

Creating a new Pendleton



Outline Business Case



Contents

Section	Subject	Page
1.0	Executive Summary	7
1.1	Background to the Project	7
1.2	Strategic Context	7
1.3	Understanding Market Change and Housing Needs	8
1.4	Business Need and Stock Condition	8
1.5	Options Appraisal	10
1.6	Preferred Option	10
1.7	Public Sector Comparator and Value for Money	11
1.8	Affordability	11
1.9	Project Delivery Arrangements	13
1.10	Risk Allocation and Accounting Treatment	13
1.11	Project Management, Governance and Delivery	13
1.12	Statutory Processes	13
1.13	Commitment of Stakeholders and Sponsors	13
2.0	Background to the Project	15
2.1	About the City of Salford	15
2.1.1	Population	15
2.1.2	Socio-Economic Data	15
2.1.3	Salford City Council	16
2.2	Our Vision	16
2.3	Decent Homes Investment Strategy	16
2.4	Pendleton PFI Objectives	16
3.0	Strategic Context	19
3.1	Scheme Context	19
3.2	National Policy Context	19
3.2.1	Sustainable Development	19
3.2.2	Sustainable Communities	19
3.2.3	Making Homes Decent	19
3.2.4	Housing and Regeneration Bill	19
3.3	Regional Strategies and Policy Framework	20
3.3.1	Northern Way Growth Strategy	20
3.3.2	Regional Spatial Strategy for the North West	20
3.4	Sub-Regional Policy Framework	20
3.4.1	The Housing Market Report 2007	20
3.4.2	Manchester Salford Housing Market Renewal Pathfinder	21
3.4.3	Greater Manchester Strategic Housing Market Assessment	21
3.5	Local Context	22
3.5.1	Community Plan	22
3.5.2	'Shaping our Place' – Draft Housing Strategy for Salford 2008 -2011	22
3.5.3	Central Salford Urban Regeneration Company	22
4.0	Understanding Market Change and Housing Needs	24
4.1	Current Housing Provision	24
4.2	Turnover	26
4.3	Demand	26
4.3.1	Current Analysis	26
4.3.2	Housing Questionnaire Survey	27

Section	Subject	Page
4.3.3	Future Growth	28
4.3.4	Future Role for Pendleton in the Housing Market	28
5.0	Business Need and Stock Condition	31
5.1	Estate Overview	31
5.1.1	Broadwalk Estate	31
5.1.2	High Street Estate	32
5.1.3	Lindinis & Denbigh Estate	32
5.1.4	South Clarendon Estate	32
5.1.5	Athole & Amersham Estate	33
5.1.6	Nursery Street Estate	33
5.1.7	Estate Summary - Conclusion	34
5.2	Stock Analysis and Property Numbers	34
5.2.1	Communal and Estate Facilities	35
5.3	Current Stock Condition and Investment Requirement	36
5.3.1	Stock Condition Survey	36
5.3.2	Multi-Storey Stock Condition	37
5.3.3	Additional Specialist Surveys	39
5.3.4	Survey Summary	42
5.3.5	Market Perception	42
5.4	Assessment of Capital and Lifecycle Costs	44
5.4.1	Assessment Process	44
5.4.2	Assessment Overview	44
5.5	Investment Need	45
5.6	Rationale for Retaining Stock	46
6.0	Options Appraisal	48
6.1	Stage 1 – City-Wide Stock Options Appraisal	48
6.1.1	Evaluation of Delivery Options	48
6.2	Stage 2 – Detailed Assessment	50
6.2.1	Evaluation of Short List of Options	52
6.3	Service Delivery Options	55
6.3.1	Identification of Service Delivery Options	56
6.3.2	Appraisal of Service Delivery Options	56
6.3.3	Preferred Approach	58
7.0	Market Sounding	59
7.1	Phase One – Investment Route	59
7.2	Phase Two – Scope Development	60
7.3	Phase Three – Refinement of Scope	60
7.4	Summary of Response to the Market	63
8.0	Preferred Option	65
8.1	Development Opportunities	66
8.2	Pendleton Re-housing Plan	67
8.2.1	Supporting Vulnerable Groups	68
9.0	Public Sector Comparator and Value for Money	69
9.1	Qualitative Assessment	69
9.2	Quantitative Assessment	70

Section	Subject	Page
9.3	Risk Analysis and Management	71
9.4	Optimism Bias	71
9.4.1	Capital Expenditure Optimism Bias	71
9.4.2	Lifecycle Expenditure Optimism Bias	73
9.4.3	Operating Expenditure Optimism Bias	74
9.4.4	Optimism Bias Overview	75
9.5	Taxation Adjustment	75
9.6	VfM Sensitivities	75
9.7	Conclusions to VfM Analysis	75
10.0	Affordability	76
11.0	Project Delivery Arrangements	77
11.1	Project Agreement	77
11.1.1	Approach to Key Contractual Issues	77
11.1.2	Structure and Length of Contract	77
11.1.3	Service Commencement and Phasing	78
11.1.4	Approach to Stock Surveys	79
11.1.5	Design Approach	79
11.1.6	Benchmarking of Costs and Income	80
11.1.7	Funding Competitions	80
11.1.8	TUPE Arrangements	81
11.1.9	Warranty Issues	81
11.1.10	Contractor and Council Obligations	81
11.1.11	Refinancing	81
11.1.12	Hand-back of Assets at the End of the Contract	81
11.1.13	Changes in Law	81
11.1.14	Monitoring Arrangements	81
11.1.15	Change Mechanism	81
11.1.16	Termination Events	81
11.1.17	Approach to Ownership of the Land	81
11.1.18	The Right to Manage	82
11.2	Output Specification Summary	82
11.2.1	Overview of Property Management Standards	83
11.2.2	Overview of Service Performance Standards	84
11.2.3	Value for Money in Service Delivery	84
11.2.4	Interface Arrangements	84
11.3	Payment Mechanism	84
11.4	Development Element of the PFI Scheme	85
11.5	Design Requirements	85
11.5.1	Design Requirements for New Build Dwellings	85
11.5.2	Design Requirements for Refurbished Dwellings	86
12.0	Risk Allocation and Accounting Treatment	88
12.1	External Audit Opinion	88
12.2	Project Risk Management	88
13.0	Project Management, Governance and Delivery	90
13.1	Project Delivery Structure	90
13.2	Portfolio Management Board	91

Section	Subject	Page
13.3	Housing Investment Options Programme Board	91
13.4	Strategic Client Group	92
13.5	Project Team	93
13.6	External Advisors	94
13.7	Pendleton PFI Group	94
13.8	Project Budget	94
13.9	Gateway Review	94
13.10	Project Delivery Programme	95
14.0	Statutory Processes	98
14.1	Planning	98
14.1.1	Current Status	98
14.1.2	Pendleton Planning Guidance	99
14.1.3	Planning Approach	100
14.2	Title Arrangements	100
14.3	Notice of Intention to Demolish	100
14.4	Compulsory Purchase and Blight Notices	101
14.5	Highway and Footpath Closures	101
14.6	Leaseholders	101
14.7	Section 25 Notices	102
15.0	Commitment of Stakeholders and Sponsors	103
15.1	Community Consultation	103
15.2	Communications Strategy	103
15.3	Hard to Reach Groups	103
15.3.1	Diversity	104
15.4	Commitment to the Project	104

	Tables
1	Tenure Diversification Analysis
2	Breakdown of Property Type
3	Property Size Analysis of Council Stock (within the PFI area)
4	Turnover Analysis in Multi-Storey Flats
5	Bid Per Vacancy Analysis
6	Current Stock Breakdown
7	Stock Breakdown Post Demolition
8	Communal Facilities
9	Breakdown of Properties Surveyed
10	Required External Remedial Works to Multi-Storey Flats
11	Over-Cladding Systems
12	Build Cost Model Summary
13	Evaluation of Delivery Options Summary Matrix
14	Short-listed Options
15a	Technical & Masterplanning Evaluation Summary
15b	Finance Evaluation Summary
15c	Consultation Evaluation Summary
16	Advantages of Each Respective Service Delivery Approach
17	Disadvantages of Each Respective Service Delivery Approach
18	Qualitative Assessment
19	Indicative PFI VfM
20	Capital Expenditure Optimism Bias
21	Lifecycle Expenditure Optimism Bias
22	Operating Expenditure Optimism Bias
23	Optimism Bias
24	VfM Indifference Points
25	Scheme Affordability
26	Summary of Scheme Affordability Over Contract Life
27	Breakdown of HRA Subsidy
28	Project Key Figures
29	New Build Units
30	Key Sensitivities
31	Affordability Sensitivities
32	Risk Allocation
33	Membership of the Portfolio Management Board
34	Membership of the Housing Investment Options Programme Board
35	Membership of the Strategic Client Group
36	Membership of the Project Team
37	Additional Resource
38	PFI Budget 2008/09
39	Project Milestones

	Appendices
--	-------------------

	<i>The Appendices have been withdrawn from this version of the OBC on the grounds of commercial sensitivity.</i>
--	--

	<i>However, if you require any further information please do not hesitate to contact a member of the team on pendleton.pfi@salford.gov.uk.</i>
--	--

1.0 Executive Summary

1.1 Background to the Project

The Pendleton Housing Private Finance Initiative (PFI) scheme is the result of a detailed appraisal of the housing investment options for the delivery of decent homes in Central Salford. The appraisal process concluded that PFI was the most appropriate route to secure the level of required investment to deliver extensive refurbishment, remodelling and new build in line with the council's vision for housing:-

'To create a future where people see Salford as a great place to live. A place where you can find a choice of popular homes in desirable locations, served by excellent housing services'.

The council and its partners have developed a series of scheme objectives, which will be used as core principles for evaluating and guiding the development of the PFI initiative. They form a local response to national strategy initiatives including sustainable communities, an increase in the availability of affordable homes and the provision of decent homes for all. The scheme objectives are as follows:-

- To create a better choice of quality housing, by refurbishing the retained social housing to the Decent Homes Standard and providing new build quality homes for social rent and sale by 2015. All housing will address forthcoming statutory environmental and sustainable guidelines.
- To transform the image and future perceptions of Pendleton by improving the quality of housing design, open space, through good design techniques and guidance to develop future proof homes, which improve community safety and reduce the fear of crime by 2015.
- To ensure that local residents are fully involved in the planning, development, implementation and delivery of the scheme in partnership with other local stakeholders.
- To create mixed income sustainable communities which retain existing communities and attract new residents to the area, by improving housing choice, employment opportunities, retail and recreation facilities by 2025-2030.
- To support the regeneration and future success of the wider Central Salford area, the city and the Manchester city region.

The council and its partners have used the basis of these scheme objectives to undertake a comprehensive assessment of the current stock in terms of its condition and the role the area can play in meeting future needs within the housing market.

1.2 Strategic Context

The proposals within this PFI scheme are aligned not only to meeting the Government's agenda of achieving Decent Homes, but also to the objectives of the Northern Way Growth Strategy. This aims to reduce the economic disparities between the North of England and the rest of the country, within which the quality and nature of the region's housing plays a key part. The PFI scheme offers the opportunity to address this current imbalance through the provision of an appropriate mix of good quality housing to attract and retain sufficient wealth creators and skilled workers to sustain the region's growth and achievement towards narrowing the gap agenda.

1.3 Understanding Market Change & Housing Needs

The Pendleton PFI area is dominated by an excessive level of council owned homes, with over 93% of all properties falling into this category. The dilution of this mono-tenure through the ability to exercise Right to Buy has been minimal with only 149 completed applications over the last 26 years. The profile of property type is limited further by the fact that 60% of the council owned stock is within multi-storey blocks, with only 543 houses present. The overall effect of this lack of choice has been to narrow the socio-economic composition of the area.

In addition, a level of instability exists across the estate, particularly within the multi-storey blocks, with a turnover rate at over 10% per annum in some blocks. In order to provide a degree of stability to this element of the housing market, it is the council's intention to consolidate the number of available flats by demolishing four blocks. This will have the effect of both rationalising demand to a reduced number of newly refurbished properties and providing development opportunities for new properties, more in line with future housing needs. A particular requirement that has been identified is the need for more family orientated accommodation.

The Pendleton PFI project aims to deliver a sustainable mix of properties inclusive of new one and two bed apartments and three and four bedroom houses. By providing variety in the combination of property size and tenure type, there will be an increased likelihood of creating a mix of population in terms of age, lifestyle and economic status that will achieve long term sustainability.

1.4 Business Need & Stock Condition

The OBC sets out in detail how the council has sought to ensure that the stock condition data it holds is of a standard that provides confidence that the preferred option is deliverable and that the associated costs are robust. Overall, over two phases, 80% of the stock has been surveyed which, supported by a number of specialist surveys, focused upon high risk elements such as asbestos, wall ties and ground condition.

An analysis of the significant level of stock condition information gathered by the council over the last 5 years, has shown that the majority of dwellings proposed for retention within the scheme do not currently meet the Decent Homes Standard. All the properties will either require comprehensive replacement of their fixtures and fittings in the first five years, or a minimum of once over the life of the contract. The cost estimates for the scheme have been based on improving the high levels of non-decency in the early years of the contract, with £xx.xxm capital investment envisaged in years 1-5 (*capital investment figure has been withdrawn from this version of the OBC on the grounds of commercial sensitivity*).

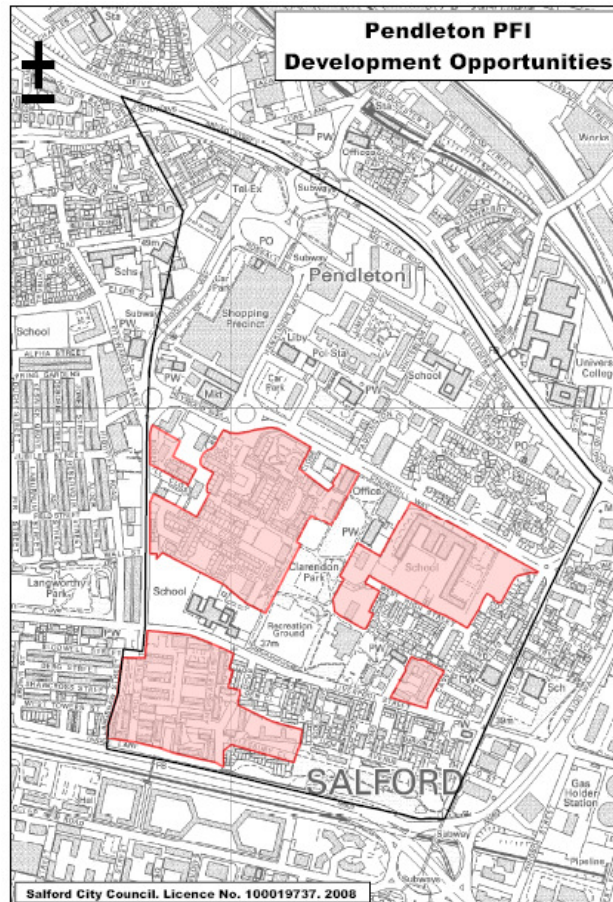
In terms of the multi-storey blocks, the council's understanding and experience, together with the high level of condition information it has gathered, have enabled it to develop a robust cost assessment of the options it expects to deliver with a high degree of confidence. The council has sought specialist advice from consultants to ensure that the proposed solutions are capable of being delivered and offer value for money.

The scheme currently consists of 2136 existing dwellings (including 25 leasehold properties). Of these 2136 dwellings, it is proposed to demolish 869 units including nine leasehold properties leaving 1267 dwellings (including 16 leaseholders) for refurbishment through the PFI contract as presented in the table below:-

Stock Breakdown Post Demolition

Construction Type	Number of Bedrooms					Leaseholder	Total
	0	1	2	3	4		
Multi-Storey - Concrete Frame	14	226	584	0	0	10	834
Traditional Low Rise							
▪ Flat Low Rise	0	80	0	5	0	1	86
▪ Flat Medium Rise	0	15	37	0	0	5	57
▪ Flat Over Shop	0	1	0	0	0	0	1
▪ Maisonette Over Shop	0	0	0	0	0	0	0
▪ Houses	0	0	140	122	27	0	289
Total	0	96	177	127	27	6	433
Overall Total	14	322	761	127	27	16	1267

A percentage of the loss of council owned rented properties will be supplemented through a level of new build social housing within the area, provided through a Housing Management Provider as part of the new development opportunities, which will be part enabled through the proposed demolition. The map below outlines areas of demolition and development sites:-



Whilst not forming part of the ongoing output specification for management and maintenance, the private sector partner would be contractually bound to deliver these in line with the overall PFI contract and be required to retain and maintain them as affordable social rented housing.

1.5 Options Appraisal

The council has undertaken a thorough option appraisal process, which originally commenced in 2003, with an evaluation of available investment vehicles against the council's objectives for the area. This high level assessment concluded that the PFI model offered investment beyond Decent Homes and provided investment for remodelling and new provision, essential for the sustainability of the area, ensuring best fit with wider strategic housing market renewal and regeneration interventions.

The second stage of the option appraisal process involved a detailed assessment of the stock within the Pendleton estate to determine the proposed scope of works to be delivered via the PFI model. This required the delivery of a comprehensive community consultation exercise in an effort to gauge clarity on peoples' issues and concerns, combined with a study of the actual condition of properties. This information, supplemented by a financial analysis of the proposed options, was used to conclude the overall Preferred Option; a process which was finalised in December 2007.

Integral to this process, two service delivery options were appraised, the 'Standard' and 'Non Standard' packages, which concluded that the Standard Service options package be the most preferable approach within this PFI scheme. The private sector partner will therefore be required to provide ongoing services including, but not limited to, housing management, maintenance, lifecycle, grounds and estates, caretaking and cleaning services to these properties, for a period of 30 years.

1.6 Preferred Option

The overall scope of the PFI scheme and associated development element, under the umbrella of 'Creating a New Pendleton', includes:-

Under PFI Scheme

- Retention and refurbishment of 1,251 council owned properties to a level above Decency Standard
- Refurbishment of external fabric and communal services to flat complexes
- Demolition of 891 properties, including four multi-storey blocks of flats (inclusive of owner occupied and leasehold properties)
- Improved access and parking facilities through targeted re-modelling
- Design improvements to reduce opportunities for crime and improve perception of the area

Through Development Agreement

- Provision of a minimum of 460 units for affordable rent
- Provision of c950 units for market sale
- Provision of a minimum of 25 units for intermediate housing opportunities (e.g. shared ownership)
- Improved access and parking facilities through targeted re-modelling
- Design improvements to reduce opportunities for crime and improve perception of the area

It is envisaged that approximately 276 of the 460 social rented units will be funded from grant through the National Affordable Housing Programme (NAHP). It has been assumed that the remaining 184 units can be provided in line with the new housing to be provided through

NAHP, and that an equivalent level of funding per property is required. This will be provided by cross-subsidy from the houses for sale. The value obtained from the sites, in relation to private for sale units, will be used to offset the funding requirement for the 184 social rented units, however the council is aware that it may be required to provide additional financial support in order to deliver these units.

The housing management function within the PFI area will be relinquished by Salix Homes in favour of the PFI contractor upon contract award. Services to be included in the PFI contract include:-

- Repairs & maintenance
- Re-servicing of voids
- Caretaking & cleaning
- Tenancy management
- Income collection & debt recovery
- Lettings

Under the lettings function the council will require the contractor to contract with the Choice Based Lettings system, currently administered by Housing Connections Partnership, the Common Service Provider of this function across the city.

In developing the re-housing plan for Pendleton it was recognised that independent living in all our communities is vital. The Supporting People Programme enables the council to develop long term housing options and priorities with partners in care and health. Housing Connections Partnership and Supporting People are able to offer a range of services including assistance with applying for benefits, support settling into a new home, and support accessing medical and specialist services, amongst others.

Through the Supporting People Programme the council will ensure that housing related support services are commissioned which will support vulnerable people to live independently within the Pendleton area.

Through effective links with the Housing Connections Partnership, who currently manage a number of services which deliver support to vulnerable people including the Management of Disabled Facilities Grants, provision of Warden and Care and Call services to older people Housing Advice and Support and floating support provision, the council will ensure that vulnerable people are able to receive effective housing support services which meet their individual needs.

1.7 Public Sector Comparator (PSC) and Value for Money (VfM)

The preferred PFI procurement route is expected to deliver Value for Money (VfM), in comparison to traditional procurement. The council has used the CLG bid pricing model and complied with the Treasury's "Value for Money Assessment Guidance". The council has considered:-

- Quantitative evaluation and
- Qualitative assessment

The initial results of the quantitative evaluation indicate that based on a blended equity IRR of 15%, the indicative PFI VfM is 9.59%.

1.8 Affordability

Section 1.8 has been withdrawn from this version of the OBC on the grounds of commercial sensitivity.

1.9 Project Delivery Arrangements

The council will produce project documentation which is based on and consistent with the 4ps/CLG Housing Procurement Pack 2004 (HPP). This includes use of the HPP guidance on development of a Payment Mechanism and Output Specification. To compliment the output specification a Service Delivery Plan has been developed to further consider interface arrangements with key partners, where an overlap in service provision could be perceived.

The proposed length of the PFI contract is 30 years. The council will utilise HPP and SoPC4 and hence key contractual issues such as termination, refinancing, change in law, indemnities, insurance and changes will follow this guidance. It is not the council's intention to have a separate Development Agreement to cover the terms under which the development sites will be disposed of to the private sector, but the council is prepared to be flexible on this issue.

1.10 Risk Allocation and Accounting Treatment

Project risks are identified and managed on a monthly basis by the appropriate task group. Key risks are subsequently reported to the project team by each task group lead and are subsequently escalated to the Strategic Client Group and Housing Investment Options Programme Board as deemed appropriate by the Project Manager and Project Director. The project risk register is also scrutinised and challenged internally on a bi-monthly basis by senior managers within the council.

The Pendleton PFI scheme will comply with the Accounting Code of Practice, HPP guidance and SoPC4. The council is committed to achieving a risk balance that receives a positive accounting determination, and considers that an "off balance sheet" position should be achievable based on the proposed risk allocation structure.

1.11 Project Management, Governance and Delivery

A project governance structure is in place, which establishes clear roles and responsibilities within the decision making process. A number of task groups have been established to focus on finance, legal, master planning & land, technical & services and communications. Each task group lead then provides a highlight report to the project team, to agree which items need to be reported to the Strategic Client Group for a decision. Key project risks and items for approval are subsequently reported to the Housing Investment Options Programme Board and Portfolio Management Board.

1.12 Statutory Processes

The council has identified and considered the approach to a range of major statutory processes, which will come into effect as a direct result of the PFI scheme. These issues cover planning, title arrangements, Notice of Intention to Demolish, compulsory purchase and blight notices, highways and footpath closures, leaseholders and Section 24 and 25 notices.

1.13 Commitment of Stakeholders and Sponsors

Extensive consultation has taken place with the local community since 2005 to develop a preferred investment option for the Pendleton area. To support the work of these groups and provide consistent communications, a comprehensive Communications Strategy has been developed, to take the PFI scheme forward from OBC development and through procurement.

The council recognises that different people are able to commit different amounts of their time, and therefore have developed opportunities to encourage residents to participate at a level that suits them. By working with appropriate agencies and utilising a wide variety of consultation techniques, the council will also ensure that hard to reach groups are adequately and appropriately consulted.

Members are aware of the level of commitment required to ensure a successful procurement is delivered, and Members across all parties within the council have shown their support for this scheme, including full Cabinet approval of the OBC.

2.0 Background to the Project

The council's Expression of Interest for the proposed scheme in Pendleton was accepted onto the 5th round of the Private Finance Initiative programme on the 21st December 2006.

This Outline Business Case (OBC) describes the detailed strategic and financial assessment for the delivery of the proposed scheme. The development of this document has been stakeholder focused ensuring that, in particular, the views and requirements of Pendleton's community are at the centre of the proposals.

2.1 About the City of Salford

Salford is a city in transformation, building on its proud heritage and moving into an exciting future as a thriving cultural, economic and residential location. From urban vibe to greenbelt tranquility, Salford is making the most of the diversity of its waterfront, urban and countryside environments to create places where people want to live, work, invest and visit.

Salford is in close proximity to Manchester city centre with excellent road and public transport links to all parts of the UK. The city is well placed as a visitor and commercial centre with Manchester International Airport, gateway to over 200 international destinations, just a few miles away. The city of Salford covers 37 square miles (60% being green space) and is home to approximately 220,000 people, 1,400 offices, 2,200 industrial premises, and 30 miles of rivers and canals.

2.1.1 Population

In 2001, Salford had a population of 216,103, consisting of a broad cross-section of people from a wide variety of ethnic and cultural backgrounds. The city's population is characterised by a higher than average proportion of single person households (36.7% compared to an average 30.0% for England and Wales), and a relatively low proportion of couples both with and without children (37.7% compared to an average of 44.8% for England and Wales, Census 2001). The 2001 Census shows that Salford has a relatively young population, as one quarter of the population are below the age of 20 (25.8%).

2.1.2 Socio-Economic Data

Since 2001, the city's employment rate has risen from 70.4% to 73.4% in 2005. The city's unemployment rate continues to fall, and in 2006, it stood at 3.7% and is moving towards the national average.

Salford has high levels of deprivation in neighbourhoods across the city, particularly located in Central Salford and certain areas of West Salford. The 2007 Index of Multiple Deprivation identifies Salford as being the 15th most deprived local authority in England. At a Super Output Area (SOA) level 29.4% of the city's population live within neighbourhoods that are amongst the 7% most deprived nationally.

Although average household incomes in the city have risen, they are still around £1,000 below the Greater Manchester average. In 2006, the mean household income for Salford was £28,400. This difference with Greater Manchester may be partly explained by the higher than average proportion of people claiming Income Support benefit (6.2% compared to the UK average of 3.6%), the higher unemployment rate and the greater proportion of people aged 16-74 that are permanently sick/disabled (9.5% compared to the national average of 5.3% (Census 2001)).

Significant areas of Salford have been transformed in recent years through high profile regeneration schemes such as Salford Quays, but areas, such as Pendleton remain socially and physically deprived. The council anticipates that the investment secured through

Housing PFI will now offer the opportunity to kick-start comprehensive regeneration in the Pendleton area.

2.1.3 Salford City Council

In January 2006 the council's detailed three year assessment (the corporate assessment) took place. The details of this assessment are available on the Audit Commission's website www.audit-commission.gov.uk. This assessment recognised that:-

"the council has worked with its partners and the wider community to determine clear and challenging ambitions for the area which are aligned to local need. It is providing strong community leadership to deliver these ambitions which are widely shared, owned and understood by partners and stakeholders. These ambitions are driving the council's and its partners approach to delivering improvements for local people".

In February 2008, the council received its latest judgement from the Audit Commission in which it was awarded three out of four stars and described as "improving well". Two years ago the council had two stars. In their report, the Audit Commission recognised the progress made by the council which has improved the lives of local people. The Commission stated that Salford had improved in most priority areas and overall its improvement compared well with other authorities.

2.2 Our Vision

Salford's Community Plan, 'Making the Vision Real 2006 – 2016', outlines how the council and its partners will deliver the vision outlined below:-

'In 2016, Salford will be a beautiful and welcoming city, driven by energetic and engaged communities of highly skilled, healthy and motivated citizens, who have built a diverse and prosperous culture and economy which encourages and recognises the contribution of everyone, for everyone'

The council wants to help create a city that is:-

- A healthy city
- A safe city
- A learning and creative city
- A city where children and young people are valued
- An inclusive city
- An economically prosperous city
- A city that's good to live in

The council's vision for housing is:-

'To create a future where people see Salford as a great place to live. A place where you can find a choice of popular homes in desirable locations, served by excellent housing services'

At a local level, 'Shaping our Place', the draft housing strategy for Salford for 2008 to 2011, states the council's intention to ensure that the housing needs and aspirations of people are identified, and resources are spent on meeting local objectives.

The council remains committed to improving housing and housing services within the city for the benefit of customers and all Salford residents as part of the delivery of this vision. The council will also aim to ensure that the city offers the highest quality housing in respect of:-

- Promoting independence
- Quality homes
- Affordable choice
- Excellent services
- Effective partnerships

This strategy has been drawn up following wide ranging consultation exercises. The views of as many stakeholders as possible have been included in the strategy – including residents, customers, elected members, service delivery partners and officers of the council.

Establishing a PFI scheme within the Pendleton area will make a significant contribution towards achieving these priorities for the Pendleton community and will support the wider sustainability of the Central Salford area as a whole.

The audit commission has recently (June 08) concluded an inspection of the council's strategic housing services. The strategic housing service provided by the council is assessed as being a 'good', two star service with promising prospects for improvement.

The audit commission noted that 'the council is achieving an impact in a number of areas as it seeks to balance its housing market, address affordability issues, improve private sector housing conditions and deliver services to vulnerable people in the community. Housing is a clear corporate priority and there has been some success at addressing conditions in the private sector and rebalancing housing markets. There is a strong approach to both involving the community and working in partnership at the strategic level. Partnering with the private sector has achieved success both in delivering new housing and value for money. Access to services for vulnerable people is easy and, set within a history of high levels of homelessness, this is now starting to be addressed through embracing the prevention agenda. The council has a robust and up to date research base upon which to develop strategies and is focusing its efforts on delivering projects which make a positive impact on local people.

2.3 Decent Homes Investment Strategy

The council's Decent Homes Investment Strategy brings together complex investment plans to form a long term and robust solution for achieving sustainable decent homes for all Salford housing stock. Commended by the Community Housing Task Force, this investment strategy was developed through a three-phase housing options review process undertaken between December 2003 and May 2005.

This review concluded that a mixed investment strategy was the most appropriate way to obtain the level of funding that was necessary, and proposed that:-

- A Private Finance Initiative be pursued to deliver extensive refurbishment, remodelling and new build homes in the Pendleton area.
- A new Local Housing Company be established, to which homes in West Salford are transferred to deliver strong tenant involvement, increased investment and improved service delivery.
- A new, regeneration focused, ALMO be created to manage homes in Central Salford, Beechfarm and Rainsough Brow.
- A Common Services Provider be established to deliver a range of services to each of the new organisations to achieve consistent service delivery and efficiencies of scale.
- A strong strategic housing function is retained within the council to provide direction and set the overall housing strategy.

At that time, PFI was selected as the preferred option for the Pendleton area based upon the investment required to refurbish and remodel 1,255 homes and create the circumstances to re-provide a minimum of 232 new affordable homes. It was deemed that insufficient investment was available through both the ALMO and Stock Transfer options to achieve the vision for the area.

2.4 Pendleton PFI Objectives

The council and its partners have developed a series of scheme objectives, which will be used as core principles for evaluating and guiding the development of the PFI initiative. These objectives reflect the close relationship between PFI and planning guidance for the Pendleton regeneration area, and the achievement of the strategic objectives set out by the Housing Strategy. These objectives are:-

- To create a better choice of quality housing, by refurbishing the retained social housing to the Decent Homes Standard and providing new build quality homes for social rent and sale by 2015. All housing will address forthcoming statutory environmental and sustainability guidelines.
- To transform the image and future perceptions of Pendleton by improving the quality of housing design and open space, through good design techniques and guidance to develop future proof homes, which improve community safety and reduce the fear of crime by 2015.
- To ensure that local residents are fully involved in the planning, development, implementation and delivery of the scheme in partnership with other local stakeholders.
- To create mixed income sustainable communities which retain existing communities and attract new residents to the area, by improving housing choice, employment opportunities, retail and recreation facilities by 2025-2030.
- To support the regeneration and future success of the wider Central Salford area, the city and the Manchester city region.

3.0 Strategic Context

3.1 Scheme Context

It is vital that full consideration is given to the context within which the PFI and planning guidance for the Pendleton regeneration area is being developed. Both have a key role in supporting a range of other local, regional and national plans and strategies, and can in turn benefit from each of these other initiatives. In particular, consideration needs to be given to the challenges and strategic documents outlined in this section.

3.2 National Policy Context

3.2.1 Sustainable Development

The concept of "sustainable development" is central to the current planning system, and therefore there is a requirement that the planning guidance for the Pendleton regeneration area ensures that new development contributes to the achievement of this principle. Sustainable development is essentially about achieving the following, in a complimentary manner:-

- High and stable levels of economic growth and employment
- Social progress that meets the needs of everyone
- Effective protection of the built and natural environment
- The prudent use of natural resources

3.2.2 Sustainable Communities

Central Government defines "sustainable communities" as:-

'Places where people want to live and work, now and in the future. They meet the diverse needs of existing and future residents, are sensitive to their environment, and contribute to a high quality of life. They are safe and inclusive, well planned, built and run, and offer equality of opportunity and good services to all.'

The overall aim of the council's proposal 'Creating a new Pendleton' is to develop an inclusive community that meets the needs of all stakeholders for the long term. A key component in achieving this vision will be the delivery of the PFI scheme, linked closely to the development of specific planning guidance for the Pendleton area and which is in alignment with the objectives of the Central Salford Urban Regeneration Company (URC).

3.2.3 Making Homes Decent

The Government believes that everyone should have the opportunity to have a decent home. Decent homes are important for the health and well-being of those living in them and are a key element to thriving, sustainable communities.

All councils and housing associations were challenged, by the Government, to meet the decent homes standard. For local authorities who could not deliver the Decent Homes target by retaining their stock, three options were available to bring in the required investment (ALMO, stock transfer and PFI). Following a city-wide stock option appraisal exercise, PFI was identified as the preferred investment route for Pendleton (see section 6.0 – Option Appraisal). The investment secured through PFI will deliver a standard of improvement to properties that will achieve the Decent Homes standard as a minimum, and in addition will also provide the opportunity to achieve significant improvements to the environment.

3.2.4 Housing and Regeneration Bill

The Housing and Regeneration Bill proposes to establish the new Homes and Communities Agency (HCA) which will focus on delivering more affordable homes across all tenures and driving investment into regeneration. The new agency will pioneer innovative and more

efficient ways of working with key partners to support regeneration and provide decent places as well as decent homes.

The Bill also proposes to provide councils with more incentive and freedom to build new homes. Also, it will be mandatory for all new homes to be rated against the Code for Sustainable Homes. The council intends to explore the opportunities being made available to councils within the Bill to ensure the regeneration of Pendleton is optimised and fulfils the objectives laid down at the commencement of the scheme.

3.3 Regional Strategies and Policy Framework

3.3.1 Northern Way Growth Strategy

The Northern Way Growth Strategy is seeking to reduce the economic disparities between the North of England and the rest of the country (currently a £29 billion output gap), in order to support the overall economic success of the country with a more balanced pattern of economic growth. The Manchester City Region, focused around Greater Manchester, is the North's most successful economic area with the greatest economic prospects, particularly in areas such as the Regional Centre (which includes Salford Quays and the Chapel Street area within Salford). Pendleton is well positioned to take advantage of this, and also to support the City Region's success by providing the type of residential neighbourhood that will be attractive to both existing and potential new residents.

The current overall quality and nature of the City Region's housing is acting as a constraint to further, improved economic performance, as the quality of choice necessary to attract and retain sufficient numbers of wealth creators and skilled workers, particularly in the key growth sectors, is not present. This reinforces the need to plan and provide for housing growth as well as support housing-led regeneration. The Pendleton PFI scheme provides significant opportunities to begin to address this imbalance and meet the objectives of the Northern Way Growth Strategy.

3.3.2 Regional Spatial Strategy (RSS) for the North West

The draft RSS for the North West provides a framework for the distribution of regional housing provision over the period 2003 to 2021. The required housing provision over this period, for Salford, was set at 28,800 new homes, equating to an annual average provision of 1,600 new dwellings, compared with the previous target of 530 dwellings.

Both the current approved and future draft version of the RSS place a strong emphasis on directing development and complimentary investment to the inner city areas of both the Manchester and Liverpool City Regions, such as Pendleton.

3.4 Sub-Regional Policy Framework

3.4.1 The Housing Market Report (Making Housing Count) 2007

'Making Housing Count' was commissioned by the Association of Greater Manchester Authorities (AGMA) in the autumn of 2005. The aim of the report was to develop a robust and comprehensive evidence base to inform the development of a coherent strategy for housing across the Manchester City Region that would support the long term economic growth of the conurbation.

The final report highlighted that as a result of strong household growth, rising prosperity and prolonged economic growth, housing market conditions across the Manchester City Region have changed dramatically over the last decade. This has resulted in a number of emerging issues including:-

- A lack of appropriate housing.
- Availability of affordable housing provision.
- Supply of social housing as re-letting of properties has diminished substantially as a result of lower turnover and higher house prices.
- Requirement for more interventionist approaches to neighbourhood management, to mitigate the negative impact of increased levels of private renting and higher turnover.

3.4.2 Manchester Salford Housing Market Renewal Pathfinder

The Manchester and Salford Housing Market Renewal Pathfinder (MSP), established in 2003, provides a long term strategy for ensuring transformation of weak housing markets across Manchester and Salford. The recent prospectus submitted to Government for 2008/11 for £163 million will continue the work carried out to date, including significant new development in targeted neighbourhoods and support for improvements to homes and the surrounding environment.

These two sub regional housing initiatives have been developed to support household growth arising from increased economic success, and to address housing issues rising from under investment. The economic plans set out in the City Region Development Plan have now been expanded upon in the draft Multi Area Agreement (MAA) for Greater Manchester in 2007.

The draft MAA includes a set of proposals around skills and employment, enterprise, innovation and sustainable growth, and infrastructure and housing. The two proposals that relate to housing include a number of actions:-

- A transformation in the overall quality and range of the residential offer
- A substantial increase in supply
- Enhanced access to affordable housing
- A more robust sub-regional planning framework

The MAA will add further clarity to the proposals set out in the Manchester City Region Development Programme, which sets out the scale of employment growth expected over the next fifteen years, estimated at over 100,000 additional jobs in the regional centre.

3.4.3 Greater Manchester Strategic Housing Market Assessment

Deloitte and GMA Grimley were commissioned by the Association of Greater Manchester Authorities (AGMA) to carry out a housing market assessment covering the whole of the region. Their initial findings were presented in April 2008, and included a number of conclusions, which are mitigated to a degree by the anticipated outcomes of the PFI scheme, as follows:-

- There has been a significant increase in the working age population since 1997 contributing to the economic growth of the region but the supply of new housing to meet this increased demand has been uneven across the region.
- The high demand for family housing is not being matched by supply. Areas of good quality family housing are often on the periphery and for many, outside their affordability envelope.
- The region contains significant pockets of young people and students but due to an overall increase in property prices, affordability is an issue and hence the ability to retain this element of the population.

3.5 Local Context

3.5.1 Community Plan

Salford's Community Plan, 'Making the Vision Real', was published in December 2005 and identified a clear vision for the city, as outlined in section 2.2. The regeneration activity that is underway in Pendleton supports all the core themes within the plan, but specifically contributes towards creating 'a city that's good to live in'. This has an emphasis on protecting and improving the environment, and providing access to decent, affordable homes that meet the needs of local people. It also identifies the importance of delivering large-scale physical regeneration and transformation in the city over the next ten years.

3.5.2 'Shaping our Place' – Draft Housing Strategy for Salford 2008-2011

The council's draft strategy for housing, 'Shaping our Place', demonstrates how the council intends to work further towards achieving the five overarching goals as outlined in section 2.2.

Housing has a key role to play in the creation of neighbourhoods of choice, where good schools and services, high quality urban fabric and good transport links support vibrant communities. Salford is at the heart of the City Region economy, contributing to and benefiting from the economic growth. This growth presents a new opportunity for the city.

'Shaping our place' focuses on all housing types in the city – social and private rented, owner occupied, general and supported housing. By giving an understanding of the current position the strategy sets clear priorities of how housing issues are to be dealt with. Many of these issues are complex and cannot be resolved by just one organisation. Therefore the Housing Strategy is the responsibility of, and will be delivered by a range of partners that make up the Salford Strategic Housing Partnership with the council being accountable for its delivery.

The Affordable Housing Strategy 2006 aimed to ensure that housing across all tenures was as accessible as possible, ensuring that local people could get a foot on the housing ladder. Affordability is a key housing issue in the city; an updated strategy is currently being developed to respond to changes in Government Policy, the housing market and the city's information base.

A Housing Needs Assessment was published in October 2007 and this stated a need for 674 affordable dwellings per annum. The draft Affordable Housing Strategy Update sets out the tenure mix that will be needed to meet this need, and the sizes of properties required, findings on house prices and their relationship to income, affordable housing supply and considers the issue of key worker need.

3.5.3 Central Salford Urban Regeneration Company

The Central Salford Urban Regeneration Company (URC), approved by Central Government in January 2005, brings together private and public sector partners with the mission of driving forward the transformation of Central Salford and helping to create a vibrant, modern city. The company uses a mixture of public assets, funding and powers to attract high levels of private sector investment, stimulate quality development, and strategically deliver and co-ordinate the sustainable regeneration of the Central Salford area.

Their vision, outlined within the Regeneration Framework for Central Salford, states:-

'Central Salford will be transformed. A beautiful, vibrant new urban centre with striking economic opportunity waiting to be born out of its fine heritage and the unveiling of its many natural assets. These include a wonderful meandering river and fantastic open spaces, which will be enhanced to provide a distinctive setting for the area. Where the City is

fragmented it will be re-connected. The City's elegant but under-used buildings and its vacant but potent spaces will be filled with places to live, work, shop and enjoy life.'

This framework is consistent with the planning guidance for Pendleton. Importantly, it identifies Pendleton and the Shopping City as one of five Transformation Areas within the Central Salford area. These areas have been identified as places where focused investment will have the greatest potential for stimulating long term regional economic growth. The URC's aspiration is that Pendleton will become Central Salford's shopping and community destination, and the gateway connecting neighbourhoods, Chapel Street/Salford City Centre and the Manchester regional centre. The URC will increasingly play a key role in the development and delivery of the transformation of neighbourhoods across Central Salford and in doing so bring the potential for significant added value to the PFI proposal.

4.0 Understanding Market Change and Housing Needs

In 2006 the council commissioned Fordham Research to carry out both an independent Housing Needs Assessment (HNA) in accordance with CLG guidance, and a supplementary Strategic Housing Market Assessment. Both studies were completed by October 2007. The information from these studies, combined with consultation questionnaire results, Census 2001 data and databases from within the council have been used to analyse the current and future demand trends for housing both at a Pendleton and city wide level.

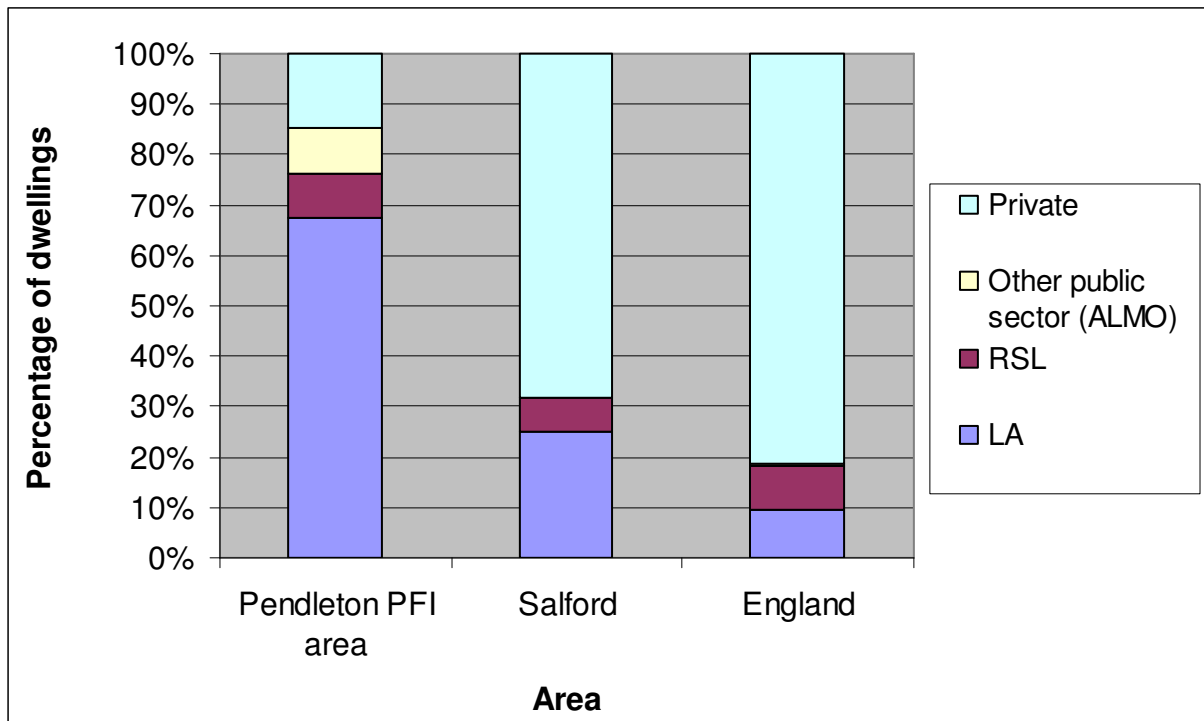
This section summarises the findings and conclusions from that analysis, and discusses the role which the Pendleton PFI scheme will play, in aligning future housing demand with a level of provision and tenure diversification, to secure the long term sustainability of the area.

4.1 Current Housing Provision

In 2007, 25% of Salford's housing stock was council owned with a further 6% owned by other housing management providers accredited by the Housing Corporation. This represents a level of almost double that of the national average for social housing (18.2%).

The lack of tenure diversification has proven to be on a more significant scale within the PFI area, with 67.5% of all homes owned by the council and a further 9.2% to be managed by Salix Homes. The opportunity to exercise Right to Buy (RTB) has done little to dilute the level of council ownership in the area with only 174 completed applications over the last 26 years, 14% of which have become leaseholders. This is presented below in greater detail in Table 1 – Tenure Diversification Analysis:-

Table 1 – Tenure Diversification Analysis

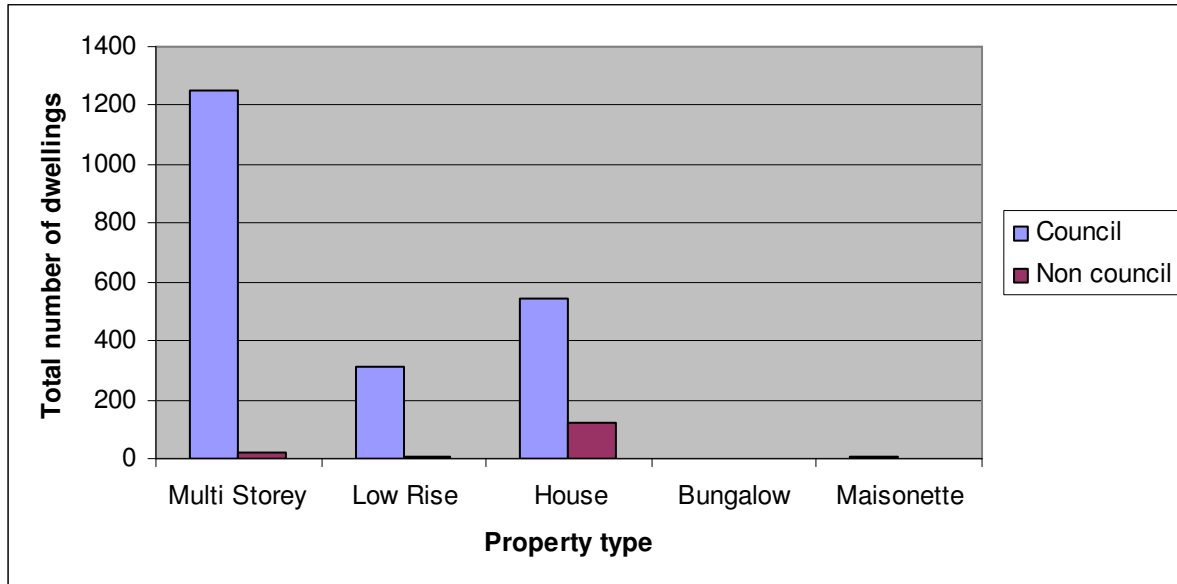


Source: Asset Management Database (September 2007), Council Tax Database (December 2007), RSL Database (May 2007), HIP HSSA 2007.

Property Type

Out of the 2,111 properties which make up the 67.5% council ownership, there are only 543 houses compared to the 1,250 properties defined as multi-storey flats. This oversupply of council owned multi-storey flats, accounting for 60% of council stock, is presented in more detail in Table 2 – Breakdown of Property Type, below:-

Table 2 – Breakdown of Property Type



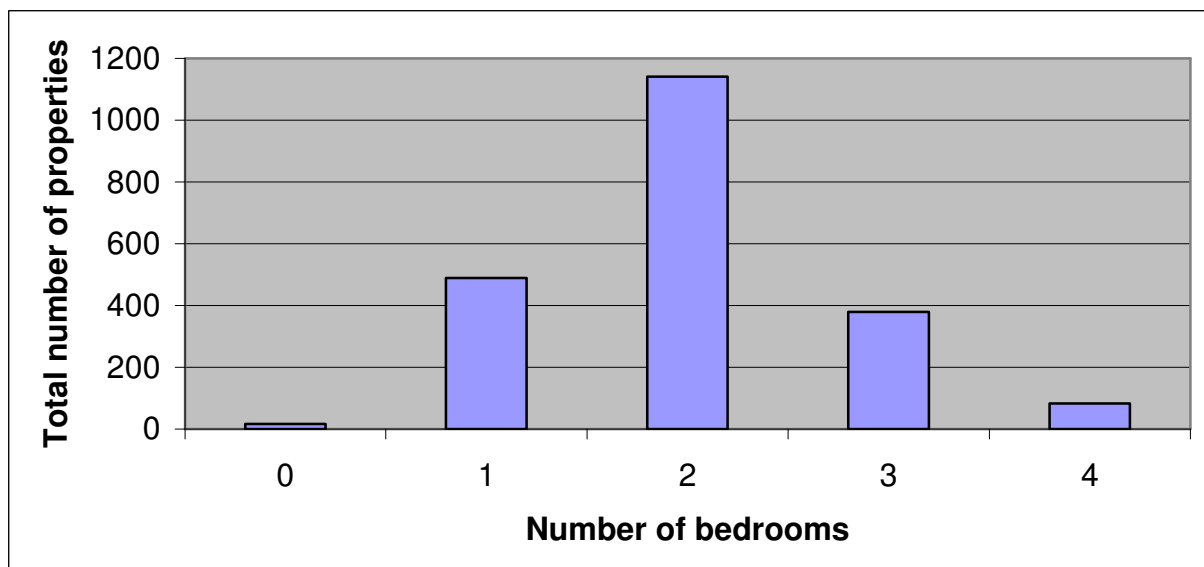
Source: Salford City Council Asset Management Database, September 2007.

Note: Non-council includes RTB and leaseholder properties but excludes other Housing Management Provider properties and multi-storey blocks in private ownership.

The high level of council owned multi-storey flats reinforces the narrow socio-economic composition of the area with 61% of Pendleton’s residents being one person households.

The limited variation in property type is compounded by the fact that over 50% of the council’s stock only has two bedrooms, with a further 24% being bedsits or one bedroom properties. This is presented below in Table 3 – Property Size Analysis of Council Stock (within the PFI area):-

Table 3 – Property Size Analysis of Council Stock (within the PFI area)



Source: Salford City Council Asset Management Database, September 2007.

Although 21.9% of council properties have three or more bedrooms, 20% of those are within low rise flats and are therefore deemed as not preferable for family accommodation. Unfortunately, given the limited level of suitable family housing in the area, these low rise flats are often taken up as a last resort by families seeking larger accommodation. The scope of the PFI aims to redress this imbalance of supply.

4.2 Turnover

Overall, turnover is reducing across the Pendleton area but there is still substantial 'churning' in parts of the estate, especially in the multi-storey flats. Although a level of demand exists, the source is primarily from transient households who are unconnected to the area and unlikely to stay in the long term. The council believes that this level of instability can be addressed through the PFI scheme by clearing certain elements of the stock, particularly multi-storey flats. By reducing the supply, whilst retaining and refurbishing more popular homes to a higher standard, the council aims to manage long term demand more efficiently.

The more stable element of the population who live in flats would be consolidated into a smaller number of newly refurbished homes. This will also reduce turnover rates, which in a significant number of multi-storey flats is at over 10% per annum, as outlined in more detail in Table 4 below:-

Table 4 – Turnover Analysis in Multi-Storey Flats

	Total voids 2006/07	Total voids 2007/08	Total number of properties	Turnover 2006/07 (%)	Turnover 2007/08 (%)
Holm Court	0	1	76	0	1.3
Malus Court	6	2	83	7.2	2.4
Hornbeam Court	3	1	42	7.1	2.4
Beech Court	3	0	76	3.9	0.0
Plane Court	4	5	84	4.8	6.0
Spruce Court	29	35	176	16.5	19.9
Salix Court	3	1	67	4.5	1.5
Thorn Court	10	19	176	5.7	10.8
Whitebeam Court	7	6	44	15.9	13.6
Peach Tree Court	10	16	100	10.0	16.0
Pear Tree Court	9	7	100	9.0	7.0
Apple Tree Court	11	11	92	11.0	11.0
Fitzwarren Court	25	20	134	17.9	14.3
Total	120	124	1250	8.7	8.2

Through the PFI, four blocks (Fitzwarren Court, Peach, Pear & Apple Tree Courts) will be cleared and demolished, reducing the supply of council owned multi-storey flats from 1250 to 824.

4.3 Demand

4.3.1 Current Analysis

As discussed in section 4.2, although turnover is reducing as a whole across the estate, there are pockets of properties where it remains unsustainably high, which supports the assumption that changes are required to both the supply and tenure of properties on offer. Currently, 50% of residents have lived in their properties for less than 5 years indicating that if a sustainable future is to be secured for the Pendleton area then alongside the retention of the core long-term residents, replacement properties need to be provided which meet current and future need.

Table 5 below provides comparative data of the level of demand per vacancy for Pendleton against the figures at a city-wide level. These figures are based on data drawn from the inception of the Choice Based Lettings system in August 2007 through to April 2008:-

Table 5 – Bid Per Vacancy Analysis

Property Type/Size	City Wide Average 2007/08	Pendleton Average 2007/08
1 Bed High Rise	34	44
1 Bed Low Rise	33	24
2 Bed House	89	86
2 Bed High Rise	40	42
2 Bed Low Rise	45	56
3 Bed House	96	91
3 Bed Low Rise	36	32
3 Bed Maisonette	39	44
4 Bed House	94	78

The council believes that investment is justified, on those properties for retention, based on the demand for good quality affordable homes for rent in the Pendleton area. Demand for one bedroom flats is above the city average but this is partly due to the significant availability of such properties in the area. This also accounts for the demand for two bedroom flats in both low rise and multi-storey accommodation compared to the city average. Demand for three bedroom houses is slightly below the city average but still relatively high. The limited availability of three bedroom houses can account for the willingness of applicants to apply for three bedroom maisonettes and flats in an effort to secure appropriately sized accommodation in the Pendleton area.

Over the last five years, the number of people registering interest for three and four bed properties in Pendleton has increased from 838 applicants on the waiting list in 2003 to 1676 applicants in 2007. As discussed earlier, the limited supply of suitable family accommodation leads many families to accept larger flats in low rise blocks. The re-provision proposals within the PFI focus on providing larger traditionally viewed family accommodation to address this need.

4.3.2 Housing Questionnaire Survey

As an integral part of the consultation exercise carried out in 2007, described in greater detail in section 6.2, residents were asked for their views on their future housing aspirations. 17.9% of respondents stated that they would like to purchase their home or purchase a percentage of their home. Of this 17.9%, 65% of respondents indicated that their preference would be to remain within the PFI area. The inclusion of a mechanism to foster affordable home ownership will be provided through the Project documentation as part of the wider PFI scheme. The housing questionnaire highlighted that there is relatively a low level of demand from existing residents for intermediate housing. It is therefore proposed that a minimum of 25 new properties within this intermediate housing category will be provided to facilitate those on lower incomes who wish to purchase their own homes, achieving the first step onto the property ladder. The council will continue to monitor the level of demand for this product

particularly during the current round of interviews taking place with those residents facing displacement through the demolition proposals.

The results of the survey also concluded that 60.3% of respondents would prefer to rent their future home from an alternative Housing Management Provider. The opportunity for this increased choice will be delivered as part of the schemes' proposals which include the provision of a minimum of 460 new homes for rent through a Housing Management Provider.

4.3.3 Future Growth

Salford's population is predicted to significantly increase over the next ten years, a position which is supported by research undertaken by ECOTEC Consortium. In their report *Modelling Demographics and Housing in Manchester and Salford* published in February 2005, they predict an increase of 6000 households in Salford, between 2001 and 2016.

To further supplement the assumptions made in the report, it has recently been confirmed that Salford will be the future location for mediacity:uk. This incorporates the relocation of a number of departments within the BBC to the north of England, creating further employment opportunities and investment in the area. It is estimated that a further 15,000 new jobs will be created as a result of this new development.

In order for Pendleton to position itself to play a key role in the housing needs of this increase in population, a rationalisation of the oversupply of multi-storey flats is required combined with a level of replacement which reflects the needs of that growth. The proposed demolition programme within the PFI scheme creates greater development opportunities through more efficient use of the land, both in terms of higher density levels and use of incidental space, which currently serves no defined purpose, enabling a level of tenure diversification to take place.

Pendleton is also adjacent to the University of Salford, which is currently home to over 2,500 staff members and approximately 18,000 students. It is hoped that the regeneration of the Pendleton area will encourage graduates from the university to remain in the area and purchase or rent a home once they have completed their studies.

4.3.4 Future Role for Pendleton in the Housing Market

Pendleton currently fulfils a minimal role within the housing market, limited by the high propensity of unsuitable family orientated accommodation. The proposed developments in the area will provide new housing opportunities for both existing and new residents. The close proximity of the Pendleton PFI area to Manchester and the regional centre will offer increased employment opportunities for residents and also for graduates of Salford University, and may attract new skills to the area.

The Pendleton PFI project aims to deliver a sustainable mix of properties inclusive of new one and two bed apartments for young professionals and individuals who wish to live in Pendleton, and three and four bedroom houses allowing families to remain in Pendleton, whilst attracting new households to the area. The achievement of a shift in tenure diversification will lead to a dilution in the current concentration of economically inactive households. By providing variety in the combination of property size and tenure type, there will be an increased likelihood of creating a mix of population in terms of age, lifestyle and economic status that will achieve long term sustainability.

The opportunity to realign housing provision to meet current and future market demand coupled with the employment opportunities available in Manchester city centre and Salford Quays provides Pendleton with a sound basis for the future. The ability of Pendleton to fulfil its potential of attracting those on higher incomes will depend on the appropriate housing and environment being provided.

The success of other urban regeneration initiatives taking place on the periphery of the Pendleton area is a positive indication that the delivery of the Pendleton PFI scheme would not take place in isolation. The most high profile of these initiatives is Chimney Pot Park, an Urban Splash project located about 3km west of Manchester City Centre in the Langworthy area of Salford, adjacent to Pendleton. This project is based upon the transformation of run down Victorian terraced houses into a revolutionary 'upside down' layout. It is named after the park adjoining the site. The public launch took place in Chimney Pot Park on Saturday 8th April 2007. Those interested in buying properties were able to register with many camping out for 48 hours or more. All of the 349 properties were either sold or pre-sold, dependent on the stage of development within a few days.

This project demonstrates how taking a holistic and innovative approach to regenerating an estate in the Salford area can source the demand for the properties that are created. Pendleton currently exhibits many of the disadvantages previously experienced by the Chimney Pot area of Langworthy with properties suffering from long term underinvestment leading to low demand and low value, exacerbated by an over supply of one housing type. Parts of Pendleton, like Langworthy, have become a place of rejection rather than a place of choice.

Through imaginative design, in terms of the actual properties and environment in which they stand, the Pendleton PFI scheme has the potential to change perceptions of the area. The 'lift' the Chimney Pot Park scheme has given to the local area sets the example and augurs well for the sustainability and longevity of adjoining neighbourhoods. Chimney Pot Park helps to signal that change can be a positive and exciting experience.

In terms of the appetite for new homes within the current economic climate, the sale of properties in Hulton Square, an LPC Properties scheme in Ordsall, again in close proximity to Pendleton, has been a good indicator. Hulton Square provides a mixture of exclusive contemporary new homes ranging from one bedroom apartments, ideal for first time buyers, through to large four bedroom family houses with integral garages. Phase 1 of the development sold out very quickly with prices starting at £79,950. Phase 2, released in April 2008, also has prices starting at £79,950 for a one bed apartment through to £152,950 for a three bed family town house. Early indications are that this development is again selling well. This has been aided by the fact that a number of properties within this phase are available to purchase under English Partnerships equity share scheme.

This project has been developed against a backdrop of influences and impacts on the housing market nationally. The council recognises that a key part of the project development and delivery is readiness. Readiness to adapt to changing circumstances. It is clear that to be effective this project not only has to have the policies and vision for place shaping for sustainable communities in the long term but one that is capable of being responsive.

The council recognises that conditions continually change in the housing market, but feels that the project objectives are currently right, so despite the current correction in the housing market the council feels that that the forecast development splits are right at this time. Despite a current downturn in average house prices, they are forecast to increase by 2013 as illustrated in publication *Homes Truths, National Housing Federation (2008)*. Though demand for buying housing has reduced this year, the major difficulty for the housing market at present is the poor availability of mortgage lending at prices and on terms that people can afford. The council are alert to this national and local housing market change. The council will continue to reflect government policy and challenge as illustrated in the CLG publication *'Facing the housing challenge. Action today, innovation tomorrow,'* and the Housing and Regeneration Act (2008).

The proposed new build within the Pendleton scheme will be delivered over a number of phases commencing in approximately three years time. This will not only be synchronised with the relocation of the BBC into Salford Quays and the associated increase in population seeking accommodation in the area but also with an end to the current economic downturn and the forecast increase in housing growth.

5.0 Business Need and Stock Condition

5.1 Estate Overview

Pendleton is an area that has experienced comprehensive redevelopment in the past, initiated by large-scale clearance in the early 1960's. The experimental construction techniques and design principles used in the replacement housing, together with the relative speed with which the built form failed, contributed to the deterioration in both the quality of the built environment and social fabric with crime and anti-social behaviour on the increase. Throughout the 1980's and 1990's Pendleton was the subject of a number of disconnected interventions which did little to improve the limited housing choice and connectivity with surrounding areas. Appendix 1 provides a location plan and identifies each of the individual estates included within this proposal. A summary of each of the seven estates is provided below with a more detailed analysis attached at Appendix 2. The PFI area has not received any Decent Homes investment through the Government's decent homes funding options. Any properties that currently meet the decent homes standard have been funded through the council's capital works programme. During the procurement period, Salix Homes will be responsible for delivering a programme of day to day repairs and maintenance only, inclusive of any works which require immediate rectification through health and safety.

5.1.1 Broadwalk Estate

The Broadwalk estate is situated south of the A6 corridor adjacent to Shopping City. The area is only a short walk to Manchester City Centre, Salford University and Salford Crescent train station.

The eastern part of the estate comprises of houses in the main with only two multi-storey blocks of flats. A number of the houses are owned by Northern Counties Housing Association and are generally popular and in sound condition.

The western part of the estate is characterised by seven multi-storey blocks and one low rise sheltered housing scheme. The sheltered scheme, Lombardy Court, contains 26 self contained flats alongside a number of communal facilities such as a lounge area and laundry. A new LIFT centre is currently being constructed within this area, which will provide high quality health facilities for the Pendleton area and Central Salford. The existing library will be relocated into the LIFT centre, with the current site offering a prominent development opportunity close to Pendleton centre.

The estate has received significant investment over the last few years including substantial environmental improvements, security enhancements to each block, including controlled access systems and the development of a CCTV system with coverage across most of the Pendleton area. These improvements have resulted in increased confidence as people feel safe in their environment again.

The level of multi-storey flats within this area offers some of the most popular flats within the whole of the city. The area's popularity is also reflected in the tenancy trends with higher than average lengths of tenancy compared to other areas. Nevertheless, residents through the RTB scheme have purchased only just over 1% of council properties. The intention is to retain and refurbish all of the housing stock within this area as part of the PFI scheme.

5.1.2 High Street Estate

The High Street estate is situated in between Liverpool Street and Churchill Way. The area includes several multi-storey blocks of flats, Lark Hill Primary School, Clarendon Park containing a recreation centre (Fit City), and the former sites of Windsor High School and Wrotham Close. The former school site is allocated in Salford's Unitary Development Plan for housing development under policy H9/3.

The estate is in a very accessible location, adjacent to the Pendleton centre. It includes low rise dwellings, predominately three and four bed houses (some of which were formally maisonettes) and four multi-storey blocks, with two of the blocks being separated from the main part of the estate by Clarendon Park (a public green space consisting of approximately 4.1 hectares of land). There are two other existing multi-storey blocks within the area that are privately owned. Dialogue is on-going with the owner of the blocks in order to ensure alignment of investment strategies and proposals.

Parts of this estate have a relatively harsh appearance, with little green space. There are pockets of vacant land interspersed throughout the estate, which are often land locked and therefore difficult to redevelop in isolation. There is also an uncomfortable contrast in scale between the multi-storey blocks and the two-storey houses, which reduces the attractiveness of the area.

Tenancy trends for the High Street estate suggest that the area is less popular than it once was, with tenancy lengths now being average as opposed to higher than the average for Pendleton. Tenancy trends for the Orchard blocks (three multi-storey blocks) have also been showing a reducing tenancy length, which is below average compared to the rest of the area. The High Street estate also suffers from a high level of anti-social behaviour and has been a target for vandalism.

Overall levels of RTB have been low across the area, which indicates that the estate is unsustainable. It is felt that without significant improvements to the area and the under-utilised land, the estate will remain unpopular with buyers. 4% of houses in this area have been purchased through RTB, whilst less people have exercised the right to purchase their flat at 2%.

The comprehensive redevelopment of this estate creates the opportunity to develop a significant level of mixed tenure housing in a cohesive manner that compliments frontage onto Clarendon Park and Churchill Way.

5.1.3 Lindinis & Denbigh Estate

Adjacent to the east of the High Street estate and north of Liverpool Street are the Lindinis & Denbigh estates which are predominately residential in character. The majority of stock is council owned, but Places for People Housing Association owns some of the two and three bed properties within the estate. Over recent years the terraced properties have been subject to considerable investment. Coupled with public realm and security works and the additional benefits that targeted refurbishment will bring these homes are viewed to have a sustainable and long-term future.

Overall these two estates are popular with the properties in relatively good condition. Tenancy trends support this, with the area's average tenancy length for both past and current tenancies being significantly higher than the average for the Pendleton area. Overall levels of RTB have been reasonable across the area at 20%, which supports the longer term sustainability of the area, hence the decision to retain this housing stock.

5.1.4 South Clarendon Estate

Situated in between the M602 and Liverpool Street, the South Clarendon estate is entirely residential in character, comprising a mixture of houses and three-storey blocks of flats. There is also a sizable area of relatively underused green space along the M602 motorway.

The area was designed using a non-traditional housing layout ('Radburn'), with parking courts provided to the rear of properties and frontages accessed predominately via dedicated walkways. These poor design principles have impacted on the sense of neighbourhood,

raising issues of security for both dwellings and parked cars. In addition, there is very little soft landscaping and no play facilities for young children.

The area has not been subject to any recent investment, but the properties are generally popular and have a low turnover. Tenancy trends demonstrate that this area has always had much longer tenancies than elsewhere in Pendleton. Almost 24% of the houses have been bought under the RTB initiative, but less than 2% of the flats have been purchased. Levels of RTB and length of tenancy trends support longer term sustainability of the area.

The outcome of the comprehensive option appraisal process concluded that the long term sustainability of this area could be secured through a restructuring of the environment to design out opportunities for crime rather than complete redevelopment.

5.1.5 Athole & Amersham Street Estate

Situated in between the M602 and Liverpool Street, to the west of the South Clarendon, the Athole & Amersham estates are entirely residential in character.

The Amersham Street estate occupies most of the eastern part of the area and is characterised by three-storey blocks of flats, terraced housing built in the 1950's and includes the former site of the Kingsley Court flats. The area has experienced some refurbishment works within the last decade. Despite investment on the Amersham Street estate, the area remains unpopular with tenants primarily due to high levels of anti-social behaviour and a lack of appropriate security. The flats within the estate are the least popular form of accommodation, with high turnover and limited demand. This is due to peoples' aspirations and expectations of suitable family housing changing over time and the presence of three-bed flats occupied by families over a number of floors can cause problems. The flats have the shortest recorded average tenancy period of any properties in Pendleton at just 2 ½ years. It is proposed to redevelop this site, with replacement housing consisting of large traditional family houses.

Aylesbury Close, within the Amersham Street estate, consists of terraced properties which have experienced significant levels of RTB at over 50%. These properties have been well maintained by the residents and have the most potential for retention and refurbishment through the PFI programme. These properties are to be retained.

The Athole Street estate occupies the western part of the PFI area and is characterised by 1970's No Fines concrete terraced housing. The area has suffered from a lack of investment and now requires considerable investment to achieve the Decent Homes Standard. Approximately 18% of properties have been purchased by residents under the RTB initiative. The proposals within the PFI scheme include the clearance of these properties.

5.1.6 Nursery Street Estate

Situated south of the A6 corridor, adjacent to the shopping precinct, the Nursery Street estate is entirely residential in character. The properties were constructed in the 1970's and comprise of terraced housing and three-storey deck access flats.

Both current and past tenancy trends indicate that the area has always been more popular, on average, than other areas in Pendleton. The area's increasing popularity is demonstrated by the length of current tenancies. Approximately 44% of the terraced properties have been purchased by residents through the RTB scheme, providing a mix of tenure on the estate. An additional 8% of residents have purchased their flats. It is therefore proposed to retain and refurbish the council properties within this estate.

5.1.7 Estate Summary - Conclusion

The council recognises that Pendleton needs to be revived under a comprehensive process of transformational change, for the benefit of Central Salford and ultimately for the wider sub-regional economy. To achieve this, Pendleton requires a level of intervention on a size and scale which will have meaningful and measurable impact. Piecemeal improvement and interventions in the past have tended to be reactive, and whilst addressing prominent issues they have failed to create genuine transformational change. The Pendleton Housing PFI scheme will be the catalyst for this step change.

5.2 Stock Analysis and Property Numbers

The scheme currently consists of 2136 existing dwellings (including 25 leasehold properties). The majority of dwellings, particularly the multi-storey blocks, were built by the council in the 1970's and are of mixed construction types and systems. A breakdown of the current property position is summarised in Table 6 below:-

Table 6 – Current Stock Breakdown

Construction Type	Number of Bedrooms					Leaseholder	Total
	0	1	2	3	4		
Multi-Storey							
▪ Fram Gerrard	3	95	194	0	0	8	300
▪ Bison	0	44	89	1	0	1	135
▪ Concrete Frame	14	226	584	0	0	10	834
Total	17	365	867	1	0	19	1269
Traditional Low Rise							
▪ Flat Low Rise	0	80	0	5	0	1	86
▪ Flat Medium Rise	0	44	96	83	3	5	231
▪ Flat Over Shop	0	1	0	0	0	0	1
▪ Maisonette Over Shop	0	0	0	6	0	0	6
▪ Houses	0	0	145	261	75	0	481
Total	0	125	241	355	78	6	805
Wimpey No Fines (Low Rise)	0	0	33	24	5	0	62
Overall Total	17	490	1141	380	83	25	2136

Of these 2136 dwellings, it is proposed to demolish 869 units including nine leasehold properties leaving 1267 dwellings (including 16 leaseholders) for refurbishment. Overall 891 properties will be demolished inclusive of 22 owner occupied houses. A percentage of the loss of council owned rented properties will be supplemented through a level of new build social housing within the area, provided through a Housing Management Provider as part of the new development opportunities, which will be part enabled through the proposed demolition. This revised position is summarised in Table 7 below:-

Table 7 – Stock Breakdown Post Demolition

Construction Type	Number of Bedrooms					Leaseholder	Total
	0	1	2	3	4		
Multi-Storey - Concrete Frame	14	226	584	0	0	10	834
Traditional Low Rise							
▪ Flat Low Rise	0	80	0	5	0	1	86
▪ Flat Medium Rise	0	15	37	0	0	5	57
▪ Flat Over Shop	0	1	0	0	0	0	1
▪ Maisonette Over Shop	0	0	0	0	0	0	0
▪ Houses	0	0	140	122	27	0	289
Total	0	96	177	127	27	6	433
Overall Total	14	322	761	127	27	16	1267

The council is currently undertaking a review of the bedsits within the stock to be retained to appraise whether options exist for converting the use into community facilities or whether the option for remodelling into adjacent accommodation exists.

The council believes that a number of bedsits should be retained as current levels of occupancy are high, with only one void, and recognises that they do have a role to play within the accommodation offer to certain potential residents primarily due to the £10 per week differentiation with a one bed flat.

5.2.1 Communal and Estate Facilities

Table 8 below indicates what communal and estate facilities are present across the PFI area.

Table 8 – Communal Facilities

Estate	Communal Facilities				Estate Facilities
	Lifts	Door Entry Systems*	Common Room	Laundry Room	
Broadwalk	24	31	9	2	49
High Street	8	7	4	1	0
Lindinnis/Denbigh	0	0	0	0	0
South Clarendon	0	16	0	0	0
Amersham Street	0	47	0	0	0
Athole Street	0	0	0	0	0
Nursery Street	0	0	0	0	0
Totals	32	101	13	3	49

*number given indicates the number of fob/key access points within properties per estate.

5.3 Current Stock Condition and Investment Requirement

5.3.1 Stock Condition Survey

In 2003, the council commissioned Savills to undertake a condition survey to provide information to feed into the housing investment stock options appraisal process. This work provided a representative 17% condition sample across the city. The survey estimated that overall 69% of council housing stock in Salford failed the Decent Homes Standard at that time. The figure for Pendleton was 73%.

The report concluded that although the council's properties had been reasonably well maintained within the available resources, major capital investment had been lacking. Consequently, a significant number of major components had either reached or were near to reaching the end of their economic life and therefore required replacement. This was the key contributing factor leading to the high percentage of properties failing the Decent Homes Standard.

In 2005, following the council's decision to review its housing investment options, an additional condition survey for the proposed Pendleton PFI area was commissioned on the advice of CLG. Urban Vision & Capita Symonds Ltd were engaged in December 2005 to carryout a full 100% survey to be followed by a series of specialist site investigations across the Pendleton area.

The contract was split over two phases. The first phase, comprising of a 60% sample, was completed in May 2006. An interim set of condition data, representing a 27% sample was used to support the submission of the Expression of Interest. To ensure that a representative and statistically accurate sample was achieved, over 170 property types were identified at the start of Phase 1 with each subject to proportionate sampling. The property types were defined by each dwelling's location (block/street), type (house/flat) and configuration (mid/end terraced, ground/mid/top floor flat). This approach has enabled the council to achieve a high level of certainty in the condition of the properties included within the PFI scheme.

The second phase of condition survey was commenced following approval from CLG to proceed with developing the Outline Business Case. This condition survey, which was completed in August 2007, achieved a position where the council had up to date information covering over 80% of the stock in the PFI area. The numbers of properties surveyed are presented in Table 9: -

Table 9 – Breakdown of Properties Surveyed

Estate	Number of Properties	Numbers surveyed	No of Properties Decent at August 2007	No of Properties Non Decent by 2010	% Non Decent by 2010
Demolition					
High Street Estate					
Multi Storey					
▪ Apple Tree Court	92	74	0	92	100%
▪ Pear Tree Court	100	81	0	100	100%
▪ Peach Tree Court	100	81	0	100	100%
▪ Fitzwarren Court	134	108	29	105	78%
Low Rise	198	153	78	120	61%
Athole Street	62	51	0	62	100%
Amersham Street	174	147	92	82	47%
Sub Total (Demolition)	860	695	199	661	77%
Retention					
Lindinis/ Denbigh	105	89	41	64	61%
South Clarendon	223	174	139	84	38%
Nursery Street	73	59	17	56	77%
Broadwalk (MSF)					
▪ Beech Court	76	61	0	76	100%
▪ Holm Court	76	61	0	76	100%
▪ Hornbeam Court	42	34	0	42	100%
▪ Lombardy Court	26	21	20	6	23%
▪ Plane Court	84	68	0	84	100%
▪ Salix Court	67	54	0	67	100%
▪ Malus Court	83	66	0	83	100%
▪ Spruce Court	176	142	81	95	54%
▪ Thorn Court	176	142	111	65	37%
▪ Whitebeam Court	44	35	0	44	100%
Sub Total (Retention)	1251	1006	409	842	67%
TOTAL	2111	1701	608	1503	71%

5.3.2 Multi-Storey Stock Condition

Whilst a number of the existing multi-storey blocks will be demolished as part of the project, a total of nine blocks will be retained and refurbished. The council recognises that the refurbishment of the multi-storey blocks represents a risk to bidders and has therefore undertaken a significant amount of investigative work as outlined in this section.

The Building Research Establishment (BRE) was commissioned in 2001 to carry out intrusive structural surveys on the high-rise blocks, which were later reviewed by Curtin's Consulting Engineers in 2003. Many of the multi-storey blocks in the Pendleton PFI area

were found to require extensive works in order to meet the Decent Homes Standard and be sustainable for the longer-term.

In 2007, Thomasons Consulting Civil & Structural Engineers were commissioned to review the investigation reports produced by both BRE and Curtins in relation to the nine multi-storey blocks proposed for inclusion within the Pendleton PFI Project. Their report confirmed that all the blocks suffered from similar defects, although the degree to which each suffered varied between blocks. Generally, the defects related to spalling concrete elements; the deterioration of concrete nibs and steelwork shelf angles and in cases, an inadequate number of wall ties, many of which have corroded. The report proposed a remedial works strategy for each block that would extend the life of the blocks for the life of the commission and potentially beyond. The Thomasons report is attached as Appendix 3 with a summary of the remedial works, which have been used to inform the cost model for the scheme, presented in Table 10 below:-

Table 10 – Required External Remedial Works to Multi-Storey Flats

Block	Remedial Works
Malus Court Plane Court	<ul style="list-style-type: none"> ▪ Removal or isolation of the existing wall ties and installation of new remedial stainless steel wall ties. ▪ Removal and reinstatement of stainless steel shelf angles. ▪ Cathodic protection for external cladding panels
Hornbeam Court Whitebeam Court	<ul style="list-style-type: none"> ▪ Removal or isolation of the existing wall ties and installation of new remedial stainless steel wall ties. ▪ Remove the concrete nibs and install stainless steel shelf angles to support the masonry at each floor level. ▪ Overclad parapet walls with removable weatherproof fascia.
Spruce Court Thorn Court	<ul style="list-style-type: none"> ▪ Works to Thorn Court already carried out by Salix Homes. Remedial works to Spruce Court to be delivered through the PFI.
Beech Court Holm Court	<ul style="list-style-type: none"> ▪ Removal or isolation of the existing wall ties and installation of new remedial stainless steel wall ties (could be undertaken in two phases).
Salix Court	<ul style="list-style-type: none"> ▪ Removal or isolation of the existing wall ties and installation of new remedial stainless steel wall ties (could be undertaken in two phases).

For those high-rise blocks that are to be retained and refurbished within this proposal, the council has included for the provision of an external over-cladding system, as recommended by the specialist investigations. Over-cladding provides a number of clear benefits in respect to preserving the structural integrity of the blocks primarily by preventing water ingress. The proposed over-cladding systems will also have the additional non structural benefit of enhancing thermal performance and aesthetics of the building. The proposed cladding systems summarised in Table 11 below, as recommended by Thomasons, would not be undertaken until the remedial works outlined in Table 10 had been carried out.

Table 11 – Over-Cladding Systems

Block	Over-cladding System
Malus Court Plane Court	<ul style="list-style-type: none"> ▪ Cementitious or polymer-modified cementitious render mechanically fixed to the substrate through a layer of insulation.
Hornbeam Court Whitebeam Court	<ul style="list-style-type: none"> ▪ Thin-coat acrylic or polymer (cement-free) render mechanically fixed to the substrate through a layer of insulation.
Spruce Court Thorn Court	<ul style="list-style-type: none"> ▪ Pressure-equalised rain screen (cassette) system comprising an outer panel, a ventilated cavity and an inner leaf. Designed to deflect the majority of water off the outside face but allow any penetrating water to be disposed of through drainage.
Beech Court Holm Court	<ul style="list-style-type: none"> ▪ Thin-coat acrylic or polymer (cement-free) render mechanically fixed to the substrate through a layer of insulation.
Salix Court	<ul style="list-style-type: none"> ▪ Cementitious or polymer-modified cementitious render mechanically fixed to the substrate through a layer of insulation.

Both the Curtins and Thomasons reports also recommended that as part of any over-cladding works, that the flat roofs of the blocks should be refurbished to prevent ingress of water into the upper storey and structure of the building. Complete replacement or overlaying with a single ply membrane (incorporating additional insulation) would minimise the extent of any ongoing repairs required and could provide a 30 year weather-tight roof.

5.3.3 Additional Specialist Surveys

In addition to the condition surveys, a number of specialist surveys/investigations were also commissioned by the council in order to ensure that both a robust cost model could be developed, and that any risk relating to stock condition could be confidently transferred to the contractor.

▪ Asbestos

Urban Vision were commissioned by the council in 2007 to undertake a fully compliant Type 2 material identification and assessment survey (Sampling Survey). A 16% representative sample of the housing stock covering all construction types were surveyed inclusive of communal areas. This data has been cloned to represent a 100% cost profile around asbestos remedial works which have been included within the build cost model. The asbestos visual and sampling works undertaken were not of an intrusive nature given that the properties surveyed were fully occupied.

Urban Vision have produced a fully detailed and comprehensive Asbestos Survey report including recommendations for each of the properties surveyed; the survey reports are compliant, certified and fully detailed as per the council's briefing document.

▪ Wall Tie Surveys

Thomasons were commissioned by the council in October 2007 to undertake a preliminary wall tie survey to establish the condition of the cavity wall ties within the low-rise housing stock in a number of the Pendleton estates. A sample of the different types of properties were inspected on the different estates; 5% of the South Clarendon, Denbigh, Lindinis and Nursery Street (houses only) estates which are proposed for retention, and 1.4% of the High Street, Athole and Amersham estates which are considered for demolition.

The cavity wall ties within the properties inspected were generally in good condition with only slight evidence of corrosion and no loss of section. There was also no evidence of horizontal

cracking or outwards bulging of the walls which often signify deterioration of the cavity wall ties.

▪ **Ground Investigations**

A 'ward screening' exercise has been undertaken for the Pendleton area by environmental services. The study concluded that the area has had a varied history of previous industrial usage with chemical (including bleach and dye works), oil and engineering works noted across the area.

Overall the area was classified as a low/medium risk as the type of contaminants associated with such works are usually straightforward to remediate, with recommendations that sampling is undertaken in all areas where the ground is likely to be disturbed or utilised when undertaking new developments. A series of ground investigation works have already been undertaken, but it is recognised that further sampling will be required in the future where sites currently require a level of demolition.

Ground investigations assessing geotechnical properties, ground gas and contaminants have been completed for the sites listed below, which have been identified for residential new build (please refer to Appendix 4 for a plan of the development opportunities):-

- Former Windsor High School
- Former Kingsley Court
- Athole & Amersham
- High Street

The level of sampling undertaken across key development sites has provided a level of certainty to costs relating to any required remediation works, thereby reducing the level of unknown contingencies in the future when establishing land valuations with bidders. This is being further supplemented by studies for the presence of newts and Japanese Knotweed which are currently being undertaken by WSP Environmental.

▪ **Bat Activity Surveys**

Specific bat activity surveys were undertaken during August and September 2007. An initial appraisal of the area concluded that the area was of low potential to support bats due to the urban location, a lack of suitable feeding habitat and very few records of bats being held for the area.

The aim of the survey was to determine:-

- The presence / absence of bat species
- The intensity of bat activity both spatially and temporally
- The type of activity i.e. foraging, commuting, mating
- Roosts by tracking back bat flight paths or observing dawn flight activity at roosts
- Emergence of bats from a building or build structure

Pipistrelle bats were recorded during the activity survey, but the activity was of very low intensity and occurred some time after dusk, implying that the bats recorded were not roosting close by. Activity consisted of feeding but no signs of bat roosting activity in the survey area were recorded.

▪ **Ecological Constraints Survey**

WSP Environment UK carried out an ecological constraints walkover survey in Pendleton towards the end of May 2008. The aim of the survey was to appraise the value of the key habitats present on site, identify the potential for protected species to occur, particularly bird

and bat species, and to identify the presence of any invasive weeds. The survey identified that two potential ecological constraints exist:-

- Suitable habitat is present on the site both in the mature trees and vegetation and within buildings for breeding birds.
- Buildings in the site have the potential to support roosting bats. Suitable foraging areas are also present in the grasslands and woodland along the motorway

Whilst the survey has identified that the area does offer the potential for roosting bats and breeding birds, at the time of survey no evidence was present to suggest that this was taking place, hence no pricing for remedial action has been included within the council's build cost model. The council's approach is that this risk will lie with bidders. If the council finds, contrary to the survey evidence that bidders have priced for this risk, then the council can open dialogue with the bidders as to the best way to mitigate the risk, and only at this stage consider a risk sharing mechanism on the grounds that it offers value for money.

The constraints walkover checklist suggested that there as no suitable habitat on the site for Great Crested Newts or invasive weeds such as Japanese Knotweed. On this evidence, no assumptions on costs associated with remedial works have been included within the build cost model or the land valuations.

- **Mechanical & Electrical (M&E)**

In 2006 Urban Vision were commissioned by the council to undertake a fully compliant Mechanical, Electrical and Lifts Survey of selected multi-storey blocks inclusive of a representative sample of the different archetypes. The surveys undertaken were a visual non-intrusive inspection.

The reports include detail of the type of plant, its approximate age and overall condition along with suitability of the plant with an indication to its remaining serviceable life. In line with the brief, representative and robust replacement costs have also been provided. These costs have subsequently been incorporated within the cost modelling data base. Detail of the maintenance and servicing history of the plant is also identified within the reports.

- **DDA**

A fully compliant DDA Access Audit Survey across selected multi-storey and low-rise accommodation has been undertaken by Urban Vision. The survey, completed in 2007, is in accordance with Part III of the Disability Discrimination Act 1995 (Provision of Goods, Facilities and Services) and covers approach and entrance, entrances, car parking, horizontal & vertical circulation/way-finding provisions and means of escape. The purpose of this comprehensive report is to provide a basis for a structured, prioritised and costed programme of building works to be delivered as part of the PFI scheme. The associated costs for these works have again been used within the cost modelling data.

Also, whilst the main emphasis of the Access Audit Reports relate to public access to goods, facilities and services, Urban Vision have also included an element of cross-over relating to employment issues as per Part II of the DDA. This element will be further covered within the council's bidder's documentation.

- **Fire Safety**

In 2007, Urban Vision undertook a fully compliant Fire Survey Report across a representative sample of multi-storey and low-rise accommodation. The findings of this survey have been used to develop a programme of works which have been costed and included within the build cost model. The works, to be delivered through the PFI scheme, will significantly improve

the fire safety of the buildings, and ensure that a long-term fully compliant plan that meets the requirements of the Regulatory Reform (Fire Safety) Order 2005 is maintained.

▪ **Energy Audit**

Urban Vision was commissioned by the council in 2007 to undertake an Energy Audit on a representative selection of the stock within the PFI area. The results of the 60% sample survey have been recorded along with several energy audit reports and summaries.

5.3.4 Survey Summary

The level of stock condition and specialist surveys undertaken have enabled the council to develop a comprehensive and robust proposal inclusive of costs. A full suite of survey reports are available to share with bidders to both inform the development of their bids and the areas of focus within the bidders' stock condition brief. The surveys undertaken cover the following key aspects/ elements:-

Internal & External Stock Condition	-	Full reviews and summaries of current conditions and standards.
Structure	-	Full review of structural integrity and building conditions.
Asbestos	-	(type 2) with detailed costs for type 3 removal.
Drainage	-	Intrusive surveys.
Mechanical	-	Condition reports on existing installation.
Electrical	-	Condition reports on existing installation
Fire	-	Report on current standards and compliance with recommendations.
DDA	-	Report on current standards and compliance with recommendations.
SAP	-	Report on energy consumption and carbon ratings.

The reports provide in depth knowledge of the housing stock and its current condition in terms of compliance, performance, maintenance regimes, and also includes some indicative cost information relating to the required remedial and replacement works required. The stock condition reports alongside data sourced from Salix Homes combined with the experience and knowledge base from within Turner & Townsend has led to the production of a robust Build Cost Model, which is summarised in Table 12 below. No specific element of risk pricing has been included for multi storey blocks but overall, as part of the PFI modelling, 10% risk pricing has been added to these baseline capex costs.

Table 12 has been withdrawn from this version of the OBC on the grounds of commercial sensitivity.

5.3.5 Market Perception

The council discussed the stock condition data it holds, along with bidders' survey expectations and requirements, in market soundings held in January 2008. The majority of the organisations contacted stated they would require a further survey to be undertaken prior to bid submission. As per expectation, the short-listed bidders would agree the survey brief and the list of organisations who would be invited to tender. This level of input was considered essential for bidders and their funders, if they are to accept property condition risks.

Overall the indications are that, however reliable the council's data, bidders will not be prepared to rely on the existing information, as they have had no input into the brief or any opportunity to select the organisations who have undertaken the inspections. The

programme assumes that such a survey will be undertaken at short-listing stage. The outcome will also be warranted to the council and provide a further source of information on which the council can rely to assess the condition of the stock, and to further inform the council about the extent of the Latent Defects risk.

Allowance has been made within the programme for the Bidders' Surveys to take place prior to finalising the Invitation to Submit Detailed Solutions (ISDS). It is anticipated that the results will be available to the council and bidders by September 2009. Final adjustments can then be made to the ISDS in discussion with bidders, before proposals are submitted in November 2009.

5.4 Assessment of Capital and Lifecycle Costs

5.4.1 Assessment Process

The survey information described above has been used by the council to determine the estimated refurbishment costs for the project. The development of the capital and lifecycle profile included within this OBC entailed an analysis of the build cost model by Turner & Townsend. The model was originally developed by Plus Property Solutions, which included the cost inputs from the 80% stock survey, extrapolated to represent 100% of the stock within this PFI scheme. Turner & Townsend also used a combination of experience, good industry practice, and its own in-house benchmarking database, INTTEGRA, to help develop the cost profile for this scheme. The database contains life cycle profiles and associated costs for both current and previous housing renewal related projects across both the public and private sector housing markets, inclusive of PPP schemes within the UK.

Turner & Townsend have also adopted good industry practice in terms of referencing to industry services such as BCIS, which are continually monitored via the company's Cost Management team, particularly given the current industry climate. In addition, Turner & Townsend are a long-term industry partner with the Whole Life Cost Forum, which promotes and forms the UK database of whole life cost and performance data, another critical area of PFI which has been taken into account. A summary report of the appraisal conducted by Turner & Townsend is attached at Appendix 6.

This approach was further supplemented by discussions with Salix Homes over current contract framework agreements and related costs for their core stock; and an analysis of the utilisation of the major repairs allowance over the last 8 years on the stock within the PFI area, particularly on the multi-storey blocks.

In developing the lifecycle profile, Turner & Townsend based replacement upon the average life of individual components as determined by both manufacturers' guidelines and bid experience. The initial assumption in developing the lifecycle programme was that within the first 5 years following contract commencement, that there would be a significant level of refurbishment.

This overall approach has enabled a refinement of the build cost model to a point where Turner & Townsend have confidence within the cost inputs relating to the specific elements included within the 'general' stock condition survey.

The development of the Output Specification has taken place in parallel with the analysis outlined above. From the initial analysis of the stock condition and specialist surveys, a short form profile of the primary requirement for capital expenditure was established against the standard requirements for the Pendleton Housing PFI Project. Subsequently, an initial cost plan was established which enabled the basic form of the Output Specification to be developed. Following further and more detailed reviews, and analysis of both the condition and specialist surveys, in line to the development of the cost database, a more robust and final profile of the work requirements was established within the Output Specification.

5.4.2 Assessment Overview

The stock included within the scheme are all construction types where the condition issues are well understood. The low rise stock within the scheme comprises 41% of the dwellings for refurbishment and is of two main construction types. 93% of the low rise properties are of traditional brick cavity wall construction. The council and Turner & Townsend have assessed the works required, based on their experience, and consider the condition issues for these archetypes to represent relatively low risk. As such, transferring the condition risks to the private sector is expected to be straightforward. The remaining 7% are of a Wimpey No Fines construction and are all included within the proposals for demolition.

The council has recognised that the refurbishment requirements for the external elements of the multi-storey blocks are more complex to assess and therefore has sought additional guidance from Curtins and from Thomasons Consulting Civil & Structural. Each company has reviewed, in 2003 and 2007 respectively, the intrusive structural assessments that were carried out on all the multi storey blocks by BRE Consulting in 2001. The council is confident that a detailed works and associated cost profile have now been developed for the refurbishment of the external elements. The approach and proposals for dealing with the external elements of the blocks to be retained are set out in more detail in section 5.3.2.

Turner & Townsend have prepared capital and lifecycle programmes and cost estimates for each property in the scheme (Appendix 7), based upon the stock survey information sourced from Urban Vision and Capita. This has been complemented by the use of their own information sources, including benchmarking against other scheme costs, council data, and their experience of pricing PFI schemes for both the public and private sector. The cost estimates are based on meeting the requirements set out in the Output Specification, attached as Appendix 8.

5.5 Investment Need

An analysis of the significant level of stock condition information gathered by the council over the last 5 years, as outlined in section 5.3.1, has shown that the majority of dwellings proposed for retention within the scheme do not currently meet the Decent Homes Standard. All the properties will either require comprehensive replacement of their fixtures and fittings in the first five years, or a minimum of once over the life of the contract. The cost estimates for the scheme have been based on improving the high levels of non-decency in the early years of the contract, with £xx.xxm capital investment envisaged in years 1-5 (*capital investment figure has been withdrawn from this version of the OBC on the grounds of commercial sensitivity*).

A five year programme is proposed to ensure that properties are refurbished within a relatively short, defined period, having regard to their current condition, but also taking into account the practicalities of working with tenants in-situ. The minimisation of disruption to tenants will be achieved by effectively setting a limit on the extent of the works taking place within the estate at any one point in time. The works include:-

- Kitchen renewal
- Bathroom renewal
- Electrical installation renewal
- Heating and water system renewal
- Window renewal
- External door renewal
- Decoration
- Repairs to roofs
- Repair/replace gutters, rainwater and soil pipes
- General repairs & external painting
- Insulation and energy efficiency improvements
- Structural repairs to the fabric of the multi-storey blocks and the application of over-cladding system to improve energy efficiency and act as a rain screen.
- Refurbishment over the contract period of Communal Services to all flats, including Lifts, Mains Services, CCTV, aerials, door entry systems and redecoration of stair wells.
- Refurbishment of the communal facilities within the supported sheltered housing schemes, including the laundry, community room and kitchen.

The life cycle profile has been based on average component life and an assessment of the approaches to life cycle costing that bidders use.

5.6 Rationale for Retaining Stock

One of the key reasons behind the council's decision to demolish specific multi-storey blocks is centred on construction type. The four blocks allocated for demolition are all large panel system built properties, a construction type which, without significant investment, are not durable enough to provide the required life expectancy. The loss of these blocks will also support the project objective of rationalising the level of social rented properties within multi-storey blocks in order to open up development opportunities for increased tenure diversification, as explained in greater detail in section 4.0. The inclusion of Peach and Apple Tree Court within the demolition proposals further supports this principle as they are adjacent to the former Windsor High School site and can therefore be easily incorporated into the redevelopment of this specific area of the estate.

The four blocks allocated for demolition are all within the High Street estate which is an area with particular inherent design issues. The low rise properties are inefficiently laid out, locking in isolated pockets of land which serve no clear defined purpose. The positioning of the multi-storey blocks adjacent to the low rise properties also creates an uncomfortable scale differentiation with no gradual scaling or regard to modern urban design principles. It is an acknowledgement of these factors, discussed in detail during the Option Appraisal process outlined in greater detail in section 6.0, which has led the council to take the decision that the whole of the High Street estate offers the best opportunity for delivering a significant level of the new build to achieve the desired level of tenure diversification.

The blocks for retention are all of a concrete frame construction for which, with specific remedial work and appropriate application of an external protective layer to reduce the effects of weathering, there is confidence that the life expectancy can surpass the concession period. Excluding Spruce Court and Thorn Court, the remaining blocks for retention are all clustered around communal gardens and shared secured parking. Isolating any of these blocks for inclusion within the demolition proposals to support the principle of rationalisation does not provide the redevelopment opportunities or accessible clearance which the other blocks provide. In addition, the provision of properties refurbished to a high standard combined with a residualisation in the over-supply of multi-storey accommodation will in turn lead to a reduced turnover in some of these blocks where an above average turnover rate currently exists.

In relation to the rationale for retaining Thorn and Spruce Court, over the last five years Thorn Court has received significant investment including external structural repairs and a programme of kitchen and bathroom replacement. The council is confident that this recent investment will improve confidence with residents which will in turn reduce the level of turnover. Thorn Court is in very close proximity to its sister block Spruce Court. By including both blocks within the scheme, the council seeks to avoid a disparity in the investment in each block and any negative impact this may have on the regeneration work achieved through the PFI scheme. It is hoped that once a significant level of refurbishment has taken place in Spruce Court early on in the PFI programme that the sustainability of these two landmark blocks will be secured. The current profile of works required for each block have been accounted for in the build cost model to ensure double renewal does not take place in Thorn Court within a short space of time unnecessarily.

In terms of the rationale for the low-rise stock retention, again this has been driven by construction type and consequently the value for money analysis of the required investment, combined with an assessment of the role the properties will play in meeting future housing requirements.

The Amersham Street estate currently consists of what is considered to be inappropriate family accommodation comprising of large three to four bedroom flats. The sustainability of this stock is uncertain as families will continue to move out as and when more appropriate traditional family housing becomes available. Where traditional housing exists on the

Amersham Street estate, this will be retained. Lindinis, Denbigh and the Nursery Street estate, all offer traditional family housing and hence are very popular areas. These are all of a construction type where the condition issues are well understood and therefore where the council feels that any Latent Defect risk will be minimal, hence the decision to retain all the properties within these areas.

The South Clarendon estate, although inclusive of family houses, is set out in a 'Radburn' style which in theory should have provided a safe pedestrian environment. Unfortunately, in practice it has provided a 'warren' of footpaths and areas of isolated space which has created an environment that lends its self to criminal activity and an extensive maintenance liability to the council. The council's proposed response to these problems is one of retention with a reform of the physical layout with actual demolition of houses kept to a minimum. The creation of 'traditional' streets with the provision for in-curtillage parking or as a minimum, ability to park on the road-side, combined with a rationalisation of footpaths will design out a significant level of the current social problems. The introduction of a new road system within this area also facilitates the utilisation of the former Kingsley Court site as a real development opportunity.

6.0 Options Appraisal

The council has undertaken a detailed and comprehensive analysis of a range of options for improving the built environment in Pendleton. This section describes the process and results of the assessment which has taken place to determine the best option for delivery of the objectives outlined in section 2.0.

6.1 Stage 1 – City-Wide Stock Options Appraisal

In October 2004, what was then the Office of Deputy Prime Minister (ODPM) confirmed to all local housing authorities that there were three options available for securing the additional resources required to meet and maintain the Decent Homes standard. The options to consider were the creation of an Arms Length Management Organisation (ALMO), Private Finance Initiative (PFI) or stock transfer.

In developing the option appraisal framework, the council chose to divide the City into eight areas. One of the areas, Pendleton, was brought forward for early appraisal so as to maintain the potential for consideration as a PFI area in light of the timescales to develop an Expression of Interest, should a PFI prove to be the preferred choice of investment vehicle.

The options considered for the Pendleton area were:-

- Option 1 - Council retention
- Option 2 – Arms Length Management Organisation (ALMO)
- Option 3 - Private Finance Initiative (PFI)
- Option 4a - Stock transfer to an existing Housing Management Provider
- Option 4b - Stock transfer to a newly created local housing company

The option to ‘Do Nothing’ was disregarded for consideration as it did not represent a viable option to counteract the decline in the condition of the housing stock or in the quality and effectiveness of services to tenants and stakeholders.

6.1.1 Evaluation of Delivery Options

The options were identified and appraised in the ‘Housing Stock Options Appraisal - City Wide’ report (Draft May 2005) prepared by Price Waterhouse Coopers (PWC). Within this report, an evaluation matrix was developed and each option evaluated against an agreed set of criteria for each area.

The evaluation criteria used in the stock options appraisal process were based on the achievement of the council and project objectives. The first four criteria outlined in Table 13, were deemed as absolutely essential. Each criterion was assessed as one of:-

‘Yes’	-	would be achievable
‘Looks possible’	-	more likely to be achieved than not
‘Probably not’	-	less likely to be achieved
‘No’	-	would not be achievable

A summary matrix detailing the results of the appraisal of each option for the Pendleton area is presented in Table 13:-

Table 13 – Evaluation of Delivery Options Summary Matrix

Criteria	Option 1 Council Retention	Option 2 ALMO	Option 3 PFI	Option 4a Transfer HMP	Option 4b Transfer LHC
a) Meets decent homes and other essential repair expenditure requirements	No	Yes	Yes	Yes	Yes
b) Can be delivered	No	Looks possible	Looks possible	Probably not	Probably not
c) Is there enough money to deliver all necessary works and management over next 5 years?	No	Looks possible	Looks possible	Looks possible	Looks possible
d) Can this solution for your area fit with other local solutions to meet city wide needs?	No	Looks possible	Yes	Looks possible	Looks possible
e) Is there enough money to deliver all necessary works and management over next 30 years?	No	Probably not	Looks possible	Looks possible	Looks possible
f) Potential to exceed Decent Homes Standard	No	No	Yes	Looks possible	Looks possible
g) Popularity amongst tenants and residents	No	Looks possible	Yes	No	No
h) Will help give homes and estates a long term future	No	Probably not	Yes	Looks possible	Looks possible
i) Can help to achieve better performance and standards of service	No	Yes	Yes	Yes	Yes
j) Could offer a practical solution for the whole of the council's stock	No	Probably not	No	No	No
k) Does it increase resident involvement and accountability?	No	Yes	Yes	Yes	Yes
l) Provides new governance opportunities for tenants and other stakeholders	No	Yes	Probably not	Yes	Yes
m) Maintains affordable rents/service charges	Yes	Yes	Yes	Yes	Yes
n) Tenancy rights protected	Yes	Yes	Yes	Looks possible	Looks possible
o) Provides money for new homes	No	No	Yes	Looks possible	Looks possible
p) Staff rights protected	Yes	Yes	Yes	Looks possible	Looks possible

The analysis for Pendleton indicated that:-

- Council retention was not an option. The report concluded that failure to adopt a sound investment strategy for the council owned homes in this area would counteract any proposed regeneration activity. Retention by the council did not represent a viable option to counteract the decline in the condition of the housing stock or in the quality and effectiveness of services to tenants and stakeholders.

- An ALMO solution was not appropriate for the area given the need to secure both improvements to the physical environment and achieve a required level of mixed tenure to ensure future sustainability.
- The Option Appraisal Matrix indicated that PFI was preferable to both Transfer and ALMO solutions. The PFI model offered a higher level of investment beyond Decent Homes and provided investment for remodelling and new provision essential for the sustainability of the area, ensuring best fit with wider strategic housing market renewal and regeneration interventions.
- The PFI option also had the overwhelming support of tenants as evidenced through the consultation exercise which indicated that 68% of those consulted were in favour of PFI.

The results of the appraisal exercise concluded that the only viable option to achieve the objectives for Pendleton which had the support of stakeholders was via the PFI route.

6.2 Stage 2 – Detailed Assessment

The next stage in the option appraisal process entailed a detailed assessment of the stock within each individual estate, with the resultant Preferred Option to be delivered through PFI. 'Do Nothing' and 'Do Minimum' options were considered for all of the estates within the PFI area throughout this second stage of the option appraisal process.

The **'Do Nothing' Option** - was deemed to reflect a continuation of the current standard with only essential maintenance activity being carried out.

The **'Do Minimum' Option** - related to the achievement of the Decent Homes Standard by carrying out Asset Management Plan Priority 1-3 repairs as outlined below:-

- Priority 1 - Urgent works that will prevent immediate closure of premises and/or address an immediate high risk to the health and safety of occupants and/or remedy a serious breach of legislation.
- Priority 2 - Essential work required within two years that will prevent serious deterioration of the fabric or services and/or address a medium risk to the health and safety of occupants and/or remedy a less serious breach of legislation.
- Priority 3 - Desirable work required within three to five years that will prevent deterioration of the fabric or services and/or address a low risk to the health and safety of occupants and/or remedy a less serious breach of legislation.

Further options to be considered for each individual estate began their development at the **'Workshop Pendleton'** which was held from the 22nd to the 24th September 2005. Approximately 150 stakeholders participated in this opportunity to discuss the 'Prospects' (ideas) for the area, facilitated through exhibitions, presentations and workshops. The ideas and issues discussed at this event formed the basis of a range of development options for the area, which were detailed in an 'Issues and Options' Report, attached as Appendix 9.

In March 2006, the 'Issues and Options' report received in principle support from the Lead Member for Housing, the Pendleton PFI Group, and the Pendleton Community Forum.

Following this the 'Issues and Options' report was subject to a six week public consultation period between the 19th May and the 29th June 2006. Overall feedback from the consultation was very positive, with support for the vision, strategic objectives and proposed options. A number of challenges were identified, including the need to:-

- Create a balanced mix of housing provision across the area
- Improve the quality of public transport provision
- Take account of population increase in terms of the impact upon transport infrastructure
- Improve permeability through the area, including better cycling and pedestrian facilities
- Improve and increase the provision of open spaces
- Create high density development around the town centre and public transport facilities
- Improve the mix of employment initiatives and opportunities
- Reduce crime

The large number of broad options considered during the 'Issues and Options' consultation were later narrowed down to a range of common elements and three more detailed 'Preferred Options' (Appendix 10). These options included proposals on how PFI investment will be spent in the area. Residents were asked to indicate if they liked or disliked each of the options, and additional space was provided for general comments.

Consultation on the 'Preferred Options' with the local community and key stakeholders took place from the 15th June to the 26th July 2007. Over 30 events and a door knocking exercise were arranged to maximise opportunities for the local community to get involved and be at the heart of setting a framework for the areas regeneration over the next 10 -15 years. In total, approximately 6,500 questionnaires were sent, one to each residential address within the Pendleton regeneration area, which led to an overall response rate of 10.5%. Analysis of these responses has indicated that over 500 were from the 2,136 residents who are to be directly effected by the PFI scheme, giving an overall response rate of 24% from within the PFI area.

The response rate of 24% is comparable with local election turnout for the Langworthy Ward which was 24.53% in May 2007 and 24.9% May 2008. In addition, the response to the Council's 'Big Listening' Survey during the same period of June 2007, achieved a 7% response rate from Langworthy. The 'Big Listening' Survey was incentivised with all responses being entered into a prize draw to win £250 of high street vouchers. Moreover, the response rate to the Council's stock options review in 2005 achieved a 9% return city-wide and 17% for Pendleton. The process undertaken was subsequently commended by the Community Housing Task Force. In context with this information, 24% is considered to be a reasonable response rate.

In light of this consultation, a short-list of individual estate options remained for further appraisal. These options are outlined in Table 14 below and were the subject of further evaluation as detailed in section 6.2.1. To maintain consistency with the 2nd stage evaluation process, as outlined in section 6.2 above, the two options, Option 1 – Do Nothing and Option 2 – Do Minimum (Achievement of Decent Homes), were retained for consideration for all estates.

Table 14 – Short-listed Options

Estate	Options Considered
Nursery Street	Option 3 - Refurbish & remodel houses, demolish flats and replace with new build
	Option 4 - Refurbish flats and houses to a Decency Plus standard.
Broadwalk	Option 3 - Refurbish all properties to a Decency Plus Standard and apply over-cladding to all high rise where necessary
High Street, Former Windsor High and Wrotham Close	Option 3 - Demolition of all properties and replacement with new build
	Option 4 - Part demolition for replacement new housing with retained properties refurbished to the Decency Plus Standard.
Lindinis and Denbigh	Option 3 - Refurbishment of properties in the Lindinis and Denbigh to Decency Plus Standard
South Clarendon	Option 3 - Refurbish and remodel properties in the South Clarendon area
	Option 4 - Demolition of properties and replacement with new build
Amersham & Athole	Option 3 - Demolition of properties in the Amersham & Athole area to provide a new high school and some new family houses. Aylesbury Close retained and refurbished to Decency Plus Standard.
	Option 4 - Part Demolition of properties in the Amersham & Athole area to provide new family houses, with any properties that are retained refurbished to a Decency Plus Standard. Aylesbury Close retained and refurbished to Decency Plus Standard.

6.2.1 Evaluation of Short List of Options

The evaluation criteria used in the options appraisal process for the project are based on the achievement of the council and project objectives described above. The stock options for the project have been rigorously evaluated against three key criteria:-

- **Technical and Masterplanning (25%)** including Strategic Vision & Design, safety, environmental improvement, transport and connectivity and general land use.
- **Finance (40%)** including Affordability.
- **Consultation (25%)** outcomes and acceptability to stakeholders and the community.

Three evaluation teams, with appropriate expertise, assessed each criterion, and their scores and reports were considered by a Main Evaluation Panel, who awarded the final 10% of the marks, based on their assessment of the individual Evaluation Group reports and the overall comprehensiveness of each proposal.

A copy of the methodology and evaluation criteria and a full breakdown of the scores from the evaluation teams are contained in Appendix 11. Individual reports from each of the three Evaluation Groups are presented in Appendix 12, with a summary of the conclusions drawn presented in Tables 15a, 15b and 15c below. A summary score profile is provided in Appendix 13.

Table 15a - Technical & Masterplanning Evaluation Summary

Key Conclusions - Technical & Masterplanning Evaluation

Nursery Street

- The 'Do Nothing' Option does not achieve any diversification.
- Limited land assembly in Option 3 therefore restricting opportunities for tenure diversification.
- Option 4 excludes remodelling but includes an enhanced refurbishment standard together with environmental improvements.
- Improvements to the flats proposed under Option 4 will enhance their sustainability and energy efficiency (roofs & cladding).

Broadwalk

- Existing housing is considered to be reasonably good.
- Safety on the estate and quality of the public realm was considered to be poor.
- Tenure diversification will probably change with intervention but only through an increased level of Right to Buy.

High Street, Former Windsor High and Wrotham Close

- High levels of anti-social behaviour encouraged through poor design..
- Concern as to whether there would be sufficient market interest in the Windsor site without wider investment in the area.
- Option 3 provides the opportunity to 'start afresh'.
- With Option 4, it was considered that limited clearance on the edge of the site would allow for high density development together with a degree of remodelling. It was also felt that the existing development opportunities could be used to shape tenure diversification and housing choice.
- Development opportunities had the potential to create green links through the estate which would also contribute to community safety, particularly as current pedestrian movement through the estate is confusing.

Lindinis and Denbigh

- Substantial investment within this estate over the last few years.
- Intervention through a step change in investment will lead to more Right to Buy's as properties are brought up to a level where people will want to remain.
- The area offers little in respect to new development opportunities.

South Clarendon

- A degree of re-modelling would resolve the problems of pedestrian and vehicular access.

Amersham & Athole

- Reasonable variety of housing type in Amersham and Athole but concern over quality.
- High levels of anti-social behaviour on Amersham Street due to poor design. No defined green space or quality public realm.
- Site clearance will create development opportunities and allow for tenure diversification and improvements in design quality.

Table 15b – Finance Evaluation Summary

Key Conclusions - Finance Evaluation

Nursery Street

- From a revenue perspective, it was considered that the initial level of capital investment required under Option 3 would reduce the lifecycle costs over the lifetime of the Project, thereby reducing the quantum of ongoing revenue obligations to SCC.
- From a risk perspective, it was agreed that Option 3 allowed significant levels of risk transfer to the private sector.

Broadwalk

- From a capital perspective, it was agreed that the required level of investment for Option 1 was relatively low. However, from a revenue perspective, the Finance Group concluded this option would still expose the Council to significant maintenance and lifecycle obligations.
- From a risk perspective, it was agreed that Option 1 allowed significant levels of risk transfer to the private sector.
- From a delivery perspective, it was concluded that Option 1 could not be delivered through a PFI procurement route as the forecast level of capital investment could not be translated into a workable PFI output specification. In addition, whilst this option could be delivered through a framework contract, such a procurement route would be unlikely to attract funding from CLG.
- The required capital investment to deliver Option 3 was considered to be significantly above that forecast at EOI stage. Therefore, Option 2 was selected as the Preferred Option for the Broadwalk Estate.

High Street, Former Windsor High and Wrotham Close

- From a capital perspective, it was noted that Option 3 would require high levels of capital investment. However, from a revenue perspective this would reduce the ongoing lifecycle costs over the lifetime of the Project, thereby reducing the quantum of ongoing revenue obligation to SCC.
- From a risk perspective, it was agreed that Option 3 allowed significant level of risk transfer to the private sector.

Lindinis and Denbigh

- As the level of capital investment required for Option 3 was in line with that agreed at EOI stage and it achieved the level of risk transfer required, this was chosen as the Preferred option..
- However, it was noted that, due to the levels of refurbishment needed for this option, delivery could be difficult.

South Clarendon

- From both a capital and revenue cost perspective, Option 3 was regarded as acceptable.
- From a risk perspective, it was agreed that Option 3 allowed significant level of risk transfer to the private sector. However, it was noted that there is still the potential for costs to increase until the final contract is signed.

Amersham & Athole

- Option 3 scored well from both a capital and revenue perspective due to the low levels of capital investment required to deliver this option and the subsequent annual revenue implications for SCC in relation to the payment of a unitary charge.
- From a delivery perspective, it was concluded that this option could be delivered through a PFI procurement route. However, it was noted that due to the high levels of demolition and refurbishment delivery of this option could be difficult.

Table 15c – Consultation Evaluation Summary

Key Conclusions - Consultation Evaluation
<p>Nursery Street</p> <ul style="list-style-type: none"> ▪ Although many residents are against demolition, this does not necessarily mean they are satisfied with the option to “Do Nothing”. ▪ The Group agreed that the dislike of all options for demolishing flats implied support for Option 4.
<p>Broadwalk</p> <ul style="list-style-type: none"> ▪ It was noted that a high response rate was achieved from local residents to the equivalent of achieving the Decent Homes Standard. ▪ There was little evidence to support over-cladding as opposed to Decent Homes Standard only and it was unclear whether consultees were made aware of over-cladding as a specific proposal. The Group therefore found it difficult to differentiate between Options 2 and 3.
<p>High Street, Former Windsor High and Wrotham Close</p> <ul style="list-style-type: none"> ▪ There was a high level of response for the options consulted on with strong support to do something.
<p>Lindinis and Denbigh</p> <ul style="list-style-type: none"> ▪ The Group assumed that any lack of support for refurbishment and remodelling did not necessarily favour demolition. ▪ There are high levels of Right to Buy in the area and low turnover rates. Lindinis and Denbigh estates are therefore considered to be sustainable communities. ▪ From the Consultation responses, it was assumed that residents would not want anything less than meeting the Decent Homes Standard.
<p>South Clarendon</p> <ul style="list-style-type: none"> ▪ The good level of resident responses did indicate strong support for refurbishment of properties. In addition, work done by an estate resident’s group does support remodelling of the estate. ▪ There have been a number of previous objections to demolition which have been responded to through undertakings by the Council that there would not be any demolition. The resident responses received did not indicate any support for demolition of any properties.
<p>Amersham & Athole</p> <ul style="list-style-type: none"> ▪ There was a high level of response from residents, stakeholders and consultees. ▪ Although there was overall support for Options 3 and 4 from all households responding to the survey, when the group looked at responses from the whole sub-area, it was identified that the results in support and against were similar. It was therefore considered by the Group that additional information was required to distinguish levels of support by residents from Amersham Street and residents from Athole Street. ▪ During the workshop, the Group obtained additional statistical data from the analysis of responses in order to split feedback from Amersham and Athole. ▪ These detailed results did indicate a split in response between residents from Amersham Street and those from Athole Street. Overall, there were similar levels of support and opposition to Options 3 and 4, although there was slight favour towards Option 4..

6.3 Service Delivery Options

In July 2007, the council established Salix Homes, a new Arms Length Management Organisation (ALMO) for Central Salford responsible for delivery of the “landlord” services to approx 8,000 homes. In addition, Salix Homes is also responsible for the management of those properties within the PFI area for an interim period until such time as service commencement by the PFI contractor. Currently, Salix Homes delivers its housing management services through the use of both its own core staff and through the use of sub-contractors. One of the key organisations to which services are contracted out is Housing Connections Partnership (HCP).

HCP currently operates as a division within the council's Housing & Planning Directorate, responsible for delivering a wide range of housing support services to residents and Housing Management Providers across Salford. HCP delivers 12 key services which have been divided into four over-arching themes or portfolios which are:-

Services for Independent Living

- Specialist Housing Services
- Salford Care on Call
- Sheltered Housing
- Extra Care

Housing Choice & Support Services

- Salford Home Search (Choice Based Lettings)
- Housing Advice & Support Services
- Supported Tenancies
- Social Housing
- Furnished Homes

Safer Homes, Safer Living

- Anti Social Behaviour Team
- Housing Crime Reduction

Customer, Business & Partnerships

- Innovation & Service Development Team

6.3.1 Identification of Service Delivery Options

Within the housing PFI market place there are generally two options for the delivery of services through PFI:-

- A. Standard – which includes all of the services associated with 'hard' facilities management (FM) (repairs & maintenance, void property management, grounds & estate maintenance, caretaking and cleaning) and also those services regarded as 'soft FM' (lettings, tenancy management, income & debt recovery and tenant & resident involvement).
- B. Non-Standard – which includes the hard FM services only. The delivery of the soft FM services is retained by the council directly or via the established ALMO.

The difference between the two options is driven by the need to include a Housing Management Provider within the bidding consortium or not. Option A does require a Housing Management Provider to be part of the consortium, with consortia bidding for schemes that follow Option B generally only consisting of a Funder(s), Builder and FM Service Provider.

In addition to the core housing management functions described above, the council also needed to consider how to deal with more specialist activities such as the management of Right to Buy applications, Sheltered and Supported housing and, specific to this scheme, the delivery of the Re-housing Plan.

6.3.2 Appraisal of Service Delivery Options

In summary, the two service delivery options available to the council were appraised with the conclusions drawn presented in Tables 16 and 17:-

Table 16 – Advantages of Each Respective Service Delivery Approach

Advantages	
Option A - Standard	Option B – Non-Standard
Single point of contact through the PFI contractor	Council control over FM services (customer service)
Life cycle, maintenance and asset condition risks transferred to private sector	Life cycle, maintenance and asset condition risks transferred to private sector
Market is used to this type of PFI package	Retention of allocations function allows the council to control who lives where and prevents PFI operator 'cherry-picking'.
Can draw upon benefits of "One Service", coordination of activities	Potentially easier to incentivise the consortium to deliver its services.
Council does not need to appoint soft FM service provider (in-house or outsource)	Sheltered Accommodation remains council service, i.e. no premium for bringing in specialists.

Table 17 - Disadvantages of Each Respective Service Delivery Approach

Disadvantages	
Option A - Standard	Option B – Non-Standard
Council loses direct control over 'soft' FM services (customer service)	Council would have to appoint suitable resource to deliver 'soft' FM services (in-house or outsource)
Potential impact to ALMO, to be minimised through exploration of other business opportunities	Potential interface issues between the PFI operator and the 'soft' FM provider
Potentially have to pay a premium for debt funding/rent collection whilst it is being recovered	No One Stop Shop for Pendleton Housing PFI
Poor performance of contractor impacts on whole service.	Difficult to manage cash-flow if debt needs to be recovered – Consortium still needs paying
Running of Sheltered Accommodation could require specialist FM service provider	Need to develop a consortium payback mechanism for properties sold under Right-to-Buy.

6.3.3 Preferred Approach

After consideration of all the issues involved it was agreed at both the Housing Investment Options Programme Board and endorsed at Portfolio Management Board to include the Standard Service options package within the PFI Scheme.

The Chief Executive of Salix Homes is a member of the Housing Investment Options Board, and on the 22nd February 2008 the Board approved the PFI scheme including the Standard option model in respect of the OBC submission, but agreed to work with Salix Homes on business development opportunities on the council's emerging policies around the rational approach to neighbourhoods. Salix remain fully committed to the project and will continue the management of Pendleton in the interim period. The Board also approved the city-wide delivery of services in respect of HCP and that this principle should be built into the standard option model for procurement.

In addition to the PFI Contractor providing services, Salix Homes and HCP play a key role in discharging the council's social housing responsibilities. Formal and clearly defined interfaces between Salix Homes, HCP and the PFI Contractor will need to be considered to cover those areas where there could be confusion caused by a perceived service overlap, typical areas of consideration are CCTV security, allocations, grounds maintenance and community/tenant involvement. The proposed division of services is outlined in the Service Delivery Plan attached as Appendix 14.

7.0 Market Sounding

Over the last three years the council has hosted a number of open days, undertaken market questionnaires and carried out a range of interviews, to establish an indication as to whether the scheme and proposed procurement approach will be of interest to the market. The consultation with the market can be summarised as follows:-

- Market Open Day - 24th January 2005
- Market Questionnaire - Late January 2005
- Market Open Day - 25th November 2005
- Informal Interviews - March 2006
- Market Questionnaire - June/July 2007
- Market Open Day - 12th July 2007
- Informal Interviews - July 2007
- Market Questionnaire - January 2008

7.1 Phase One – Investment Route

During 2005, the council hosted two Soft Market Testing days. Both events were well attended by a selection of funders, housing management providers, developers and contractors, many of whom were experienced in bidding for housing PFI contracts as well as having an awareness of existing regeneration programmes in the Central Salford area. The following table gives a full breakdown: -

Table has been withdrawn from this version of the OBC on the grounds of commercial sensitivity.

The first event was held on the 24th January 2005 focusing on:-

- The strategic context in terms of stock options appraisal and the HMR Pathfinder
- Pendleton masterplanning process
- Key opportunities
- Area profile
- Stock condition
- Initial scope of contract
- A provisional timetable for project development

Key challenges raised by the group included:-

- The alignment of PFI and masterplanning
- 'Quick wins' to maintain momentum and interest within the community
- Output specification requirements need to be reflected in the stock condition survey brief

The second event, held on the 25th November 2005, set the context to the PFI proposals, but focused mainly on the significant progress that had been made since the previous event, in terms of developing the housing options. The following table lists the attendees:-

Table has been withdrawn from this version of the OBC on the grounds of commercial sensitivity.

As part of the masterplanning process a workshop was held where two groups discussed the following three questions:-

- What are your views on the Prospects for Pendleton?
- What would encourage you to invest in Pendleton?
- What are the barriers to investing in Pendleton?

Common themes, raised by both workshop groups, related to the importance of phasing the development, in particular plans for Shopping City, the neighbouring areas and improved roads and transport. The attendees said they would be encouraged to bid for a PFI contract in Pendleton if they could see that work had started that would improve the general Pendleton area. Price, style, position and branding were also discussed, with health and educational attainment highlighted as essential for the creation of a place where people want to live and work. Overall the outline proposals were well received with many organisations demonstrating their commitment to the scheme as well as the approach being undertaken. Statements of Intent were signed, by the following attendees (see Appendix 15):-

Table has been withdrawn from this version of the OBC on the grounds of commercial sensitivity.

7.2 Phase Two – Scope Development

During 2006, informal interviews were held with *(interviewees have been withdrawn from this version of the OBC on the grounds of commercial sensitivity)*, who represented a broad spectrum of interests within the housing PFI market in the North West. The interviews focused on the areas of:-

- Marketability of the project
- The PFI boundary
- Stock retention levels
- Tenure mix
- Stock outside council ownership
- Opportunities for land packages
- Specific proposal feedback divided by estate

The views expressed, demonstrate that the scheme is an attractive investment opportunity to the private sector. The risk associated with the inclusion, for refurbishment, of a large number of multi-storey blocks was highlighted. Suggestions were made for a more comprehensive programme of demolition. Concurrent with the previous year's feedback, the redevelopment of land parcels around the periphery of the site would help to raise the perception of the area as a good investment opportunity.

7.3 Phase Three – Refinement of Scope

Following confirmation of the preferred housing option for the area in December 2007, a market questionnaire was distributed in January 2008. The questionnaire was distributed to a selection of over forty Contractors, Housing Management Providers and Funders, including those who had signed the statement of intent from earlier market sounding events. The table below lists those companies who responded:-

Table has been withdrawn from this version of the OBC on the grounds of commercial sensitivity.

Each question appears in turn in the following section, followed by a summary of the responses.

1) Phased Building & Demolition

Based on the assumption that all of the development will be included as part of a development agreement linked to the PFI contract, would you express a view about how you would potentially phase a project of this nature, particularly given the level of re-housing?

Most respondents suggested that they would commence re-provision works on the current cleared sites, followed by a phased approach of decant and re-provision. It was recognised that the re-provision would need co-ordinating with the refurbishment programme and would be dependent on sales pace and affordable re-provision requirements.

2) Re-housing Programme

The council would not be in a position to provide vacant possession of all the new development opportunities prior to financial close given the level of clearance proposed. The expectation would be that the successful contractor would take responsibility for the delivery of the re-housing programme. What are your views on this approach?

The proposed approach was acceptable to the market, subject to an amount of risk sharing. The ultimate risk for obtaining possession of properties from tenants would remain with the council. The contractor would be responsible for re-housing into PFI stock (retained and new build), but the council would be responsible for re-housing elsewhere in Salford. To support the re-housing programme it was suggested that council considers a moratorium on letting and the use of short term tenancies, whilst the housing management provider could look to utilise any of their vacant stock.

3) Mixed Tenure Development

How attractive are the residential development opportunities. Do you consider the proposed outputs for new homes for affordable and market sale realistic and achievable?

The proposed development sites were considered to be an attractive proposition, in particular their close proximity to Salford University, Manchester City Centre, Salford Quays, transport links etc. The sites were also viewed to be of a sufficient size to change perceptions of the area.

The required outputs for new build and affordable homes were considered realistic and deliverable, but it was recognised that this would be dependent upon prevailing market conditions and the regeneration of the wider Pendleton area.

4) Refurbishment Works

The council proposes that the successful contractor should undertake all the refurbishment works (including multi-storey blocks) with tenants in-situ. What are your views on this approach?

This approach is common within the market and one that is achievable based on experience of other schemes. Resident consultation is essential to discuss the level of disruption and timing of works. Disruption to supplies needs to be kept to a minimum, and temporary facilities provided where necessary e.g. respite facilities. Decants would be used as a last resort in exceptional circumstances for vulnerable people or where asbestos had been found. No access was identified as a potential risk; however the authority would be responsible for developing an appropriate protocol.

5) Standard PFI Contract

The council proposes to include all housing management functions within the PFI contract except for the referral of prospective new tenants through the Choice Based Lettings System. What are your views on this approach?

The inclusion of housing management functions was considered a good approach and enhanced the attractiveness of the scheme. Use of the Choice Based Lettings System was viewed as acceptable, but would need to be reflected in the payment mechanism where re-let times are a potential KPI for the contractor. The alternative approach would be to pass any penalties via a Service Level Agreement to the CBL service.

6) Multi-Storey Refurbishment

The council has opted to retain and refurbish a number of multi-storey residential blocks within the scope of the project. Please can you identify some of the key issues which may concern you and how these may be mitigated by the council prior to the procurement phase?

The main concern raised was around stock condition, asbestos and structural integrity. The council would need to demonstrate that the blocks have more than a 25-year life expectancy and can be improved at a reasonable cost. This would also include the achievement of a high SAP rating in an economic manner.

Additional areas of potential risk related to the safety and security of the residents both during and after refurbishment and leaseholder support to the refurbishment plan, including the recovery of charges. The payment mechanism should also consider potential for multiple failures caused by a single event e.g. lift breaking down. It was suggested that the council considers capping the private sectors exposure in this respect in order to achieve value for money.

7) Retail & Community Facilities

In addition to the services offered by the main shopping precinct at Shopping City the council would like to re-provide a more localised centre incorporating a small number of shops and potentially some community facilities. Does the inclusion of this development make the overall package more or less attractive?

There were mixed views from the market when considering the provision of a localised centre. Whilst a centre would be advantageous to provide a focal point for the area (which is currently skewed by the position and size of Shopping City), it was recognised that it is often difficult to make these developments commercially stack up without some cross subsidy or they need to be incorporated in a development with well used community facilities. There would also be revenue funding implications for the ongoing maintenance and management of the facilities.

There were some concerns regarding the viability of shops located under the high-rise blocks, in particular their attractiveness to retailers, passing trade, security and anti-social behaviour. It was however recognised that some of these concerns could be addressed through careful management.

8) Planning Guidance

The council is developing planning guidance for Pendleton which is likely to be adopted in December 2008. Please can you explain any views you may have regarding the council's preference for a guidance approach rather than obtaining outline permission?

Planning guidance was viewed as being the most preferable approach as this offers greatest flexibility and fosters the delivery of innovative solutions. It was suggested that a higher quality scheme will be developed if guidelines are set in terms of the exact numbers of properties to be achieved. This would also enable bids to be compared on a "like for like" basis.

9) Repairs and Maintenance

In addition to the above responses, in an effort to refine the proposed scope of works and ensure that in certain areas the proposed transfer of risk continued to offer value for money to the authority, the council asked a series of questions specifically relating to the continued delivery of repairs and maintenance by Salix Homes prior to the PFI contract commencing and the avoidance of the double renewal of elements within a relatively short period of time.

Responses from the private sector indicated that it was understandable that investment continued in the properties as a matter of course and that, on their part, would require warranties or indemnities for any specialist work undertaken. The council will ensure that, in partnership with Salix Homes, that any specialist works undertaken up to contract close are clearly documented and are of a quality that is in line with requirements of the Output Specification. This will ensure that replacement/ renewal will be in step with lifecycle profiles avoiding double renewal within a short period of time and ensuring VfM is maintained. The council will provide the contractor with a suitable warranty in relation to these works (by either novating its own warranty to the contractor if work is carried out by a specialist contractor or by the Council warranting that such works have been carried out to this standard using reasonable skill and care in Schedule 9 (Warranted Data) of the Project Agreement).

7.4 Summary of Response to the Market

The proposals for the Pendleton PFI scheme have evolved over time with the views of the private sector informing the refinement of the scope and framework for procurement. The council is confident that a proposal has been developed which is attractive to the market and deliverable. Specific responses in light of market advice have included:-

- Removal of unsustainable and system built multi-storey blocks from the scheme.
- Further structural investigations on the multi-storey blocks commissioned.
- Scope of services included within the contract clearly defined.
- Additional ground investigations for redevelopment areas commissioned.
- High level of certainty in relation to stock condition reached, following completion of 80% survey.
- Completion of the Re-housing Plan, in line with key partners from the Strategic Housing Partnership.
- Clarity on new build densities and parameters of design through the development of an area specific planning guidance document.
- Development of a communications framework to ensure that the local community continue to be engaged and support the proposals.

In order to build upon existing market interest and to ensure a successful and competitive procurement, the council intends to hold a bidders' information day and provide a marketing prospectus outlining a summary of the scheme within the information supplied, during the OJEU and pre-qualification period.

In addition to the above, the council has also provided certainty to the private sector that the regeneration of the Pendleton area will not take place in isolation. A number of initiatives have already commenced or are planned for the future including:-

- Periphery redevelopment in Langworthy by Urban Splash.
- New LIFT centre currently under construction
- Improved green space e.g. redevelopment of Chimney Pot Park.
- Production of planning guidance to support the PFI process and future outline planning applications
- Discussions are on-going with the owner of Shopping City in relation to future investment and expansion, linking into proposals for a new food superstore in the area
- Successful Affordable Housing Programme bids to deliver 38 units.
- Chapel Street redevelopment

Throughout this period Manchester Salford Pathfinder have continued to collate qualitative data on market interest in the wider regeneration area. The type of market sounding taking place include:-

- Discussions with members of various Boards to establish requirement needs
- Regular meetings with key developers and their marketing representatives
- Breakfast seminars with developers and market experts

On-going feedback from these sources indicate that even in the current climate there is still demand for properties in the area. The only difficulties being encountered are around the ability to obtain mortgages. To overcome this developers who have access to credit lines are offering assistance to purchasers. On the basis of continued market interest throughout this period of uncertainty, the council is confident of securing a partner to deliver the scheme objectives.

8.0 Preferred Option

Following the option appraisal process, the overall scope of the PFI scheme and associated development element, under the umbrella of 'Creating a New Pendleton', includes:-

Under PFI Scheme

- Retention and refurbishment of 1,251 council owned properties to a level above Decency Standard.
- Refurbishment of external fabric and communal services to flat complexes.
- Demolition of 891 properties, including four multi-storey blocks of flats (inclusive of owner occupied and leasehold properties).
- Improved access and parking facilities through targeted re-modelling.
- Design improvements to reduce opportunities for crime and improve perception of the area.

Through Development Agreement

- Provision of a minimum of 460 units for affordable rent.
- Provision of c950 units for market sale.
- Provision of a minimum of 25 units for intermediate housing opportunities (e.g. shared ownership)
- Improved access and parking facilities through targeted re-modelling.
- Design improvements to reduce opportunities for crime and improve perception of the area.

The housing management function within the PFI area will be relinquished by Salix Homes in favour of the PFI contractor upon contract award. The council will work with Salix Homes to minimise the impact of this change and look for other business opportunities in the housing market for its ALMO. Services to be included in the PFI contract include:-

- Repairs & maintenance
- Re-servicing of voids
- Caretaking & cleaning
- Tenancy management
- Income collection & debt recovery
- Lettings

The council operates a centralised Choice Based Lettings system as detailed in the Allocations Policy. Under the lettings function the council will require the contractor to integrate with the council's processes and systems to deliver all necessary tasks associated with the lettings process. The Choice Based Lettings system 'Salford Home Search' is currently administered by Housing Connections Partnership, the Common Service Provider of this function across the city.

The contractor will be required to undertake the following functions:

- Provide a computer facility or similar in their neighbourhood housing office to enable access to Salford Home Search
- Advertise vacant properties in the local neighbourhood office
- Send void notification of all voids to the Salford Home Search team
- Provide and update property information

The council (currently administered by Housing Connections Partnership) will be responsible for providing the contractor with a list of property bids. The contractor will subsequently be responsible for offering the property, arranging accompanied viewings, collection of references and all administration tasks associated with the new tenancy.

8.1 Development Opportunities

The delivery of the new affordable homes and homes for outright sale will be procured as a single contract integrated within the PFI scheme. The council will therefore be able to ensure that a comprehensive approach is adopted in relation to the physical redevelopment of the area, as bidders will have to provide a holistic master plan within their proposals.

The council has identified several opportunities for new housing developments to complement the refurbishment works to be carried out through the PFI scheme. A number of the sites have already undergone clearance which will enable the contractor to commence new build early on in the programme to facilitate the delivery of the Pendleton Re-housing Plan. All sites are in council ownership and are identified on the plan found in Appendix 4.

- **Site 1 – Former Windsor High School Site**

The site was occupied by the former Windsor High School (now demolished) and is bound by Churchill Way to the north and West High Street to the south. The site occupies an area of approximately 3.9 hectares of land with mixed cover. The majority of the site is grassed with some mature trees along the northern boundary. Tarmac covered areas include the former school car park and former play area.

There are currently restrictions on this former school site (Section 77 protection), however these will naturally expire in 2011. It is therefore deemed unnecessary to apply for an application for the early removal of this restriction as it will have no detrimental impact to the new build programme within the PFI scheme.

- **Site 2 – Former Kingsley Court Site**

The site was occupied by a block of flats (Kingsley Court), which has now been demolished. The site currently occupies an area of approximately 0.6 hectares of derelict ground with a mixed cover of concrete and tarmac hard-standing, grass, bushes and brick and concrete hardcore.

- **Site 3 – Former Wrotham Close Site**

The site was occupied by a block of low rise flats (Wrotham Court), which has now been demolished. The site currently occupies an area of approximately 0.63 hectares of derelict ground with a mixed cover.

The other potential redevelopment sites also identified on the plan in Appendix 4 require a level of clearance. They are primarily residential in nature and include the following:-

- **Site 4 – High Street**

This site includes all four of the multi-storey blocks proposed for demolition (Fitzwarren Court, Apple Tree Court, Pear Tree Court and Peach Tree Court). These four blocks account for 440 of the 641 properties for clearance in the High Street area. The remaining properties consist of houses and maisonettes, which are laid out in such a way as to create pockets of vacant land interspersed throughout the estate. This land offers no defined use and is often locked in by surrounding development offering little opportunity to redevelop in isolation. Once cleared this site offers an area of 10.52 hectares for new homes.

- **Site 5 – Amersham Street**

Low-rise flats are the predominant property type within this proposed clearance area. In total 174 flats will be demolished, none of which are leaseholder properties, to create a development opportunity of 3.17 hectares in size.

- **Site 6 – Athole Street**

This area consists of 76 houses, 14 of which are Right to Buy properties. The area lies adjacent to Amersham Street and will therefore offer the opportunity to create a significant new development consisting of modern family homes. This site is 2.48 hectares in size.

8.2 Pendleton Re-housing Plan

The council recognises that to deliver this scheme a robust and deliverable re-housing plan is required. The Pendleton Re-housing Plan, attached as Appendix 16, has been developed in conjunction with the council's partners, via the Strategic Housing Partnership, in an effort to ensure that all parties responsible for its delivery are signed up to the proposed phasing and timescales.

The aims of the Re-housing Plan are to:-

- Maximise the number of residents in Pendleton who wish to remain in the area
- Make the most effective use of available properties to facilitate the delivery of the scheme during the refurbishment phase
- Minimise the visual impact of empty properties
- Minimise the management and security costs associated with empty properties
- Ensure that health, social, cultural, educational and support networks are taken into account as a key element of the re-housing process
- Ensure that tenants have as great a choice as possible when moving to a new home in terms of location and tenure
- Ensure that specialist support is provided for elderly and vulnerable residents
- Provide those leaseholders and homeowners requiring re-housing with valuations of their properties early on in the delivery of the Re-housing Strategy.

To assist in the development of the plan, a realistic baseline for housing redevelopment across the PFI area was agreed, taking account of the range of densities and housing type which each site could yield. The proposed densities and property type are in line with the planning guidance and overall objectives for the regeneration of Pendleton.

As detailed above, the scope of works within the PFI scheme entails the clearance of a total of 891 properties, including leaseholders and RTBs. Further limited demolition may be required as part of the remodelling proposals for the South Clarendon estate but the number, if any, cannot be defined at this stage as it is dependent upon bidder's proposals. The council will inform bidders that the level of clearance in South Clarendon should be kept to an absolute minimum when designing their proposals.

The council is confident that, through the adoption of a number of mechanisms to facilitate the clearance programme, the delivery of the Pendleton Re-housing Plan is achievable. The focus of this plan, on confirmation of the OBC approval, is the council's intention to adopt a Local Lettings Policy to ensure those residents with a preference to remain in the area are given priority for any void properties within the stock designated for retention.

There are also a number of new developments taking place on the periphery of the PFI area for which the council has secured 100% nomination rights for the affordable social housing element. Those residents within properties earmarked for demolition will be prioritised for these properties.

The Pendleton Re-housing Plan includes a time-line which highlights the breakdown of annual void rates and new build re-provision set against the phasing plan over the next eight years. This annual status table, in line with the overall PFI programme, will provide confidence to the private sector that the achievement of vacant possession of all development opportunities within the scheme is deliverable.

Salix Homes and the council will commence with the decant programme for Phase 1 upon OBC approval. This will entail one-to-one interviews over the forthcoming months in order to develop a housing needs assessment report that will inform the re-provision framework and

mechanisms for delivery. The risks and responsibilities for the decant and demolition programme is ultimately the responsibility of the council in partnership with Salix Homes.

Once Preferred Bidder is appointed they will be expected to get involved more extensively in the liaison with tenants such that there is a gradual handover in responsibility from the council and Salix Homes to the PFI contractor, in line with a risk sharing arrangement.

The council will retain responsibility for decanting owner occupiers, with support from the contractor to identify re-housing opportunities.

Contractually, the contractor will be required to gain access to properties and to decant individuals following an access protocol. If an access refusal event occurs under the protocol then this risk will pass back to the council. The council will remain responsible for permanently re-housing individuals.

8.2.1 Supporting Vulnerable Groups

Through the Supporting People Programme the council will ensure that housing related support services are commissioned which will support vulnerable people to live independently within the Pendleton area.

Independent living in all our communities is vital. The Supporting People Programme was introduced in April 2003 to help vulnerable people to live independently in their own homes. In 2005, a five year Supporting People strategy was launched. The programme enables the council to develop long term housing options and priorities with partners in care and health.

The Supporting People team is governed by a Core Strategy Group and Commissioning Body which consists of key partners including the Probation Service, the Primary Care Trust, Health and Social Care, service provider representatives, service user representatives and other departments within Salford City Council. The programme is responsive to individual needs and choices, supporting a wide range of issues including health, disabilities, lifestyles and social circumstances.

Delivery of the re-housing plan will ensure that individual needs, circumstances and choices are adequately assessed during the re-housing process. Information obtained during one-to-one interviews will be used to develop tailored support packages.

The council will work in partnership with Housing Connections Partnership (HCP) and Supporting People to ensure a range of services are available, to provide advice and support to allow residents to successfully live independently and maintain their tenancy. The services available to residents engage with a range of client groups including older people, teenage parents and clients aged under 18, women fleeing or at risk of domestic violence, refugees, offenders and clients at risk of re-offending, and clients with drug and alcohol issues. The council are able to offer a range of services through HCP and Supporting People including assistance with applying for benefits, support with settling into a new home, and support accessing medical and specialist services, amongst others.

9.0 Public Sector Comparator (PSC) and Value for Money (VfM)

Treasury guidance states that a PFI funding option must be rigorously tested for VfM when compared to a traditional procurement route, considering both qualitative and quantitative factors. The results of this exercise, as completed on the Preferred Option, have been set out below.

The Value for Money (VfM) appraisal detailed in this section has been carried out in accordance with the conventions set out in the following guidance:-

- “Appraisal and Evaluation in Central Government” (known as the Treasury’s Green Book); and
- “Value for Money Assessment Guidance”, issued by HM Treasury in November 2006

9.1 Qualitative Assessment

A PFI procurement route must be considered in terms of viability, desirability and achievability. The inclusion of soft services within a PFI project should also be considered from a VfM perspective. The VfM qualitative assessment outlined in the “Value for Money Assessment Guidance”, issued by HM Treasury in November 2006 has been undertaken and a summary of this is included below, a comprehensive version of the assessment has been attached at Appendix 29:-

Table 18 - Qualitative Assessment

Element	Comment
<u>Viability</u>	There are no strategic or policy reasons why building construction, lifecycle and facilities management services should be retained within the public sector. Successful PFI schemes have demonstrated that efficient services can be maintained over the long term by the private sector, with guaranteed levels of performance within a contractual framework that provides accountability. The Section 151 Officer of Salford City Council is satisfied that, when considering PFI, suitable long-term contracts can be constructed and any strategic or regulatory issues (where applicable) can be overcome.
<u>Desirability</u>	<p>The involvement of the private sector under a PFI contract will allow the transfer of risks from the public sector where the private sector is the party best able to manage them. A well managed procurement will also align the interests of the private sector and the council as far as possible, in order to allow the utilisation of private sector resources and skills to realise the vision for the Pendleton area.</p> <p>It is considered that a desirable level of risk transfer could be achieved under a PFI for the Preferred Option using the 4P’s standard documentation.</p> <p>The Section 151 officer of Salford City Council is satisfied that PFI would bring sufficient benefits that would outweigh the expected higher costs of capital and any other disadvantages.</p>
<u>Achievability</u>	<p>Current indications are that there is sufficient capacity within the market to allow a successful PFI procurement. Over the last three years the council has hosted a number of open days, undertaken market questionnaires and carried out a range of interviews, to establish an indication as to whether the scheme and proposed procurement approach will be of interest to the market. Following confirmation of the preferred housing option for the area in December 2007, a market questionnaire was distributed in January 2008. The details of this and all other market sounding undertaken are discussed in further detail in section 6.4.</p> <p>The council has previously procured a schools PFI project, and has its</p>

Element	Comment
	<p>Building Schools for the Future scheme in procurement. The benefits of this experience will be fed into the project team for the Pendleton PFI Project in order to enhance deliverability.</p> <p>There are currently uncertain conditions within the funding markets. However, soundings undertaken by Ernst & Young, the council's financial advisors, have indicated that there is still sufficient appetite for projects of this type.</p> <p>The council has also procured technical, financial and legal advisors and an independent tenant advisor, bringing experience in the delivery of housing PFI schemes to support and strengthen the project team.</p> <p>The Section 151 officer of Salford City Council is satisfied that a PFI procurement programme is achievable, given an assessment of the market, the council's resources and the attractiveness of the proposal to the market.</p>
<p><u>Housing Management</u></p>	<p>Treasury Guidance requires that the delivery of soft services is considered against a number of factors including whole life costs, effective management, the integration of design, integration of services, and the whole life cost of the asset.</p> <p>The nature of the Pendleton scheme, in particular the emphasis on area regeneration and the impact of this on the effective design, maintenance and upkeep of public and shared spaces, means that it is intended to include housing management services in the PFI contract.</p> <p>The Section 151 officer of Salford City Council is satisfied that the overall benefits of including housing management services in the Pendleton PFI contracts will outweigh any additional costs and constraints from inclusion.</p>

The qualitative analysis which has been completed as part of the VfM assessment indicates that a PFI procurement route would provide an achievable project that offers VfM. The council believes that as a result of the work it has conducted and in particular the strength of the qualitative assessment, this conclusion is sufficiently robust. Therefore, the council proposes that the Pendleton Housing PFI scheme be procured through the PFI route.

9.2 Quantitative Assessment

In order to identify which procurement option offers VfM a quantitative assessment has been carried out, which compares the relative costs of undertaking a PFI versus a traditional procurement. The purpose of the quantitative VfM appraisal is to identify the total costs to the council of traditional procurement and PFI for the Preferred Option, expressed in terms of Net Present Values (NPVs).

The cost of procurement through PFI has been calculated using the CLG HRA and non-HRA Template Model ("the Model") and accompanying User Guide. The Model then compares the NPV of the unitary charge with the risk adjusted costs of traditional procurement.

The key costing assumptions made in the quantitative assessment are detailed in the Data Book (see Appendix 17).

The results from the financial model entitled "Salford City Council_Outline Business Case (OBC) Model.xls" ("the Model"), indicate that, based on blended equity IRR of 15%, the indicative PFI VfM is 9.59%. The model is included as a supporting document to this OBC attached as Appendix 18. A range of IRRs have been considered to determine the impact that this would have on the indicative PFI VfM, and these are set out in Table 19:-

Table 19 – Indicative PFI VfM

IRR	Indicative PFI VfM
13%	10.46%
15%	9.43%
18%	7.69%

The results therefore demonstrate that a PFI procurement route represents VfM when compared against a traditionally procured option.

A real rate of 3.5% and a nominal discount rate of 6.0875% have been applied within this quantitative analysis.

9.3 Risk Analysis and Management

Risk management arrangements are in place, refer to Appendix 22 for specific details of the Risk Management Plan, and a Risk Register has been established to document, monitor and control the risks associated with the project. A copy of the project's current Risk Register is attached at Appendix 23. Due to the early stage of the project, entries on the Risk Register have not yet been fully costed but have been rated as high, medium or low risk to ensure that they are appropriately monitored. Therefore an optimism bias adjustment has been adopted in the interim to assess the financial risks associated with the project. As the scheme moves closer to financial close, it is anticipated that the optimism bias will be superseded by a fully costed Risk Register. This approach is as envisaged by the Treasury Green Book ("the Green Book").

9.4 Optimism Bias

Optimism bias reflects the tendency for project developers and appraisers to be overly optimistic in their assumptions about future benefits, and to understate the capital and operating costs associated with a project. To redress this tendency, appraisers need to make explicit adjustments for this bias based on empirical evidence and adjusted for the specifics of the project. Optimism bias will reduce as the project specifics are worked up in more detail, being replaced by more project specific risks.

The assumptions included in the OBC Model are based on the Green Book. The OBC Model requires inputs for both Pre-Financial close and Post-Financial close where mitigation factors can be identified. The tables in this section identify both sets of inputs. The Pre-Financial Close optimism bias is applied to both the PFI and publicly funded options. The Post-Financial close optimism bias is applied to only the publicly funded option.

A workshop was held with key members of the project team in order to establish an initial level of optimism bias to be applied in the VfM analysis. The output from this workshop was then reviewed and updated prior to OBC submission. This workshop and subsequent review considered the various mitigation factors that potentially could be applied. At this stage, the following adjustments have been applied to the different costs to allow for optimism bias.

9.4.1 Capital Expenditure Optimism Bias

For capital expenditure the factors are as demonstrated in Table 20 below: -

Table 20 - Capital Expenditure Optimism Bias

Upper Bound Optimism Bias:	24.0%	(1) Mitigation factor	
	Uplift %	Pre- Financial Close	Post-Financial Close
Procurement			
Late Contractor Involvement in Design	2.0		
Poor Contractor Capabilities	9.0	0.5	
Dispute and Claims Occurred	29.0		
Project Specific			
Design Complexity	1.0	0.5	
Degree of Innovation	4.0		
Client Specific			
Inadequacy of the Business Case	33.0	0.5	
Project Management Team	1.0	0.8	
Poor Project Intelligence	2.0	0.5	
Other (specify)	1.0		
Environment			
Public Relations	2.0	1.0	
Site characteristics	2.0	0.3	
External Influences			
Economic	11.0	0.5	
Legislation/Regulations	3.0		
Total	100		

The mitigation factors are applied to the percentage of bias figures stipulated in order to reduce the optimism bias adjustment for the capital expenditure under each of the options by applying the following formula:

$$\text{Upper Bound } 24\% \times (100 - \text{sum}(\% \text{ of Bias} \times \text{Mitigation Factor}))\%$$

The above pre-financial close capital expenditure mitigating factors have been applied on the following basis:-

- **Poor Contractor Capabilities:** There are a number of experienced bidders in the market that have expressed an interest in the scheme. The selected contractor is therefore likely to have previous experience, and their capabilities will be rigorously tested through the procurement process.
- **Design Complexity:** The design of the scheme is not considered to be overly complex, and the council has experience of similar schemes.
- **Inadequacy of the Business Case:** The business case has been prepared in accordance with guidance issued in the Housing PFI Procurement Pack, and the council has experience of successful submission of previous business cases. A significant level of work has been completed in terms of scope and costings to enhance the robustness of the financial analysis.
- **Project Management Team:** A dedicated project management team has been established which includes PFI project managers and input from appropriately qualified and experienced technical, legal, and financial advisors.

- **Poor Project Intelligence:** A significant level of work has been completed on the project to date including a full stock condition survey and numerous specialist surveys (e.g. asbestos, structural etc). This has significantly increased the level of information available on the housing stock in the project.
- **Public Relations:** Extensive consultation events have been completed to liaise with and obtain views from a range of stakeholders. These views have been afforded appropriate consideration in the development of the OBC.
- **Site Characteristics:** There are no specific site characteristics that are felt to increase the risk to the project in this case.
- **Economic:** The economic assumptions within this OBC are believed to be robust and have been reviewed by the project team and their financial advisor. These are discussed in further detail in Section 9 (Affordability) of this OBC.

To date, no mitigating factors have been applied to the post-financial close capital expenditure optimism bias due to the early stage in the procurement process.

9.4.2 Lifecycle Expenditure Optimism Bias

A similar approach has then been taken with respect to the optimism bias on lifecycle expenditure. The following mitigation factors have been applied to the optimism bias:-

Table 21 - Lifecycle Expenditure Optimism Bias

Upper Bound Optimism Bias:	24.0%	(1) Mitigation factor	
		Uplift %	
		Pre- Financial Close	Post-Financial Close
Procurement			
Other (specify)	7.0		
Client Specific			
Inadequacy of the Business Case	52.0	0.5	
Poor Project Intelligence	32.0	0.5	
Environment			
External Influences			
Technology	9.0	0.5	
Total	100		

The above pre-financial close lifecycle expenditure mitigating factors have been applied on the following basis:-

- **Inadequacy of the Business Case:** The business case has been prepared in accordance with guidance issued in the Housing PFI Procurement Pack, and the council has experience of successful submission of previous business cases. A significant level of work has been completed in terms of scope and costings to enhance the robustness of the financial analysis.
- **Poor Project Intelligence:** A significant level of work has been completed on the project to date including a full stock condition survey and numerous specialist surveys (eg asbestos, structural etc). This has significantly increased the level of information available on the housing stock in the project.
- **Technology:** The project scope and delivery is not especially dependent on technology.

To date, no mitigating factors have been applied to the post-financial close lifecycle expenditure optimism bias due to the early stage in the procurement process.

9.4.3 Operating Expenditure Optimism Bias

The following mitigation factors have been applied to the optimism bias in relation to operating expenditure under each option:-

Table 22 - Operating Expenditure Optimism Bias

Upper Bound Optimism Bias:	41.0%		
	Uplift %	(1) Mitigation factor	
		Pre- Financial Close	Post-Financial Close
Procurement			
Project Specific			
Client Specific			
Inadequacy of the Business Case	52.0	0.5	
Poor Project Intelligence	32.0	0.5	0.5
Environment			
External Influences			
Technology	9.0	0.5	
Total	100		

The mitigation factors are applied to the % of bias figures stipulated in order to reduce the optimism bias adjustment for the operating expenditure under each of the options by applying the following formula:

$$\text{Upper Bound } 41\% \times (100 - \text{sum}(\% \text{ of Bias} \times \text{Mitigation Factor}))\%$$

The above pre-financial close operating expenditure mitigating factors have been applied on the following basis:-

- Inadequacy of the Business Case: The business case has been prepared in accordance with guidance issued in the Housing PFI Procurement Pack, and the council has experience of successful submission of previous business cases. A significant level of work has been completed in terms of scope and costings to enhance the robustness of the financial analysis.
- Poor Project Intelligence: A significant level of work has been completed on the project to date including a full stock condition survey and numerous specialist surveys (e.g. asbestos, structural etc). This has significantly increased the level of information available on the housing stock in the project. The council also has experience of the management of such projects which further mitigates the associated risk.
- Technology: The project scope and delivery is not particularly dependent on technology.

A mitigating factor has been applied to the post-financial close operating expenditure optimism bias:-

- Poor Project Intelligence: Although the council has limited experience of the capital expenditure and lifecycle expenditure elements of such projects, a significant level of information has been made available to inform the level of operating costs that are likely to be incurred on the stock in question. This information has been used to inform the costings used in the financial modelling.

No other mitigating factors have been applied due to the early stage in the procurement process.

9.4.4 Optimism Bias Overview

As a result of the above assessments, the following optimism bias levels have been applied in the model:-

Table 23 – Optimism Bias

	Pre-FBC	Post-FBC
Capital expenditure	17%	24%
Lifecycle maintenance expenditure	13%	24%
Facilities management expenditure	22%	34%

Following the completion of the above optimism bias, an assessment has been made of the outputs to confirm that this is consistent with the overall ‘feel’ of the project. Given the management experience of such schemes that the council has and the factors discussed above, it is felt that the optimism bias is a fair reflection of the overall arrangements that are in place.

9.5 Taxation Adjustment

Where publicly financed options are compared to PFI options, an adjustment must be made to the PSC to reflect the differential UK corporation tax liabilities of conventional procurement, compared to the SPV set up to undertake the PFI contract. In accordance with the Supplementary Green Book Guidance, a taxation adjustment of 5% has been determined.

This reflects the fact that the nominal cost for facilities management is likely to be about the same as the capital value of the project. At least 50% of the lifecycle maintenance the supplier will provide is on new build and improvements, rather than repairs, and the project will be on the revenue account for tax purposes.

9.6 VfM Sensitivities

The indifference points on the variable assumptions within the VfM analysis are set out below. These have been identified using the Treasury VfM Model, as attached to the CLG HRA Model.

Table 24 – VfM Indifference Points

Variable	Indifference Point
Capital expenditure (PSC)	Reduce by 20%
Non-employment Operating costs (PSC)	Reduce by 22%
Transaction costs (PSC)	Reduce by 2342%
Unitary charge (PFI)	Increase by 11%

9.7 Conclusions to VfM Analysis

Both the qualitative and quantitative analysis which has been completed as part of this assessment indicates that a PFI procurement route would provide VfM for the Pendleton PFI scheme. The council believes that as a result of the work which has been conducted, the sensitivity analysis detailed above and in particular the strength of the qualitative assessment, this conclusion is sufficiently robust. Therefore, it is proposed that the project identified above is procured through a PFI route.

10.0 Affordability

Section 10.0 has been withdrawn from this version of the OBC on the grounds of commercial sensitivity.

11.0 Project Delivery Arrangements

The council will produce project documentation which is based on and consistent with the 4Ps/CLG Housing Procurement Pack 2004 (HPP). This includes use of the HPP guidance on development of a Payment Mechanism and Output Specification.

11.1 Project Agreement

The Project Agreement will be based on the Model 13A Project Agreement set out in the HPP as updated in November 2007 to incorporate Standardisation of PFI Contracts Version 4 (SoPC4) published in March 2007. All bidders will be evaluated on their willingness and ability to adhere to the Model 13A Project Agreement and in particular to those elements of it which are required drafting in SoPC4.

The Project Agreement will be certified for the purposes of the Local Government Contracts Act 1997.

11.1.1 Approach to Key Contractual Issues

As stated above, the council will utilise HPP and SoPC4 and hence key contractual issues such as termination, refinancing, changes in law, indemnities, insurance and changes will follow HPP and SoPC4.

The council only envisages derogations from HPP/SoPC4 being required for project specific reasons including the following:-

- a) ground condition and property risk (including asbestos) to tie into the survey information to be provided by the council to bidders (and to be further developed with bidders if necessary);
- b) changes to accommodate the different types of property included in the project e.g. social rented owned by the council, social rented owned by a Housing Management Provider and private for sale properties. This will involve changes to the definitions and to clauses such as the maintenance clause as not all of these properties will be maintained under the Project Agreement in the Unitary Charge;
- c) property provisions to deal with the different types of property (e.g. leasehold or freehold transfer of the private for sale properties and licence arrangements for the social rented properties owned by the council); and
- d) changes to the Schedules and Appendices to reflect the detail of the project.

11.1.2 Structure & Length of Contract

With regard to the contractual framework of the project, the council:-

- a) will be flexible and listen to the requirements and concerns of the market with regards to the detail of the contractual structure of the Project; and
- b) recognises that the solutions adopted by bidders (driven by the make up of their consortia, where the development risk is to lie within the consortia and tax considerations) will dictate the detail of the contractual structure for the project.

Accordingly the detail of the contractual structure will be worked up with bidders during the Competitive Dialogue process.

The council does, however, envisage the contractual structure to be adopted to be based on the following model:-

- 1) a single Project Agreement comprising both the provision of the council owned social houses and the development properties (private for sale, shared ownership and the social rented properties). This is likely to be between the council and a Special Purpose Vehicle (SPV).
- 2) the SPV will have an exclusive right to design, build or refurbish, finance and operate the properties that form the project. In addition to the Project Agreement there will be a Funder's Direct Agreement between the council, the SPV and Funders with step in rights in the event of default by the SPV.
- 3) obligations with regard to the development properties are likely to be passed down from the SPV via a subcontracting arrangement to a developer/ Housing Management Provider.
- 4) the SPV will have step in obligations in any subcontract with a developer should the developer fail to perform its obligations. Should this prove unsatisfactory the council will have step in rights – to be determined in conjunction with Funder's rights contained in the Funder's Direct Agreement.

The model envisaged by the council is considered most appropriate to deliver the political aspirations of the council to:-

- a) procure the wholesale regeneration of the Pendleton area.
- b) ensure the council owned social rented properties are developed contemporaneously with the private for sale properties given a common termination regime thus ensuring land banking does not take place.
- c) achieve the redevelopment of the Pendleton area such that the mixed tenure is pepper potted, there are no distinct areas of socially rented dwellings and all housing is tenure blind.

The concession length has been set as 25 years following the refurbishment and construction period. This concession length results in the properties undergoing a full lifecycle iteration before being handed back to the council. This in turn increases the operational risk transfer to the private sector partner. It also prevents the stock being returned to the council with a requirement for significant capital investment in the short term.

In addition, a key aspect of the concession length is the balance between flexibility and affordability. A 30 year concession (including a 5 year refurbishment and construction period) remains within the affordability parameters of the Council whilst being of a length that is generally accepted in the PFI/PPP market as not being unduly restrictive in terms of flexibility.

11.1.3 Service Commencement and Phasing

The council envisages there being a short mobilisation period following contract signature, given the number of properties being transferred for management and the requirements this will place on the Contractor to mobilise. Following the end of the mobilisation period the Contractor will take on board all the social rented properties and manage them to an interim availability standard (bringing any properties which do not meet this, up to standard). The proposed refurbishment works will be undertaken in phases. The exact phasing of the works will depend upon the bidders construction proposals but it is envisaged that the works will be carried out over a period of five years. A Phasing Plan is attached as Appendix 19.

11.1.4 Approach to Stock Surveys

The council has procured the carrying out of a stock condition survey of 80% of the council owned stock forming the project. This has been carried out by Urban Vision and a warranty has been provided by them in respect of the survey. In addition, a number of specialist surveys, outlined in greater detail in section 5.3.3, have been carried out. Again, a warranty in respect of this specialist survey information will be available to bidders.

Given the level of condition data to be shared with bidders relating to specialist areas such as the structural integrity of multi storey blocks, and presence of asbestos, the council does not anticipate there being a requirement for additional surveys outside of the bidders stock condition survey that will impact upon the programme. In relation to proposed development sites, the council has completed desk top surveys for all of the development opportunities supported by ground condition reports, which involved borehole sampling. Although a level of topographical analysis was carried out for the creation of the 3D virtual environment, bidders may require further studies to be undertaken but this would be achievable within the programme for the stock condition survey.

Where bidders may require further confidence for their bid development is in relation to asbestos. The council, in line with good industry practice, has carried out a Type 2 sample of all communal areas and within a selection of properties. Bidders will be limited to supplementing this information due to the fact that tenants are in situ, therefore preventing the carrying out of intrusive Type 3 surveys. The programme does allow for additional Type 2 sampling if deemed necessary by Bidders.

The council proposes to seek bidders comments on a draft bidders survey brief at ISOS stage to aid the development of this as early on in the programme as possible. The current programme allows for six weeks for the tendering, evaluation and appointment of a suitable company, with a further 14 weeks to carry out the survey work.

11.1.5 Design Approach

Capra Architects, as Design Champion, have the ability and skills to encourage and motivate all involved parties in delivering consistent and high quality design across every element, to ensure that new addition to the urban environment will be of architectural merit, and will enhance and promote '**successful places**'. This can be defined as:-

- Distinctive
- Safe and pleasant
- Easy to get to and move around
- Welcoming
- Adaptable
- Resource efficient
- Sustainable
- Innovative
- Complementary to the neighbourhood

Capra will provide support, skills, encouragement and leadership to deliver good design in every aspect to ensure that design issues play a central role within the scheme strategy and deliver tangible benefits.

As skilled and experienced designers, Capra will be able to provide consistency, knowledge and enthusiasm as Design Champion in working towards and achieving good design by all parties involved in the Pendleton Housing PFI scheme.

Capra will promote and support the value of good design as a catalyst to create successful places, which can benefit 'customers' (end users) in the present and in the future. Consistent

reference will be made to good design practise by such bodies as CABE, the Design Council etc. Capra as Design Champion will provide advice and guidance during the internal discussion.

Capra is an established practice with an experienced team, which strives to provide informed and original designs. Capra has many years experience as both lead design consultant and project manager and as such is capable of multi-disciplinary design management and coordination.

In parallel to this, Capra is confident with the formulation of innovative solutions to various issues including sustainability, both as an individual practice or within a specialist consultant partnership. Capra Architects are also trained and operate in accordance with Environmental Management Protocols, ISO14001.

As appointed design consultants, Capra have extensive experience of the Pendleton housing stock and public / private sector housing. Capra Architects are fully committed to delivering best practice solutions within the budgets of the Pendleton PFI Project.

11.1.6 Benchmarking of Costs and Income

The Council will comply fully with the 4P's/CLG Housing Procurement Pack (HPP) and accordingly will utilise both benchmarking and market testing in accordance with Clause 27 of the HPP Standard Form Project Agreement.

11.1.7 Funding Competitions

The council's approach is that it acknowledges the requirement for a council led funding competition for this Project at the preferred bidder stage given its value exceeds £50 million, and will carry out such an exercise if required to do so. A preferred bidder debt funding competition, if this is deemed appropriate, would enable the Project to benefit from any improvements in market terms through the procurement process. However, the current market volatility means that such improvements may not be realised, and indeed terms may deteriorate over time. There is a significant risk that the benefits of a funding competition post Preferred Bidder selection on the Project would be of much less value to the council than the additional costs that would be generated (in resources and in particular inflation allowances) were the Project to be delayed. The council's view is that the early involvement of funders is crucial to the successful and timely delivery of a HRA PFI project under the competitive dialogue procedure and, with the consent of CLG, would propose to put in place procedures with bidders to ensure that the funding costs and terms proposed are benchmarked against the market at various stages of the dialogue process, to ensure that value for money is being afforded by funders proposed as part of the consortium bid rather than it leading a separate funding competition at preferred bidder stage.

The council will submit its full proposal to CLG on how it anticipates benchmarking funding costs throughout the competitive dialogue process once the procurement is underway and to formally seek a view as to whether or not it will be required to carry out a formal funding competition. The OJEU notice for the project reserves the right for the council to carry out a funding competition. In headline terms, the council will be looking to utilise the experience of its financial advisors, Ernst & Young, to benchmark the funding packages proposed throughout the procurement process. Ernst & Young has access to a significant amount of information on the funding market, and is able to use this to ascertain whether terms proposed are on market. The benchmarking process will be undertaken regularly, particularly at preferred bidder stage, in order to highlight any beneficial market movements that should be brought into the proposed funding package.

11.1.8 TUPE Arrangements

Housing Management Services are included in the Project and as a result it is likely that there will be a TUPE transfer of around xx staff currently employed by the council's ALMO, Salix Homes. The council will comply with all requirements set out in TUPE regarding consultation with staff who are to be the subject of a proposed TUPE transfer.

11.1.9 Warranty Issues

As mentioned above, warranties will be available to bidders in relation to the stock condition survey and the specialist surveys. The council does not propose to provide any warranties to the Contractor other than those provided for in the HPP (both the main body of the Project Agreement and Schedule 9).

11.1.10 Contractor and Council Obligations

The obligations on the Contractor and the council as part of the Project will be clearly demarcated and set out in the Project Agreement.

11.1.11 Refinancing

The council will adopt SoPC4 required drafting in relation to any refinancing of the Project following financial close.

11.1.12 Hand-back of Assets at the end of the Contract

The council owned social rented properties will only be provided to the private sector on licence which will terminate at the end of the contract. SoPC4 provisions on hand-back will apply. The council will not be seeking hand-back of any of the development properties.

11.1.13 Changes in Law

The council will adopt SoPC4 required drafting in relation to Changes in Law.

11.1.14 Monitoring Arrangements

The Project Agreement and the performance of the Contractor will be self monitored by the Contractor. Monthly reports will be submitted on performance under the Payment Mechanism. In accordance with the HPP, the council will have rights of audit and access to undertake its own review and audit of the Contractor's monitoring arrangements and performance under the contract.

The responsibility for monitoring the contract will remain a core strategic housing management function under the Strategic Director of Sustainable Regeneration, with day to day responsibility delegated to the Head of Partnerships & Business Support.

11.1.15 Change Mechanism

The council will adopt the 4Ps Model Change Protocol in relation to council and Contractor Changes to the works and services during the life of the project.

11.1.16 Termination Events

The council will adopt SoPC4 required drafting in relation to termination of the Project Agreement.

11.1.17 Approach to Ownership of the Land

There are essentially three categories of properties forming part of the Project:

- 1) Properties owned by the council and which remain so during the contract term
- 2) Properties which are to be built for sale (either outright sale or shared ownership); and
- 3) Properties to be constructed for social rent by the private sector and rented by the private sector partner

With regards to properties in category 1 above those are always owned by the Council, with the private sector partner being granted a licence to carry out the works and services. They remain owned by the Council on termination.

The land on which the properties in categories 2 and 3 are to be constructed will remain in council ownership during the construction period with a licence being granted to the private sector partner to construct. If termination occurs in the construction period the land will remain in council ownership. Once the properties in category 2 have been constructed the council will transfer the freehold or long leasehold title of the land to the private sector partner who then sells on individual houses to third parties. Once the land transfer takes place those properties fall outside of the PFI contract and on termination there are no consequences associated which flow. The properties remain owned by the third party purchasers.

With regard to the properties in category 3 once constructed the council will grant the freehold or long leasehold to the private sector partner. It is likely a long leasehold will be granted as this enables the council to retain an element of control by being able to enforce restrictions. There will be restrictions imposed on the land transfer such that the properties have to remain in use for affordable/social housing and will also impose a standard to which they must be maintained. On termination the properties remain owned by the private sector partner with the council retaining the benefit of the restrictions i.e. properties have to be provided for social rent and have to be maintained to a specified standard.

The council's requirement is for regeneration of the whole of the Pendleton area covered by the PFI. The council will therefore structure the Project Agreement to ensure that the 3 categories of properties are constructed in tandem. The detail is still to be worked through but it is likely to take the form of caps on the land transfers the council will permit. The transfer of land for properties in categories 2 and 3 will be linked to specific numbers of refurbished properties having been completed such that if the requisite number of refurbished properties have not been completed no further land transfers will take place.

11.1.18 The Right to Manage

An application is pending for the Right to Manage from Thorn Court Tenants and Residents Association, via a pre-feasibility grant to the Housing Corporation. Should this application come to fruition the housing management function including the day to day repairs service will be excluded from the PFI contract. The related Management & Maintenance Allowance will be directed to the Tenant Management Organisation for them to source the appropriate housing services provider. This arrangement will therefore have no impact on the affordability of the PFI scheme from a revenue perspective.

The initial refurbishment, lifecycle and capex-related maintenance work for the block will remain the responsibility of the PFI contractor and as such, remain funded through the PFI credits. The Tenant Management Organisation will therefore not receive Major Repairs Allowance.

The council recognises that interface arrangements between the PFI contractor, the Tenant Management Organisation and their respective housing management services provider will have to be agreed if the Right to Manage application is successful.

11.2 Output Specification Summary

The Output Specification is based on the CLG Model 10 documentation. Over the past few months the Output Specification has been progressively developed in terms of content via dialogue with the respective task groups. The inputted content will deliver both the required accommodation standards and the service delivery performance standards in terms of quantity, quality and management in line with the council's requirements and within the developed cost plan database. The Output Specification provides a detailed and robust

delivery of the required works in terms of standards and performances whilst ensuring that compliance is paramount throughout the specific works. The Output Specification is currently in its final stages of review prior to formal issue. A summary of the specification is outlined below.

The Output Specification sets out the standards against which service delivery will be measured. The specification identifies the service standards for the contractor and is broadly split into two distinct areas:-

- a) Standards for the physical condition of the dwellings
- b) Standards for the delivery of services

a) Conditional Standards

These standards are used to define in measurable terms the condition each dwelling, as a minimum, has to comply with. Initially these standards will be used to determine the level of capital expenditure required. During the “operational phase” of the contract these standards will generally drive improvement, replacement and maintenance activities. Conditional standards are linked to availability criteria under the payment mechanism.

b) Service Standards

These standards are used to define to what level the PFI Contractor should deliver the services they are contracted to deliver under the agreement. The service standards are generally split into Property Management and Performance Standards, although some might also be classed as Availability Standards under the Payment Mechanism.

- **Property Management Standards**

These are the standards relating to the “landlord” tasks and activities, and are likely to be provided by the Housing Management Provider within the consortium.

- **Performance Standards**

These are the standards relating to the Facilities Management (FM) services, tasks and activities. These will be delivered by the FM partner of the Consortium.

- **Availability Standards**

These are the standards that allow the council and Contractor to objectively measure whether a dwelling is “available” to rent, i.e. physically meets the necessary requirements to allow occupation. These standards will, during the construction phase, guide the Construction partner of the Consortium. During the operational phase compliance with these standards will be the responsibility of the FM partner of the Consortium.

11.2.1 Overview of Property Management Standards

An overview of the “landlord” related services are outlined in more detail in Appendix 8, and consist of:-

- Tenancy Management
- Lettings
- Voids (administration)
- Income & Debt Recovery
- Tenant & Community Involvement

The standards that the contractor will be required to comply with will be based on the Model 10 documentation.

11.2.2 Overview of Service Performance Standards

These standards relate to the FM services, tasks and activities and consist of:-

- Repairs & Maintenance
- Voids (redecorating)
- Security
- External Area Maintenance
- Caretaking & Cleaning

As with the Property Management Standards, the contractor will be required to comply with the Model 10 documentation. In specific relation to the Reactive Repair Policy, the key principles are as follows:-

- All reactive repairs shall be executed by the contractor
- Reactive repairs shall be prioritised based on urgency and impact
- Where a reactive repair is required and is demonstrably a direct result of wilful damage of a tenant or other council related party the contractor shall be able to reclaim the costs
- All costs for reactive repairs shall be on an open-book and agreed labour rates basis where such are to be reclaimed
- Reactive repairs due to fair wear and tear shall be delivered by the PFI contractor at no additional cost to the council or tenant
- Reactive repairs shall be conducted as soon as practically possible within the temporary and permanent rectification periods assigned to a repair request and should retain or improve the quality or condition of the dwellings

11.2.3 Value for Money in Service Delivery

The following principles have been adopted and incorporated into the relevant documents to deliver VfM in Service delivery:-

- Quality and Cost Evaluation of contractor proposals
- Agreed rates and open book accounting principles
- Risk transfer to the party best able to manage the risk
- During the concession term, periodic benchmarking and market testing of the services
- Introduction of a performance related payment mechanism
- Establishment of robust council policies and procedures for contract management of the PFI agreement

11.2.4 Interface Arrangements

Due to the number of stakeholders involved in service delivery in the Pendleton PFI area there will be a need for formal interface agreements between the following parties:-

- PFI contractor and Salix Homes
- PFI contractor and HCP
- PFI contractor and Urban Vision
- HCP and Salix Homes

In addition to these potential interface agreements, as a minimum, it will be required to develop clear definitions and segregation of the service provided by Salix Homes, HCP and the PFI contractor.

11.3 Payment Mechanism

The council is currently intending to use the standard form Payment Mechanism taken from the 4P's Procurement Pack. This document will be amended for project specifics in order to ensure that the level of deductions obtained provide sufficient incentive on the Contractor to perform without being overly punitive.

The KPIs underpinning the Performance Deductions will be developed with reference to the Output Specification. This will help to ensure that performance is correctly monitored and the required standards are maintained. In particular, the Contractor's performance on Best Value assistance and reporting and their compliance with statutory and legislative requirements will be explicitly covered through the KPIs within the Payment Mechanism.

It is currently envisaged that a Payment Mechanism principles paper will be developed prior to release of the Invitation to Submit Outline Solutions (ISOS) documentation, with a full legal draft being available for release with the Invitation to Submit Detailed Solutions (ISDS) documents. The final form will be negotiated through the dialogue process.

11.4 Development Element of the PFI Scheme

The development element of the Project comprises of the provision of new homes for social rent and private sale, on identified sites, together with any associated environmental improvements and community facilities.

It is not the council's preferred approach to have a separate Development Agreement to cover the terms under which the development sites will be disposed of to the private sector. The council considers that its political aspirations to secure the regeneration of the whole of Pendleton on a tenure blind and pepper potted basis, will be best achieved by the development element of the PFI scheme being incorporated into the Project Agreement.

However, the council is prepared to be flexible on this issue and will consider use of a separate Development Agreement if this is the market's preference or if there are value for money reasons to use a separate Development Agreement. Also, the council is aware that the structure of bidder consortia, and how they deal with the development risk within their consortia, can have a key influence on how the development element of a PFI project is structured contractually. Suitable safeguards will, however, be included within any separate Development Agreement to ensure that the council's political aspirations for the redevelopment of the whole of Pendleton are met and land banking is avoided. The council envisages discussing the contractual structure of the project further with bidders at the prequalification and ISOS stages of the project before formalising its view on the contractual structure for the project.

The PFI Contractor will be required to underwrite the development element of the PFI scheme for an agreed Guaranteed Minimum Price which it will guarantee to pay the council for the development sites. Overage arrangements for the sharing of any increase in value above the Guaranteed Minimum Price will be incorporated.

11.5 Design Requirements

11.5.1 Design Requirements for New Build Dwellings

The council's requirements for the new build element will incorporate high standards of both form and quality.

Achieved through good internal layouts, good quality of materials and detailing, and aesthetics that draw from the past but promote a contemporary view, which will thus allow beneficial cost-effective designs to be achieved by the use of modern sustainable technologies and strategies.

The design requirements seek to provide flexibility for the bidders design team, while ensuring compliance with legislative standards.

There will be an expectation placed on bidders that environmental matters will be taken into account and that a clear definition, in the tender bids, will be stated on how proposed

schemes aim to achieve high energy efficiency and environmentally sustainable development and operations.

The design requirements for new schemes will be reviewed against:-

- Government's aspirations as set out by the current Planning Policy and the Building for Life Standards
- The city's design policies as set out in the Unitary Development Plan, the Design SPD and other associated documents
- The use of planning conditions and obligations attached to planning permissions where appropriate
- Building Regulations
- Full compliance with disability and access legislation
- Scheme development standards of the Housing Corporation
- Lifetime home standards
- Housing quality indicators.
- Housing Corporation Code for Sustainable Homes Level 4
- "Secure by Design" certificated products in consultation with the Police Architectural Liaison Officer
- Drawing inspiration and tangible strategies of good design from supporting design bodies such as CABE

11.5.2 Design Requirements for Refurbished Dwellings

The design requirements for the refurbishment elements will follow strict guidance in terms of quality and standards of work. Paramount to the refurbishment element will be the agreed adopted standards and key performance indicators as set out within the Output Specification.

These elements will form an important part of the key criteria for assessing bidders' submissions as will:-

- Compliance
- Innovation
- Energy efficiency
- Environmentally sustainable development
- Operations
- Maintenance and servicing of the existing housing stock.
- Health and Safety
- Security
- Standard of Workmanship

Wherever possible, bidders will be given maximum flexibility to innovate whilst developing proposals that offer best value for money, in a context where the council's expectations regarding good quality standards are made clear.

As with the new build design requirements the refurbished stock design requirements will also need to be reviewed against:-

- Government's aspirations as set out by the current Planning Policy and the Building for Life Standards
- The city's design policies as set out in the Unitary Development Plan, the Design SPD and other associated documents Planning permission and resolution of planning conditions and obligations
- Building Regulations
- Full compliance with disability and access legislation
- Scheme refurbishment standards of the Housing Corporation

- Housing Corporation housing quality indicators.
- Issues that address “Secure by Design” certificated products, in consultation with the Police Architectural Liaison Officer, are to be sought and resolved
- Drawing inspiration and tangible strategies of good design from supporting design bodies such as CABE

Design requirements for the refurbishment of existing buildings will need to state the quality and maximum acceptable life of key components, to avoid the likelihood of the Contractor patching rather than replacing components.

For refurbishment schemes, the design requirements will also need to set out the council’s aims for communal amenity spaces, both external and internal.

12.0 Risk Allocation and Accounting Treatment

The council is committed to achieving a risk balance that receives a positive accounting determination and also complies with Housing Pack Guidance and SoPC4. The council intends to structure the risk profile as per Table 32. The council's financial advisors, Ernst & Young LLP ("Ernst & Young"), have assisted the council in its assessment of the OBC, based upon the current documentation in place, and consider that an 'off balance sheet' position should be achievable, based on the risk allocation structure proposed, which is summarised in Table 32 below and currently applicable accounting standards and guidance including FRS5 and Treasury Technical Note Number 1: How to Account for PFI Transactions. A description of the indicative view of the accounting treatment can be found attached as Appendix 20.

Table 32 – Risk Allocation

Risk	Risk Borne by the Council	Risk Borne by Operator	Significance of Risk
Demand	✓		Low
Design Risk		✓	Medium
Penalty regime		✓	Medium
Changes in relevant cost		✓	Medium
Obsolescence/Legislative change	✓ ¹	✓ ¹	Low
Residual value	✓		Low

¹Qualifying Changes in Law affecting general capital expenditure will be shared according to an agreed apportionment of costs (Schedule 3). Discriminatory and Specific Changes in Law will be paid for through a change to the unitary charge in accordance with the Project Agreement, section 5.2 (SoPC4).

12.1 External Audit Opinion

The initial view of the external auditor, the Audit Commission, on the accounting treatment of the scheme is that they are not minded to change the view of the council's financial advisors, Ernst & Young. See Appendix 21 for a copy of the confirmation letter.

12.2 Project Risk Management

Project risk challenge sessions are held on a bi-monthly basis with senior council officers to ensure that all key risks within the project have been identified and classed appropriately. Potential new risks are initially discussed as a standing agenda item within each Task Group meeting, which are held on a monthly basis. Task Groups have been established to oversee the specific areas of technical, housing management, property & asset, communications, and finance and legal. The process of risk management specific to this scheme is provided in greater detail in the Pendleton Housing PFI Risk Management Plan attached as Appendix 22.

Once identified, the respective Task Group Chair, as an integral element of their highlight report, presents risks linked to each Task Group at Project Team meetings. Once the incorporation of the risk has been agreed and the respective Risk Owner and Risk Action Owner have been identified, they are added to the Risk Register. This contains details of all

risks, their assessment, owners and status. The Risk Register is a control tool for the Project Manager, providing a quick reference to key risks facing the project, what monitoring activities should be taking place and by whom. A summary of the Risk Register is attached as Appendix 23.

Risk Identification and management will be an on-going task throughout the life of the project. A full review of the Risk Register will be formally undertaken at strategic stages in the project.

13.0 Project Management, Governance and Delivery

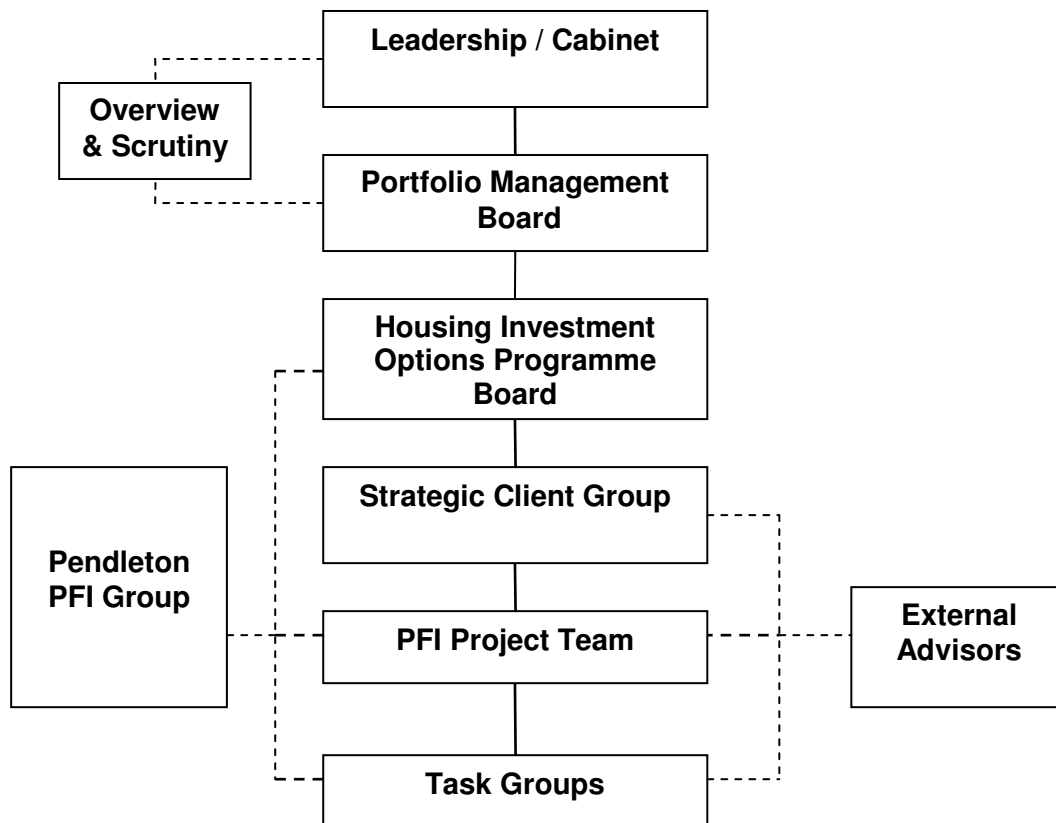
13.1 Project Delivery Structure

In terms of delivering large projects the council has an excellent track record. Salford has delivered successive large-scale and comprehensive regeneration programmes such as Single Regeneration Budget (SRB), New Deal for Communities (NDC), European Regional Development Fund (ERDF), Salford Quays redevelopment, Housing Market Renewal through the Manchester Salford Pathfinder (MSP) and mediacity:uk.

The council has previous PFI experience through Salford Schools PFI (three secondary special schools and two mainstream secondary schools) and the development of its Building Schools for the Future (BSF) scheme. Through these schemes a wealth of experience is available within the council's finance and legal teams, in addition to PFI project management skills.

The council has corporate governance arrangements for its PFI and PPP programme. This ensures the successful and efficient management and delivery of schemes through the establishment of clear roles and responsibilities within the decision-making process. The corporate governance arrangements will be used for this project, under which the council's Cabinet approves the Outline Business Case and Final Business Case. The governance structure is presented in more detail in the diagram overleaf: -

Corporate Governance Structure Diagram



13.2 Portfolio Management Board

The Portfolio Management Board is chaired by Barbara Spicer, Chief Executive Officer (CEO) of the council. This Board ensures resources are in place to deliver the portfolio of strategic projects and co-ordinates the council's approach across projects.

The membership of the Portfolio Management Board is outlined in Table 33. Senior managers and external advisors are invited to attend the Board as required.

Table 33 – Membership of the Portfolio Management Board

Board Member	Title/Designation
Barbara Spicer (Chair)	Chief Executive
Kevin Brady	Assistant Chief Executive
Alan Westwood	Director of Customer & Support Services
Martin Vickers	Director of Change
John Spink	City Treasurer
David Mclroy	Assistant Director (Corporate Programme & Project Services)
Steve Hampson	Corporate Programme & Project Services Manager

13.3 Housing Investment Options Programme Board

The Housing Investment Options Programme (HIOP) Board has been established specifically to ensure the deliverability of each of the housing investment options. The Board has the delegated authority to take decisions relating to the procurement of the PFI project and to ensure its timely delivery within the parameters approved at Outline Business Case stage.

The Board meets monthly and receives reports from the Project Manager/Project Director on project progress and issues requiring decisions or action from the Board. The report includes an update on project risks, and their management. Where appropriate, it would be the responsibility of the Chair of the Board to recommend a report be referred to the Portfolio Management Board or to Cabinet where there are proposed or actual significant changes in project scope (including content, cost, quality or programme).

The membership of the HIOP Board is outlined in Table 34. Senior managers and external advisors are invited to attend the Board as required.

Table 34 – Membership of the Housing Investment Options Programme Board

Board Member	Title/Designation
Alan Westwood (Chair)	Strategic Director of Customer & Support Services
Bob Osborne	Deputy Director of Housing & Planning
Tim Doyle	Chief Executive – City West Housing Trust
Kevin Scarlett	Chief Executive – Salix Homes
Dave Galvin	Managing Director – Housing Connections Partnership
John Spink	City Treasurer
Rob Pickering	Head of Partnerships & Business Support (PFI Project Sponsor)

Specific responsibilities of the Programme Board include:-

- Manage the risks associated with the project
- Manage the quality assurance for the project
- Authorise any major deviations from the agreed milestones and resolve these deviations or escalate as necessary
- Ensure that the required resources are available
- Receive written monthly updates from the Project Manager/Project Director
- Resolve any conflicts escalated by the Strategic Client Group
- Ensure that a post implementation review (or post project review) is scheduled and takes place.

The delegated powers are to the Chair of the Board or in his absence to a nominated member of the Programme Board, in each case subject to the concurrence of at least two other members of the Board. The Board's delegated powers are to approve all project specific issues relating to the procurement, construction and facilities management mobilisation of the project, not reserved to Cabinet or delegated to the corporate Portfolio Management Board, including:-

- The publication of the OJEU notice, following corporate Portfolio Management Board approval to commence procurement
- The criteria for the selection of bidders
- The issue of the Pre Qualification Questionnaire and Memorandum of Information
- The initial and any further selection of bidders
- The contract award criteria
- Matters relating to negotiations with bidders
- The issue of documentation during Competitive Dialogue
- The appointment of a preferred bidder and the issue of the Preferred Bidder letter

13.4 Strategic Client Group

The Strategic Client Group meets on a monthly basis, prior to the HIOP Board. This group is responsible for monitoring scheme progression, minimising project risk and escalating key decisions as and when required.

The membership of the Strategic Client Group is outlined in Table 35 below. In addition, officers from other service areas and external advisors are invited to attend the meeting as required.

Table 35 – Membership of the Strategic Client Group

Group Member	Title/Designation
Rob Pickering (Chair)	Head of Partnerships and Business Support
Paul Longshaw	PFI Project Director
Jane Barlow	PFI Project Manager
Nigel Dickens	Principal Group Accountant
Joe Willis	Director of Investment & Regeneration, Salix Homes

13.5 Project Team

The council has dedicated project teams, robust governance arrangements and resources to deliver all aspects of the council's Housing Investment Programme.

The PFI Project Manager is assisted by the PFI Strategy Officer and specialists from other service areas from within the council. There are also five key Task Group areas (finance, legal, master planning & land, technical & services, and communications) each of which has designated areas of responsibility and core team members. The Project Manager and the PFI Strategy Officer along with the Task Group chairs form the Project Team, which meets on a monthly basis to ensure effective co-ordination and forward planning of the procurement process.

The membership of the Project Team is outlined in Table 36. In addition, officers from other service areas and external advisors are invited to attend the Project Team meeting as required.

Table 36 - Membership of the Project Team

Officer	Designation	Time Spent on Project	Experience of PFI
Paul Longshaw	PFI Project Director	100%	Yes
Jane Barlow	PFI Project Manager	100%	Yes
Vicky Coakley	PFI Strategy Officer	100%	Yes
Chris Mee	PFI Accountant – Finance Task Group	50% (50% BSF)	Yes
Michael Phillips	Principal Consultant	100%	Yes
Colin Mannion	PFI Project Manager - (Salix Homes)	100%	No
Kevin Farrell	Independent Community Advisor	20%	Yes
Sophie Boswell	Project Support Officer	100%	Yes
David Williams	Strategic Asset Manager	60%	No

In addition to the core members of the Project Team, allocated resources from other service areas also support the project, as outlined in Table 37:-

Table 37 – Additional Resource

Officer	Designation
Malcolm Phillips	Associate Planning Consultant – Urban Vision
Graham Gentry	Assistant Director – Planning & Development
Simon Ashworth	PFI Accountant – Finance Team
Sarah Winder	Principal Marketing Officer – Corporate Marketing Team
Phil Fure	Investment & Regeneration – Salix Homes
Matt Roberts	Head of Asset Management – Salix Homes
Angela Martens	Assistant Principal Development Surveyor – Urban Vision
Nik Puttnam	Senior Development Manager – Central Salford URC
Chris Gibbons	Director of Neighbourhood Management – Salix Homes
Chris Whitfield	Housing Market Renewal Officer – Salix Homes
Joanne Finnerty	Strategic HR Manager – Human Resources
Norman Perry	Team Leader, Legal Services – Land & Property
Michelle O'Riley	Team Leader – Legal Services (Contracts)

13.6 External Advisors

The council has appointed Addleshaw Goddard and Ernst & Young to act as the council's Legal and Financial Advisers respectively for this PFI project. The council has also appointed Turner & Townsend as its Technical Advisor and also to provide additional project management support. AoN will advise the council on matters relating to insurance.

An Independent Community Advisor (ICA) has also been appointed from Compass@TPAS to encourage and develop stakeholder engagement throughout the procurement of this project.

During a competitive selection process all advisors demonstrated extensive experience in housing PFI, housing regeneration and other PPP projects. The tender documents were specifically structured to assess each consultants experience in PFI projects and housing schemes, in particular by providing a number of housing related case studies.

Advisors fees have been fixed for the technical support element of the project on the basis of a fixed fee for the work. Other advisor fees have been structured on a call-down basis albeit these are now under review as the next stage of the project is entered into. As the project progresses the council will look to introducing either payment of fees dependent upon milestones being reached / achieved or the performance management of advisor workstreams with a fixed core fee and variable 'reward' element dependent on the achievement of results / early delivery or efficiencies generated.

All advisors are reviewed as in relation to their performance. In the case of the technical advisors this has taken the form of 3-monthly performance reviews with the advisors' Director and in the case of financial and legal support through periodic strategic review of the range of work required by the project/s to ensure value for money and the removal of the likelihood of unnecessary work allocation to advisors.

The council is always conscious of the need to resource in-house where it can so that it can develop its staff as much as possible and constantly reviews the balance of workstream resourcing in relation to work allocated both to council staff and external advisors.

13.7 Pendleton PFI Group

Members of the PFI Project Team attend meetings of the Pendleton PFI Group on a regular basis to update the group on PFI activities and to utilise the group as a sounding board for areas such as development of service specifications and external communications. Post OBC submission, the council will review existing arrangements for engaging with this group of stakeholders to ensure that they can become actively involved in bidder evaluation and selection. At this stage it is envisaged that members of the group will be invited to attend specific task group meetings, who will be leading the evaluation process. Integral to this review the council will also be considering options for tenant engagement at a board level. Further details on the composition of the Pendleton PFI Group are outlined in section 15.1.

13.8 Project Budget

Section 13.8 has been withdrawn from this version of the OBC on the grounds of commercial sensitivity.

13.9 Gateway Review

The council has chosen to work with the 4P's to deliver an independent project assurance assessment through participation in the Gateway Review process. A Gateway 0 - Strategic Assessment Review was undertaken in May 2008. The Review Team was impressed with the enthusiasm and dedication of the Project Team and found that a great deal had been

achieved to a generally high standard. This had been accomplished with no more than an adequate level of resources and in the face of a wider programme of other significant projects within the Housing Portfolio.

The review confirmed the council's readiness to submit the Outline Business Case, and identified seven recommendations to be address over the following six months, as outlined below:

- The Output Specification for the PFI project should ensure, as a minimum, a requirement to deliver a standard of service comparable with that delivered by other service providers to council tenants
- The OBC should identify dedicated internal Project Director and Project Management resource for the procurement phase to meet the increasing demands of the project when it becomes formally exposed to the marketplace
- The project team should ensure that a full stakeholder analysis is part of the re-launch of the stakeholder steering group, so that all legitimate interests in the future of Pendleton are represented in this forum
- Recognising that headline procurement risks have already been identified, the project team should take the opportunity after submission of the OBC to review the detail of the risk register to ensure that it fully reflects risks associated with the procurement phase and that those risks are understood and continue to be actively managed by risk owners
- Engagement with Salford URC at Director level should identify a strategy for ensuring that sources of all potential funds are used to best effect for the overall benefit of Pendleton, both in relation to the public sector contribution (e.g. in funding some infrastructure or project costs) and subsequently in identifying strategic delivery partners for the housing project
- The project team should scrutinise the OBC and business plans to ensure that the PFI project budget is adequate year on year to convince both CLG and the market place of the ability of the council to deliver according to timetable
- All task groups should be reviewed to ensure that their terms of reference, membership and roles and responsibilities of individual members reflect the demands likely to be made upon them in the procurement phase of the project

The actions identified in the Review Report are being implemented in accordance with the Review Team's recommendations and a clear implementation plan has been developed to address all recommendations over the next six months. Progress against the recommendations will be monitored on a monthly basis by the Strategic Client Group. A full copy of the report is attached as Appendix 24.

13.10 Project Delivery Programme

Table 39 below summarises the anticipated key milestones in the project using the Competitive Dialogue process. A more detailed programme can be found in Appendix 25.

Table 39 – Project Milestones

Milestone	Date
OJEU Notice Published	November 2008
Issue Information Pack and PQQ	November - December 2008
Bidders' Information Day	November 2008
Return of PQQ submissions	December 2008
Long List Confirmed	January 2009
Issue Invitation to Participate in Dialogue	February 2009
Invite comments on stock condition brief	February 2009
Evaluation of Outline solutions	March - April 2009
Confirm shortlist of bidders	May 2009
Invitation to submit detailed solutions	May 2009
Agree bidders stock condition survey brief	May – June 2009
Bidders tender, evaluate & appoint for stock condition survey	June – July 2009
Short-listed bidders stock condition survey	July – September 2009
Bidders submit detailed solutions	November 2009
Evaluation and dialogue on detailed solutions	November – March 2010
Selection of two bidders	March 2010
Parallel dialogue with two bidders	March - April 2010
Call for Final tenders	May 2010
Final tenders submitted	June 2010
Competitive dialogue closes	July 2010
Evaluation of final tenders	July – August 2010
Appointment of Preferred Bidder	September 2010
Final negotiations and planning approval	September – December 2010
Contract Award	March 2011
Work commences on site	April 2011
Full service commencement	April 2016
Contract ends	March 2041

The council views the ISOS stage as being a key phase of the procurement process to shortlist bidders to take through the full dialogue procedure.

Depending upon the quality of consortia pre-qualifying the council envisages short-listing three or four bidders. It is likely that the council will look to shortlist three bidders to ensure quality time is spent by the council, and by bidders, on getting three quality solutions for the project. The ISOS stage will consist of a series of project specific questions aimed at differentiating the solutions being proposed by each long listed bidder. Detailed questions have yet to be drafted but will revolve around each bidders structure for the delivery of the project and in particular their proposals and structure for delivering the development properties; and each bidder's appetite for taking on board key risks in the project.

The council will compile position papers on the key risks in the project, for example, planning, development property risk, tenant damage, decant, property and ground condition risks, the

payment mechanism and right to buys, and each bidder will be required to submit detailed responses to these papers. Each bidder will also be required to:-

- respond to the council's risk matrix for the project
- outline their proposed solutions for the delivery of housing management services
- advance their master planning proposals for the Pendleton estate.

The council does not envisage requiring indicative pricing proposals to be submitted as part of the ISOS phase. The council also intends to ask bidders for their initial comments on the proposed Stock Condition Brief for the Bidders Survey in order to help develop this as early on in the procurement programme as possible.

The council recognises that at this stage the milestone dates within the procurement period are indicative. A further review of the programme will be undertaken by the council as the project enters procurement.

14.0 Statutory Processes

The council has identified and considered the approach to a range of major statutory processes, which will come into effect as a direct result of the PFI scheme. These issues are highlighted in greater detail in this section.

14.1 Planning

The council understands that current guidance indicates that outline planning consent should usually be sought prior to OBC approval. The council has considered the application of that guidance to this project, and has concluded, taking account of soundings from the private sector, that an alternative approach be adopted. The detail of this alternative approach is set out below.

As this is primarily a refurbishment project, the matters requiring planning consent under the PFI contract are expected to be confined to external cladding treatments, predominantly to the multi-storey blocks; the re-modelling works to the South Clarendon estate and potentially for any environmental improvements works. The development element of the Project will also require consent, which would need to be in place prior to onward disposal of the sites to developers.

14.1.1 Current Status

The principle of housing within the PFI area has already been established within the Salford Unitary Development Plan (UDP), adopted in June 2006, which sets the planning framework for the city. It identifies Central Salford, including Pendleton, as the major focus for regeneration and investment within the city, with the goal of developing Central Salford as one of the most popular and attractive places to live within the inner areas of Greater Manchester. The UDP contains no proposals for other uses within the housing parts of the PFI area.

There is a former secondary school site, now vacant, included within the new development opportunities offered within the PFI scheme which, under the UDP, has also been allocated for housing. Other allocations, not affecting housing land, are for a major retail expansion of the existing town centre and a new health centre, both of which have a significant role to play in aiding the area's regeneration.

To further mitigate the risk of not achieving future planning approvals, the development sites included in the project are in council ownership; the majority of which are vested within the Directorate of Housing & Planning. There is, therefore, a high degree of certainty that sites are available for sale on condition of the delivery of the new build affordable housing units.

The council is therefore of the opinion that achieving outline planning consent at this stage is unnecessary. An outline planning consent is designed to establish the principle of development on a site for a particular land use, which in this case, has already been confirmed through the UDP and mitigated further through the land ownership. In addition, given the level of detail available to the council at this stage any outline planning consent is likely to be heavily conditioned, to enable the local planning authority to safeguard its position with respect to any subsequent reserved matters. This may be regarded as unduly constraining for prospective bidders (indeed market soundings support this), who will price upwards accordingly.

In addition, as there is no private sector partner at this stage, there would be problems securing S106 planning obligations, since legally local planning authorities cannot negotiate planning obligations in relation to reserved matters. Potential bidders have indicated that, were the council to consider applying for outline consent, they would not wish to see this happen any earlier than at short listing stage and would want an opportunity to comment on

any application, in an attempt to avoid the constraints and potential difficulties described above. Outline consent is also of little benefit to bidders when what is required by funders prior to contract close is full detailed consent.

The council has therefore concluded that there is little or no benefit in seeking outline planning consent, as it does not add certainty in this respect. In fact, it is the opinion of both the council and the private sector that seeking outline consent may increase risks rather than decrease them.

14.1.2 Pendleton Planning Guidance

The council's preference therefore, to assist in the implementation of the PFI scheme, has been to develop specific planning guidance for the Pendleton area. The Pendleton Planning Guidance, a copy of which is attached as Appendix 26, is due to be adopted in December 2008, once the document has been the subject of planning consultation at its various stages. The proposals within the guidance are clear but provide a degree of flexibility for bidders. The guidance sets out:-

- Sub areas within the PFI area on an Ordinance Survey base, identifying the housing for improvement and redevelopment
- Levels of required affordable housing.
- Indicative layouts of the two principle redevelopment areas including acceptable levels of density, scale and property type.

The council has been conscious for some time of the need to provide an adequate planning background to the PFI bid. To these ends work began on the local planning guidance for the area in April 2005 when widespread consultation and evidence gathering took place.

In May 2006 an Issues and Options Report was published for consultation setting out a number of broad options for tackling the area's problems. These options were then carefully examined in the light of consultation responses and the views of tenants on how to deliver the Decent Homes Standard, undertaken in a separate consultation in mid 2005.

In June 2007 the Preferred Options report was published for consultation. This narrowed down the proposals to three more detailed 'preferred' options. They were based on consideration of the Issues and Options Report and the continued development of the Housing PFI proposals, together with additional information collected, such as stock condition surveys. At the end of 2007 a report on this consultation exercise highlighted key responses and areas of consensus and disagreement on the Preferred Options. This information was then fed into the scheme option appraisal process outlined in section 6.2.1.

The Pendleton Planning Guidance directs bidders to pay regard to a number of supplementary documents, one being the Planning Obligations SPD, which was adopted by the council in March 2007. The Planning Obligations SPD sets out the council's approach to planning obligations when considering planning applications for development in Salford. It provides clarity to developers, development control officers, stakeholders and local residents regarding the basis on which planning obligations will be sought and will assist in securing both local and national objectives in respect of the provision of sustainable development across the city.

The emphasis of the document is on securing the highest quality open spaces and recreation spaces within the city, coupled with a first class public realm. Financial contributions that are secured in accordance with the policies of the SPD will be invested in accordance with local priorities. The extent of Planning Gain requirements will be considered within the context of individual proposals as they develop during the competitive dialogue process.

14.1.3 Planning Approach

Bidders will be required to prepare a 'high level' plan for the estate which encompasses all of the key outputs expected under the PFI contract as part of their intention to submit detailed solutions. The council's experience on area based regeneration schemes is that it is advantageous for bidders, rather than the council, to prepare this for the following reasons:-

- New build and refurbishment proposals are more readily integrated if they are prepared as one integrated plan
- There is an increased chance of mixed tenure developments being achieved, as the council will require this to be the approach
- There is an increased chance of innovation and competition, with the council then able to select the bid that offers the most advantageous package of proposals overall, taking into account the 'outcomes' being offered (response to the council's minimum requirements, plus any proposals over and above that which benefit the community) and the commercial proposal (guaranteed minimum price, minimum development criteria and overage)
- There is an opportunity for community consultation on more than one proposal

Market soundings indicated that potential bidders support this approach, as long as the council provides clear strategic guidance on its requirements and on any planning constraints, and would prefer to work with the local authority to produce and agree a plan for the whole area as part of the competitive process and then seek any necessary planning permissions accordingly. The council has addressed this concern through the development of planning guidance specific to the Pendleton area. It will also be made clear to bidders that the extent of Planning Gain requirements will be considered within the context of individual proposals as they develop during the competitive dialogue process.

Bidders' proposals will be assessed, taking account of views expressed during the consultation, on the achievement of the council's objectives. The outcome of this process will input into the preparation of Call for Final Tender instructions. A further round of consultation will then be undertaken on the bidders' final proposals. Once again, taking account of the views of the community and key stakeholders, the bid which best meets the council's requirements will be taken forward as Preferred Bidder.

At this stage, the Preferred Bidders' high level plan will be taken through the necessary statutory planning approval process. The bidder will also need to secure full planning approvals for those elements requiring consent within the PFI contract. The risk of objections will have been mitigated by the consultation process undertaken during the Competitive Dialogue process. Planning applications relating to those sites on which the development element of the project will be delivered will be the responsibility of the specific developer concerned, but again, the risk of objection will have been mitigated through the consultation undertaken on the bidders' high level plan.

14.2 Title Arrangements

The council's legal department has established the extent of the council's land ownership in the Pendleton PFI area. The council's land covers a large proportion of the land area and is registered with title absolute. The information is held in a single file and those parts of the land which are not already used for residential houses/flats are not subject to restrictive covenants which may be used to restrict future residential development.

14.3 Notice of Intention to Demolish

The council has the power under the provisions of the Housing Act 2004 to serve Initial and Final Demolition Notices which suspend the Right to Buy in relation to regeneration initiatives and development opportunities.

Following approval of the OBC, it is proposed to seek approval from the Lead Member to issue an Initial Notice of Intention to Demolish on those properties identified for demolition within the early part of the phasing plan to assist with achieving vacant possession. The proposed phasing plan can be found within the Pendleton Re-housing Plan in Appendix 16.

14.4 Compulsory Purchase and Blight Notices

▪ Compulsory Purchase Orders (CPO)

Wherever possible the council will strive to acquire by agreement, before acquiring by compulsion. To mitigate the risk of entering into the CPO process the council has been consulting with the local community for a number of years on the future regeneration of the Pendleton area. The community was consulted on proposals for demolition during the summer of 2007. During this period the council issued a statement of commitment for people who may be displaced as a result of the regeneration activity. Further information on compensation and re-housing choices will be made available to those affected by the regeneration proposals once Government approval has been received for the scheme to be procured.

▪ Blight Notices

Where the value of a property has been reduced by certain categories of planning or other development proposals, owner occupiers (within a specified rateable value limit), may be entitled to serve a 'blight notice' on the body responsible for this, requiring them to buy the property at its untainted value.

It is recognised that inclusion within a CPO is only one of many circumstances in which a blight notice may be served and that the acquiring authority has two months to accept or reject the notice.

14.5 Highway and Footpath Closures

The PFI contractor will ensure that any proposed highway closures are carried out in accordance with either section 116 of the Highways Act 1980 or section 278 of the Town & Country Planning Act 1990.

Footpaths that require 'stopping up' would be dealt with under Section 118 of the Highways Act 1980. Any footpaths that require only diversion would be dealt with under Section 119 of the Highways Act 1980.

The ISDS requirements will make it clear that any applications for closure or diversion are the contractor's responsibility.

14.6 Leaseholders

The council will seek to recover costs from leaseholders in accordance with the terms of their lease, and will give consideration to the development of financial assistance products, such as equity loans, in order to assist any leaseholders who may be suffering from financial hardship.

In terms of leaseholder debt for major repairs, the maximum amount a landlord can recover from a lessee over any five year period is £10,000. The council will ensure that Section 20 procedures under the Landlord and Tenant Act 1985 have been implemented.

The council recognises that any costs for capital works on leasehold properties are not covered by PFI credit, and therefore the share of the cost of the works will be recovered by the following means:-

- Full cash payment
- Part cash payment/part by instalments
- Service charge loan, payable by instalments
- A charge taken against the property

14.7 Section 25 Notices

It is envisaged that Section 25 consent will be required from the Secretary of State for the disposal of land forming the Project. This will be requested at the time the Final Business Case is submitted.

15.0 Commitment of Stakeholders and Sponsors

15.1 Community Consultation

Following the consultation which took place in 2005, as part of the housing investment option appraisal process (outlined in greater detail in section 6.2), the project team has ensured that regular updates on progress are delivered to the community.

The dissemination of information across the estate is facilitated by the comprehensive network of tenants and resident associations which exist. The Pendleton estate includes 19 individual tenant and resident associations, all of which have representatives on the Network Group, a Tenants Federation Group representing all associations in the area.

In addition, a specific focus group for PFI, the **Pendleton PFI Group**, was formed in January 2005. This group consists of five tenant and one leaseholder representatives, the three ward councillors for the area, two Salix Homes representatives (specifically from the Housing Management and Pendleton Regeneration Team), the Independent Community Advisor and members from the PFI Project Team. Specific issues and proposed appropriate actions relating to the PFI are discussed within this group, covering such areas as the options appraisal, content of the OBC and service performance standards.

Throughout the stock option process leaseholders have been kept up to date through the Leaseholder Forum. However, since the establishment of Salix Homes in July 2007, the way in which the council consults with leaseholders is under review and a leaseholder charter is currently being developed.

To ensure that the PFI scheme does not take place in isolation, the **Pendleton Steering Group** was established in November 2004. This group consists of the main stakeholders in the area e.g. the council, Salford University, Community Forum representatives, Greater Manchester Police and the Urban Regeneration Company. Its purpose is to direct and guide the wider regeneration of Pendleton with surrounding areas; and to ensure that the PFI scheme aligns with the objectives of other initiatives in the vicinity.

15.2 Communications Strategy

A comprehensive Communications Strategy, attached as Appendix 27, has been developed to take the scheme forward from OBC development and through procurement.

The strategy follows the principles set out in the "Opening Doors" document, the council's guide to involvement in housing services. This guide introduces a new vision for working together to achieve the highest possible standards for involvement and communication between residents and providers of housing services in Salford. There are a number of ways that residents can get involved and have their say about the housing services they receive. Residents don't always need to attend meetings or belong to a group to have their say, although those opportunities are always available.

The council recognises that different people are able to commit different amounts of their time depending on what is currently happening in their lives. The council's approach is therefore to encourage residents to participate at a level that suits them, an approach that the successful bidder will be encouraged to adopt.

15.3 Hard to Reach Groups

In addition to the above approach, the council recognises that some groups are harder to reach than others e.g. elderly, disabled, youth, BME communities and asylum seekers. By working with appropriate agencies and utilising a wide variety of consultation techniques, the council will ensure that these groups are adequately and appropriately consulted.

The council has completed an equalities impact assessment as a tool to identify if the proposed scheme affects different groups of people in different ways. A key outcome from this assessment was that the council needs to improve data collection techniques during consultation events to have a greater understanding of who the different interest and minority groups are in the area. As a result of this assessment, the project team ensure that relevant data is recorded, allowing the council to measure the effectiveness of future consultation activities more accurately, and to develop intelligence on whom the information is reaching or failing to reach.

15.3.1 Diversity

A wide range of communication methods and materials are being, and have been, used to engage with the community, particularly encouraging hard to reach groups to become involved, including issuing DVDs, bus tours, visual boards mapping the PFI journey so far, and community arts projects involving young people. Braille, large print and translation services are available to those who request the service.

An equality impact assessment was carried out to identify the impact of the Outline Business Case on the six main diversity strands (ethnicity, gender, sexual orientation age, disability and religion and belief). The assessment concluded that no differential impact has been identified at this stage, although further work is required to establish a more detailed household profile for the area.

A Housing Needs Questionnaire is currently being undertaken by Salix Homes, to inform the future housing needs of those households who will be affected by demolition. A tenant/resident household profile will be compiled from the results of this questionnaire. A survey has also taken place to assess Disability Discrimination Act access in those high rise flats earmarked for refurbishment.

Information obtained from the area profile and information from the DDA surveys will be used to aid the development of the Output Specification requirements.

15.4 Commitment to the Project

Members across all parties within the council have shown their support for this scheme. Full Cabinet have approved the submission of this Outline Business Case (OBC). A copy of the report and minutes can be found in Appendix 28.

Members are very aware of the level of commitment required to ensure successful procurement is delivered and have further demonstrated wider council support for the project through the commitment to fund part of the affordability requirement set out in the OBC.

Local members are also very supportive of the project and have been actively involved in local stakeholder meetings and working with officers and members of the community to ensure that much needed investment is brought to the area.

The local MP Hazel Blears has also taken a particular interest in the project and has been kept informed of progress, through regular briefings, as the project has progressed.

The council commits to sharing information with CLG, the Homes and Communities Agency and other local authorities.