

AGENDA ITEM:

REPORT TO:	MERSEYSIDE FIRE & RESCUE AUTHORITY
DATE:	13TH SEPTEMBER, 2007
REPORT NO.	CFO/159/07
REPORTING OFFICER:	CHIEF FIRE OFFICER
CONTACT OFFICER:	COLIN SCHOFIELD, PFI PROJECT MANAGER 0151 296 4203
OFFICERS CONSULTED:	
SUBJECT:	PRIVATE FINANCE INITIATIVE – PROGRESS REPORT FOR THE PERIOD MAY – AUGUST 2007

Purpose of Report

1. To provide the Authority with a review of progress on the North West Fire Services PFI Project for the period May to August 2007 and to look forward to key milestones in the forthcoming months.

Recommendation

2. That progress on the North West Fire Services PFI Project be noted.

Executive Summary

- Executive Board and Project Team continue to meet on a regular basis with training being provided at key stages.
- Finance, Legal and Technical Sub Groups of the Project Team have been convened to deal with detailed and specialised issues.
- North West Ambulance Service have confirmed their interest in joint facilities at Birkenhead and Southport but have yet to provide their detailed requirement or confirmed their financial commitment.
- Community and Local Government (CLG), the 4 P's and the North West Regional Management Board have been provided with updates on the Project.
- Liaison is taking place with the Regional Control Centre Project and Telent.
- The Outline Business Case (OBC) has been approved by each of the Authorities and submitted to CLG. CLG have responded with a range of questions which will be answered and the OBC updated, as necessary.
- Insurance Advisors have been appointed.

Executive Summary Cont.....

- There are still a number of planning approvals outstanding for Merseyside (and other) sites.
- The Project Manager is visiting each watch on each Merseyside station involved in the Project to explain what is happening and to answer any questions.
- Work is underway to prepare for the next phase of the Project which is to go to the market.
- A further Gateway Review of the Project is scheduled.
- Decant arrangements need to be finalised.
- Appropriate resources are being reviewed to ensure the Project remains on track.

Background

3. Members will recall from previous reports that the Authority, in collaboration with Cumbria and Lancashire Fire and Rescue Authorities, has been successful in its initial bid for notional PFI credits.
4. The scope of the Merseyside element of the Project is as follows:

New Stations (existing sites)

Belle Vale
Birkenhead
Bootle/Netherton
Formby
Kirkdale (with Operational Resource Centre on same site)
Newton le Willows
Southport

Timetable

5. The latest estimate for the Project timetable is as follows:-

Project Review Group (PRG)	November 2007
Official Journal of the European Union (OJEU) notice	January 2008
Open Day	January 2008
Competitive Dialogue Starts	March 2008
Competitive Dialogue concludes	August 2009
Appoint Preferred Bidder	October 2009
Financial Close	January 2010
Commence Work	March 2010
Commence Services	October 2012

Progress Since the Last Report

6. The Project Executive Board met on two further occasions in this period with further meetings scheduled at 2-monthly intervals to the end of 2007. However, in accordance with PRINCE2 Project Management principles, after 2007 the Executive Board will only meet at key stages of the Project to authorise the next stage following completion of the previous stage, unless any matters of urgency arise.
7. The Project Team continues to meet on a monthly basis with a further four meetings having taken place in this period. Project Team work centred on the detail of the Project particularly preparation of the OBC, the programme, options appraisal, consultation, risk, insurance, TUPE, land purchase etc. Further monthly meetings are scheduled to the end of 2007.
8. A Finance Sub Group (of the Project Team) has been convened and has met on two occasions. A further meeting is scheduled for September. A Legal Sub Group has also been convened and met twice. A further meeting will be held shortly. A Technical Sub Group will meet for the first time in the near future. These Sub Groups give the opportunity to focus on more specialised issues and discuss these in more detail than can be achieved at Project Team. It also allows interaction between the Advisors and in-house practitioners so that there is greater buy-in to the Project from those in-house resources.
9. Further meetings have been held with officers from Staffordshire and Gloucestershire Fire & Rescue Authorities, who are proceeding with PFI Projects in the current round. Officers are sharing documentation and experiences to the benefit of both Projects. In particular, Staffordshire are several months ahead of the North West Project and consequently the North West are able to benefit from lessons learned on that Project.
10. Updates and progress reports have been given to the North West Fire & Rescue Regional Management Board (18th July), Communities & Local Government (CLG) and Public Private Partnerships Programme (4 P's).
11. Discussions have continued with officers from the North West Ambulance Service (NWAS). Discussions centred around whether there are opportunities for shared facilities or joint working arrangements at any of the sites. NWAS currently indicate they wish to have joint facilities at Birkenhead and Southport fire stations (as well as Penrith in Cumbria) although they have not yet provided details of their accommodation requirements or formally agreed to the long term financial commitment required.
12. Further training for the Project Team has been held. This took the form of a 4P's workshop on being "Ready to go to Market and Ready to OJEU".
13. A number of further meetings have been held (and more are scheduled) with a range of potential contractors and funders.
14. The finalised Joint Working Arrangement between the three Authorities has now been signed and copies are retained by each Authority.
15. A letter has been sent to Merseyside Local Government Pension Scheme to seek their advice on TUPE and to discuss how the three scheme co-ordinators might work together to assist the Project. A response has been received and further work is now required on this matter.

16. A number of technical ICT – related issues appertaining to the Project have been identified. The Project Manager is checking with Telent to ensure there will be no unidentified or unanticipated communication issues when the sites are handed over to the PFI provider or when the newly built fire stations require commissioning.
17. The Project Manager is liaising with representatives from the Regional Control Centre Project to ensure each Project is aware of related issues, particularly timescales, of the other Project.
18. The key task since the last progress report was the completion of the Outline Business Case, its approval by each of the three Authorities (Merseyside on 26th June) and submission to CLG on 12th July. Subsequently CLG have provided a range of comments on the OBC, particularly on the financial section. These have been shared with the Executive Board and Advisors and, as a result, the OBC is being amended and specific questions have been answered. The final version of the OBC will be resubmitted shortly when issues such as NWS involvement have been finalised.
19. A specification was drawn up and a Request For Quotation (RFQ) sent out to four companies to act as Insurance Advisors for the Project. This is to protect the Project's (and therefore each Authority's) interest in ensuring that all risks are provided with appropriate insurance by either the public or private sector. Following evaluation of the quotations received, the contract has been awarded to Willis, one of the major players in the PFI Insurance market.
20. Accounting opinion on the Project was provided by the Finance Advisors and their conclusions were shared with the Audit Commission, who provided a letter in support. Both letters appear as appendices to the OBC.
21. Work on the Project was included in the audit recently carried out in Merseyside as a pilot for the revised CPA process.
22. The Project Manager has visited a number of stations including Speke/Garston, Liverpool City, Stretford (Manchester) and Hynburn (Lancashire) to try and further develop ideas around best practise in modern fire stations and to benefit from lessons learned at those stations.
23. The Project Manager attended a further PFI Practitioners Forum held by CLG in London.
24. The Project continues to attract press interest and articles have appeared in a number of local papers in the period, including Formby Times and Southport Visiter together with papers in both Cumbria and Lancashire. In addition the Project Manager has written articles which have appeared in Fire magazine and Local Government Executive.
25. A great deal of time and effort has been employed by the Project Manager and Advisors on planning and land issues. All sites must be purchased (or an option to purchase obtained) and outline planning permission granted for every building, before the Project can go before Project Review Group for approval. As all Merseyside stations are to be rebuilt on their existing sites land ownership is not an issue. However, to date, only two out of seven outline planning permissions have been received.

26. The Project Manager has now visited most watches at Merseyside stations included in the Project and has, by this means, consulted with the staff affected.
27. The Communications Plan continues to grow providing evidence of the work that has been done by the Project Team, and within the Authority, to advise stakeholders of the Project and its implications for them. This will continue to develop as the Project progresses.

The Next Steps

28. The next steps required to meet the agreed timetable are set out in the following paragraphs.
29. Key to the whole process is the finalisation of all land and planning issues. Current estimates indicate the last of these should be completed by early November 2007. Assuming this is achieved, this Project will be submitted to Project Review Group (PRG) on 20th November.
30. Prior to this the updated OBC needs to be submitted to CLG no later than 24th September and to Partnerships UK by 12th October. Partnerships UK will carry out a site visit over a short period in late October/early November and will prepare recommendations for PRG.
31. Assuming the Project receives PRG approval (normally 10-14 days after the meeting) an OJEU notice needs to be issued. This OJEU notice will be issued in early January 2008 (rather than run the risk of being "lost" in the pre-Christmas period). The OJEU notice has to run for a minimum of 37 days.
32. A Project Open Day (or Bidders Conference) will be held during this 37 day period, probably in late January 2008. Planning for the Open Day has already commenced. A venue has not yet been agreed but several Merseyside sites are under consideration.
33. Key tasks to be ready for the OJEU notice include preparation of:-
 - Descriptive Document (information pack)
 - Pre Qualification Questionnaire
 - Room Data Sheets
 - Output Specification
34. The training referred to in paragraph 12 will assist the Project Manager and Project Team in preparing for OJEU and to go to market. A further days training provided by 4P's and scheduled for late September will supplement this.
35. A Gateway 2 Review of the Project needs to be carried out by the 4P's to ensure the Project is ready to go to the market. This is scheduled for early February 2008.
36. Further meetings need to be held with staff affected by TUPE provisions to ensure they are fully aware of implications.
37. Further meetings are planned with officers from other PFI Projects to learn from experiences and benefit from good practice.

38. It is necessary to appoint a Design Quality Indicator (DQI) Facilitator for the Project. Discussions are in progress with Capita to see whether they are able to provide this service under their contract with Cumbria County Council.
39. Decant arrangements need to be worked through for all stations which are being rebuilt on the same sites.
40. It is essential that each of the Authorities is aware of, and provides, the resources required to move the Project on, both in their own areas and to support the Project Manager in the centre.

Equality & Diversity Implications

41. None arising from this report.

Financial Implications

42. The three Authorities have agreed to pay an appropriate element of the Advisors fees and of the salaries of the Project Manager and Co-ordinator. The apportionment based upon the capital value of each Authority's element of the Project and used since April 2007 is:

	Estimate £M (2006 prices)	Apportionment %
Merseyside	16.547	43.21
Lancashire	10.297	26.89
Cumbria	<u>11.454</u>	<u>29.90</u>
Total	38.298	100

43. Each Authority continues to bear their own direct staffing costs for officers involved in the Project. In addition, each Authority is responsible for their own direct costs in relation to land purchases, planning fees, land searches etc.
44. It is anticipated that total expenditure on the Merseyside element of the Project, up to Financial Close, can be met from the annual revenue budget of £125,000, although it may be necessary to move some financial resources between years, using the reserves set up for that purpose, to reflect peaks and troughs in the programme.
45. Members will recall that as part of the budget resolution for 2007/08, agreed by the Authority on the 22nd February 2007, a PFI Affordability Reserve was set up containing £680,000. This is available for use on the Project as required.
46. Details of the estimated Unitary Charge payable for the Project as a whole, and for Merseyside in particular, were provided in the report on the OBC to the special meeting of the Authority on 26th June 2007 (CFO/125/07).

BACKGROUND PAPERS

- Fire & Rescue Service Circular 11-2005 "Private Finance Initiative and the Fire & Rescue Service – Round 5" - 16th March, 2005

- Report CFO/212/05 “Acquisition of Land”, Policy & Finance Committee, 25th May 2005
- Report NW/14/05 “NWPFI – Expressions of Interest” – joint report of the Chief Fire Officers of Merseyside, Lancashire and Cumbria, North West Fire & Rescue Board, 25th May, 2005
- Report CFO/259/05 “Bid for PFI Credits (Fire & Rescue Service Fifth Bidding Round)”, Policy & Finance Committee, 15th December, 2005
- Report CFO/37/06 “North West PFI Project – Project Management Arrangements”, Merseyside Fire & Rescue Authority, 28th February, 2006
- Report CFO/48/06 “Merseyside Fire & Rescue Authority Budget & Financial Plan 2006/07 – 2010/11”, Merseyside Fire & Rescue Authority, 28th February, 2006
- Report CFO/100/06 “Private Finance Initiative – Progress Report”, Merseyside Fire & Rescue Authority, 6th June, 2006
- Report NW/27/06 “North West Fire & Rescue Services PFI Project – Project Report”, North West Fire & Rescue Management Board, 19th July, 2006
- Report CFO/186/06 “Private Finance Initiative – Progress Report”, Merseyside Fire & Rescue Authority, 14th November, 2006
- Report CFO/225/06 “North West Fire & Rescue Services PFI Project – Joint Working Agreement”, Policy & Finance Committee, 14th December, 2006
- Report CFO/04/07 “Private Finance Initiative – Progress Report for the period October – December 2006”, Merseyside Fire & Rescue Authority, 23rd January, 2007
- Report CFO/36/07 “Integrated Risk Management Plan and Associated Action Plan”, Merseyside Fire & Rescue Authority, 22nd February 2007
- 4P’s Gateway Review O-Strategic Assessment - 26th – 28th February 2007
- Report CFO/52/07 “North West Fire & Rescue Services PFI Project – Outline Business Case”, Merseyside Fire & Rescue Authority, 20th March 2007
- Report CFO/89/07 “Private Finance Initiative – Progress Report for the period January – April 2007”, Merseyside Fire & Rescue Authority, 15th May 2007
- Report CFO/103/07 “North West Fire & Rescue Services PFI Project – Kirkdale Fire Station”, Merseyside Fire & Rescue Authority, 26th June 2007
- Report CFO/125/07 “North West Fire & Rescue Services PFI Project – Outline Business Case”, Merseyside Fire & Rescue Authority, 26th June 2007
- Report NW/27/07 “North West Fire & Rescue Service PFI Project – Progress Report”, North West Fire & Rescue Management Board, 18th July 2007