to consult with affected local residents to obtain their views on possible changes to the phasing and timing of the Aylesbury regeneration programme.

BACKGROUND INFORMATION

3. Early in 2009 the council was successful with its Expression of Interest to the Homes and Communities Agency (HCA) for PFI credits for Phases 2 and 3 of the Aylesbury regeneration programme. The phasing diagram is shown as Appendix 1.
4. In October 2009 the executive considered two reports to take the Aylesbury Regeneration Programme forward:
 - The first report addressed Phase 1 of the development and the executive agreed to take the sites comprising this phase forward on the basis of a selection process utilising a developer panel procured by the HCA;
 - The second report considered the PFI award for Phases 2 & 3 and for the redevelopment of these sites to follow on from Phase 1.
5. The executive agreed for council officers to prepare an Interim Outline Business Case (IOBC) to be submitted to HCA in July 2010 as part of its case for obtaining Private Finance Initiative (PFI) credits to part fund the implementation of Phase 2 & 3. The sites currently comprising Phases 2 & 3 are expected to deliver approximately 410 social housing units, 136 intermediate units and 548 units for sale. The PFI project would deliver the social housing.
6. The HCA requires the Aylesbury PFI Housing Project to commence work on site before the end of 2014. This is a challenging target given the complexity of the PFI procurement process. A further complication is the need to develop all the Phase 1 sites in advance of the Aylesbury PFI Housing Project.
7. Since the executive decision, work has continued on a number of streams in taking the project forward. Key outcomes of this work have been:
 - An independent review by Grant Thornton of the scheme financing and risks
 - Clarification of the project timescales and technical requirements for the PFA, including discussions with other authorities that have taken forward housing PFI schemes

- Some delays in the setting up of the HCA developer panel and detailed discussions with the HCA on matching the use of this panel with the council's procurement processes
 - Some recent and fundamental reductions in available HCA funding arising from the recent government spending review.
8. These factors have led to the need to reassess the project in terms of timing and potential funding sources, to minimise the risks to the project and ensure the production of a robust IOBC for the PFI.

KEY ISSUES FOR CONSIDERATION

9. In the light of the above, there are major risks in progressing the current phasing proposals, in terms of both funding and phasing. The substantial reduction in available funding from the HCA could leave the remaining Phase 1 sites with a financial deficit which, together with the high upfront costs of leaseholder buybacks for Phases 2 and 3, would make the programme unaffordable. In terms of phasing, the above issues have delayed the marketing and delivery of the Phase 1 sites, which in turn impact on the deliverability of Phases 2 and 3. There are two key issues:
- Phases 2 and 3 are dependent on Phase 1 sites being completed in order to decant existing residents from the later phases.
 - On the advice of Savills, market conditions are such that around 100 of each type of property unit (i.e. houses and apartments) could be sold per annum. The convergence of Phase 1 with Phases 2 and 3 would mean that these numbers are greatly exceeded, with a consequent likely loss of developer interest in the scheme.
10. In order to manage these risks and ensure that PFI funding is not compromised, it is suggested that an alternative phasing is explored as part of the IOBC. From the current Phase 1, sites 7 and 10 would still be progressed through a procurement process; however, it is suggested that sites 1b and 1c, together with sites 8 and 9 from Phase 3 are considered for PFI funding in place of Phases 2 and 3.
11. This change could result in the timeline for redeveloping the sites comprising Phases 1, 2 & 3 changing while the target date for commencing building work on site for the PFI work unchanged. It is anticipated that these changes are likely to deliver a much more robust IOBC. The overall impact would be to increase the certainty of the regeneration programme moving forward, in a difficult market and external funding environment.
12. At this stage, cabinet is being requested to include the consideration of sites 1b and 1c in the IOBC, to be reported back in detail to the cabinet meeting on July 20. Should the council choose to alter the scope of the PFI as indicated, then officers will discuss with the HCA the future potential for using HCA Social Housing Grant (SHG) to help fund the redevelopment of the remainder of Phase 3 and Phase 2.

Consultation

13. It will be important that residents are appropriately informed and consulted, including those affected by any changes to the current published redevelopment proposals. The aim is that the outcome of this consultation will be available to the cabinet at its meeting in July when considering the IOBC. This consultation will be taken up through Creation and also more generally with residents, and will comprise an information pack clearly explaining the issues, the decision-making process and likely timetable, the deadline for responses and details of officer contact points where residents can take up their queries and concerns.

Policy implications

14. The main policy context is provided by the Aylesbury Area Action Plan (January 2010). Any future proposals would need to remain in line with the Plan in terms of land uses, tenure mix and broad timescales. An assessment of the proposals in the IOBC will be reported to the July meeting of the cabinet.

Community Impact Statement

15. There are no immediate implications arising from the preparation of the IOBC at this time. Any implications arising from any proposed changes in timing will be reported to the next meeting.

Resource Implications

16. There will be some resource implications arising from an increased cost of preparing the IOBC as a result of developing the additional option of changing the scope of the Aylesbury PFI housing scheme. This additional cost will be contained within existing revenue budgets.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Finance Director

17. In order to address properly the requirements of the PFI and submission of the Outline Business Case, it is essential that sites 1b and 1c are incorporated as part of the analysis of options.

Strategic Director of Communities, Law & Governance

18. The potential revisions to the phasing could result in a material change to management, maintenance and improvement of the dwellings on these sites and as a consequence the council is obliged under section 105 of the Housing Act 1985 to consult with the tenants affected. While no formal decision has been made on whether the composition of the Aylesbury PFI Housing Project should change, the IOBC is likely to confirm that it should and in order to inform the council's decision on whether the scope of this scheme should change then it would be prudent for the council to consult on this proposition.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Aylesbury Area Action Plan	Regeneration and Neighbourhoods Dept.	Julie Seymour 0207 525 0508

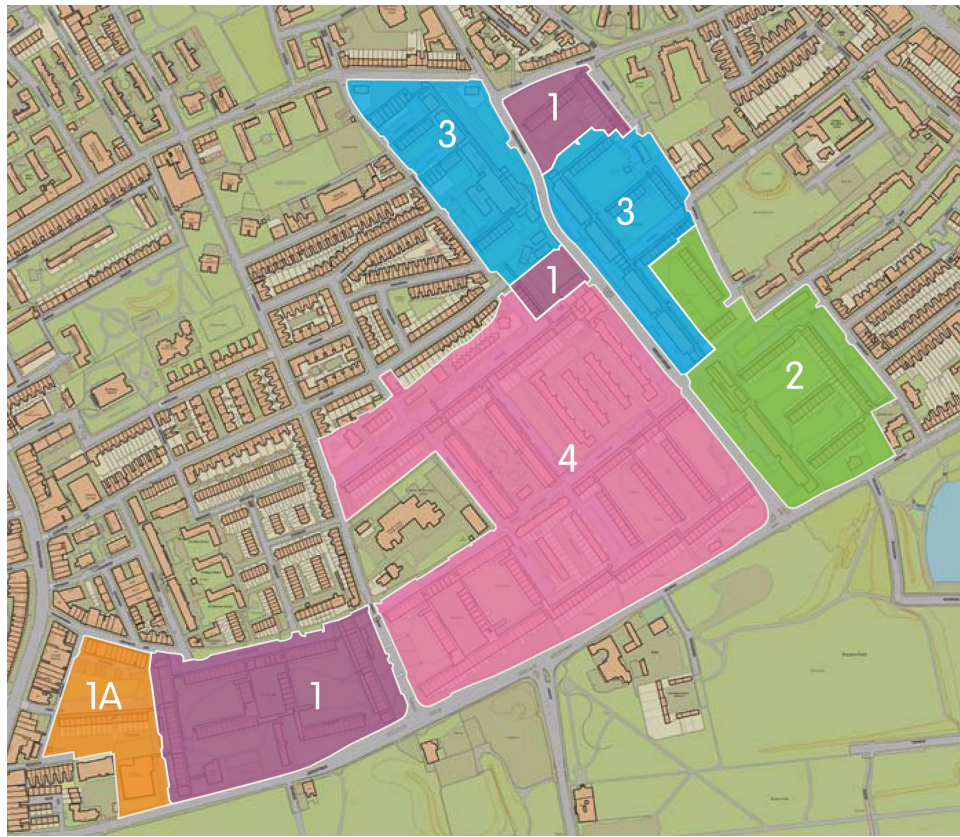
APPENDICES

No.	Title
Appendix 1	Sites Comprising the Aylesbury Regeneration Programme
Appendix 2	Summary of the Blocks comprising Phase 1, 2 & 3

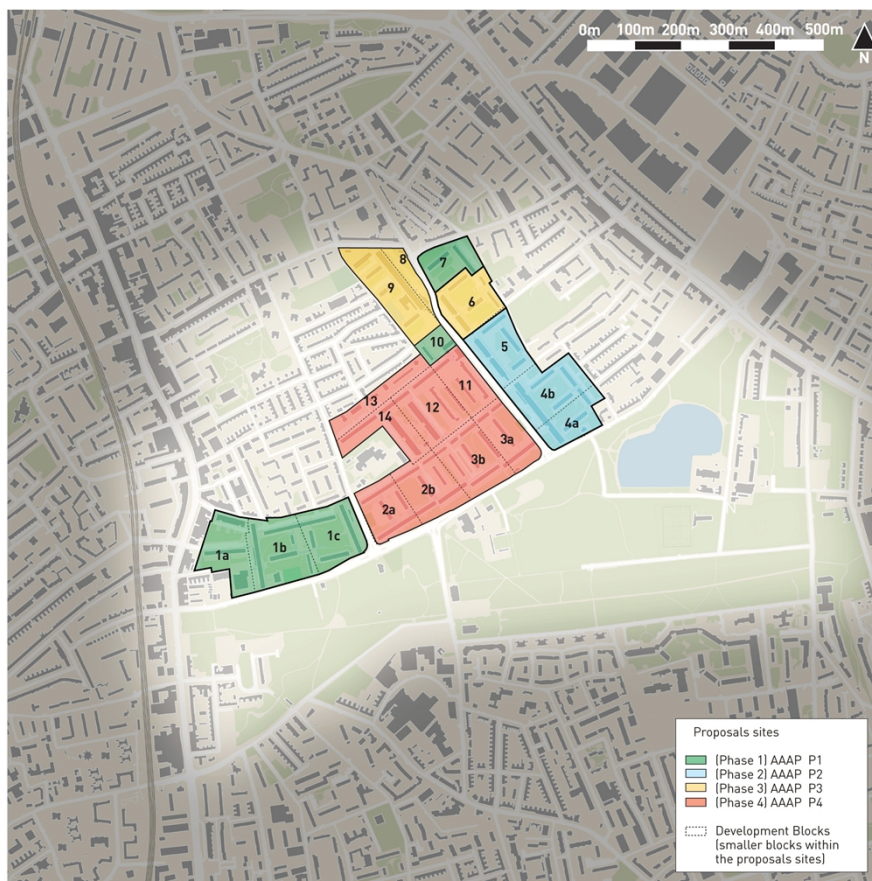
AUDIT TRAIL

Lead Officer	Richard Rawes, Strategic Director of Regeneration and Neighbourhoods	
Report Author	Geri McLeary, Aylesbury Regeneration Programme Director	
Version	Final	
Dated	June 4 2010	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
List other officers here		
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	June 4 2010	

Appendix 1: Phases Comprising the Aylesbury Regeneration Programme



List of Sites Comprising the Aylesbury Regeneration Programme



Appendix 2: Summary of the Blocks Comprising Phase 1, 2 & 3

Phase 1 - Site	Blocks
7	Wolverton 1-27 Wolverton 28-59
10	Missenden 300-313
1b	Chartridge 69-76 Chartridge 77-105 Bradenham 42-256 Ellison House Arklow 1-28
1b/1c	Chartridge 1-68
1c	Chartridge 106-119 Chartridge 120-149 Chiltern 1-172

Phase 2 - Site	Blocks
4a	Foxcote 1-30 Albany Road 140
4a/4b	Ravenstone 1-81 Wendover 241-471
4b	Padbury 1-25 Winslow 1-30
5	Wolverton 152-175 Wolverton 176-192 Wolverton 126-151 Wendover 37-72 Wendover 117-156 Wendover 201-240

Phase 3 - Site	Blocks
6	Brockley House 1-14 Wolverton 60-84 Wolverton 85-104 Wolverton 105-125 Wendover 1-36 Wendover 73-116 Wendover 157-200
8	East St 218 A-F
9	East St 184 A-F Northchurch 1-20 Northchurch 21-40 Northchurch 41-56 Northchurch 57-76 Taplow 1-215
10	Tykes Corner