



DERBY CITY COUNCIL

COUNCIL CABINET
18 OCTOBER 2005

ITEM 13

Cabinet Member for Planning and Transportation

Private Finance Initiative (PFI) - Street Lighting

SUMMARY

- 1.1 Following receipt and evaluation of the Invitation to Negotiate Bids, we need to select two Bidders to go forward and to progress the scheme to the next stage.
- 1.2 Subject to any issues raised at the meeting, I support the following recommendation.

RECOMMENDATION

2. To select the two Bidders as detailed in the report and progress the scheme to Best and Final Offer stage.

REASON FOR RECOMMENDATION

3. To enable the project to progress in accordance with the agreed programme.



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Report of the Director of Development and Cultural Services and the
Director of Finance

Private Finance Initiative (PFI) - Street Lighting

SUPPORTING INFORMATION

- 1.1 The Cabinet Meeting on 17 May 2005, approval was given to the selection of three Bidders, to submit Invitation to Negotiate (ITN) proposals to the Council. The next step in the process is the evaluation of the ITN bids and to select two Bidders to go forward to the next stage.
- 1.2 ITN proposals were submitted on 15 July 2005, and a thorough evaluation has taken place on the proposals. The evaluation has been based on the technical, legal and financial proposals, compared to the requirements in the bid documentation, and the overall compatibility of the proposals.

Following the evaluation, the Bids have been graded as follows:

Balfour Beatty	[1]
David Webster Consortium	[2]
Vinci Investments/ABB Consortium	[3]

- 1.3 The Bid from Vinci Investments/ABB Consortium was significantly in excess of our affordability target, and in accordance with the process, the bids from Balfour Beatty and David Webster Consortium should progress to the Best and Final Offer (BAFO) stage.
- 1.4 The BAFO stage is designed to give Bidders the opportunity for a final proposal, following our comments on their initial submissions.

There is no significant difference between the bids submitted by Balfour Beatty and David Webster and it will not benefit the Council to miss out the Best and Final Offer (BAFO) stage and proceed directly to Preferred Bidder stage. The Council will get most benefit from a continuation of the competitive process by moving to BAFO with the top two Bidders.

- 1.5 In order to meet the Council's affordability and quality aspirations, we will be asking the Bidders to focus on the following in their resubmissions:
1. energy efficiency initiatives
 2. confirmation of the number of columns to be replaced during the first 5 years of the contract
 3. replacement of the Council owned cable network serving approximately 25% of the lighting columns
 4. the potential for a change in the length of the contract from 25 years to 30 years.
- 1.6 Energy costs are rising rapidly at the moment, and there will be an inevitable increase in street lighting energy costs, regardless of the method of procurement used in the improvement of the service. It should be noted however, that although energy costs will rise, they will not rise as much with the PFI proposals, as efficiencies in new equipment, control gear etc will be brought into use quickly and other initiatives such as dimming and remote monitoring can be considered.

OTHER OPTIONS CONSIDERED

2. As outlined above, which were set out in detail within the Cabinet Report of 17 May 2005.

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Background papers:	None
List of appendices:	Appendix 1 – Implications

IMPLICATIONS

Financial

1. The potential for a funding gap between Government allocations and actual costs was identified to Cabinet at its meeting on 17 May 2005. Following receipt and analysis of the ITN submissions, there is still an affordability gap, which we will continue to work to reduce during the next stages.

Legal

- 2.1 There are no direct legal implications arising from this report. However, specialised legal advice has been secured in order to ensure that the Council is fully and regularly appraised of the legal implications in progressing the scheme.

Personnel

3. A PFI procurement means the transfer of staff to the private sector, under TUPE arrangements. The number of Council employees likely to be affected by the PFI will be determined in particular by the detail of the BAFO. Staffing issues will be addressed as the contract develops and we will continue to work closely with Bidders, the staff involved, unions, the Council's advisors and Personnel to ensure that the process is progressed in accordance with agreed procedures.

Equalities impact

4. None.

Corporate objectives and priorities for change

5. The proposal predominantly comes under the Council's Objective of **Working in Partnership to Reduce Crime and the Fear of Crime** and **Provide and Improve the Transport Network** and also **strong and positive neighbourhoods, and a healthy environment**