



Derby Street Lighting PFI: Approval of Final Business Case and Commercial and Financial Close

SUMMARY

- 1.1 Arrangements for the negotiation of and signing the Project Agreement, P.A., between the Council and Connect Roads Derby Limited are now approaching a conclusion.
- 1.2 At the time of preparing this report, it is anticipated that signing of the P.A. will take place on Wednesday 21 June 2006. Any changes to those arrangements will be reported to Cabinet at its meeting.
- 1.3 There is a comparatively small number of issues which will need to be resolved with Balfour Beatty to the Council's satisfaction before the P.A. is finally signed. Where appropriate, these are referred to in the report.
- 1.4 Subject to any issues raised at the meeting, I support the following recommendation.

RECOMMENDATION

- 2.1 That, subject to satisfactory resolution of any outstanding issues referred to in the report of the officers, two of the authorised signatories of the Council, after consultation with the Corporate Director of Resources over the final proposed cost, be authorised to sign the Project Agreement between Derby City Council and Connect Roads Derby Limited relating to the Council's Street Lighting Private Finance Initiative Project, and such other documents as listed below.
 - Project Agreement
 - Senior Lender's Direct Agreement
 - Sub-Contractor Direct Agreement
 - Collateral Warranties
 - Independent Certifiers Appointment
 - Admission Agreement
- 2.2 That the Council's Corporate Director of Resources, be authorised to sign on behalf of the Council the following documents:
 - Local Government (Contracts) Act 1997 Certificate in respect of the Project Agreement
 - Local Government (Contracts) Act 1997 Certificate in respect of the Funder's Direct Agreement

- 2.3 That in addition to the above, those same signatories be authorised to sign on behalf of the Council such other documents and take any other action as may be necessary to give effect to the Project.
- 2.4 That the appropriate officers be authorised to resolve any outstanding issues referred to in the report of the officers, in order that those issues can be incorporated within the Project Agreement as necessary without a requirement to submit a further report to Council Cabinet.
- 2.5 That should those issues not be resolved to the satisfaction of officers acting on behalf of the Council, arrangements for signing the Project Agreement should not be concluded, and that a further report be presented to Council Cabinet at the earliest possible meeting.
- 2.6 That further reports on the implementation and progress of the Project, as undertaken by Connect Roads Derby Limited in conjunction with the Council, be submitted to future meetings of Council Cabinet.
- 2.7 That to enable the negotiations to be concluded, authority is sought to agree the Contract with the base annual Unitary Charge not creating an affordability gap in excess of the figures stated in the confidential section of the officers' report for the base year, subject to the finalisation of issues in paragraph 1 of Appendix 1.

REASON FOR RECOMMENDATIONS

- 3.1 Everything possible should be done to minimize the risk of delays in signing of the P.A., in order to contain the Council's costs and help to ensure implementation of the Project in accordance with the Project Plan and Timetable.
- 3.2 The nature of this Project means that sustaining progress with implementation could be dependent upon seasonal and associated weather conditions. Any delays at this stage could therefore be compounded and extended in subsequent stages of the Project, thereby delaying the benefits to the residents of the City.



DERBY CITY COUNCIL

COUNCIL CABINET
6 June 2006

Report of the Corporate Director – Resources and the Corporate Director for Regeneration and Community

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SUPPORTING INFORMATION

- 1.1 At the Cabinet Meeting on 14 March 2006, approval was given to the selection of Balfour Beatty as Preferred Bidder for the Street Lighting PFI Contract.
- 1.2 The scheme is designed to install over 27,000 new columns, illuminated traffic signs and bollards during the first five years of the project, and to install a further 3,600 new columns during the remaining years of the contract.
- 1.3 The new lighting is to be designed in accordance with current European Standards and will be predominantly white light, with high pressure sodium lighting being used only on major traffic routes.
- 1.4 The scheme is designed to maintain the lighting equipment for the 25 year contract period, and for all equipment to have a minimum of 5 years life at the end of the contract.
- 1.5 By means of contractual method statements, the service provider is required to work with the Council in providing a good customer service standard, assistance in Best Value reviews and improvement to performance indicators.
- 1.6 Programming of the works will be undertaken by agreement with the Council, to ensure that works are fully coordinated between different departments of the Authority. The Council will only have a limited influence on the programming of the works, and the Contractor will prioritise the column replacement programme to take into account:
 - a) areas where the existing columns are structurally deficient and in danger of collapse
 - b) areas which have a high incidence of night time crime and fear of crime
 - c) areas with a high night time road traffic accident record.
 - d) areas which are making an independent contribution to the funding of the PFI.

- 1.7 The area, which has been selected to be the first area to be relit, is the Derwent New Deal area, and this is likely to be followed by areas with a large proportion of properties managed by Derby Homes. The detailed programme for the first 12 months will be the subject to a further Cabinet report. There will be a full consultation and communication exercise with residents, members and stakeholders for the proposals during the design period and the contractor will be available to respond to any queries concerning the lighting design solution. As the design is being carried out to the new European Standards, the scope for moving columns is very limited, and it may not be possible to accommodate requests from residents to move columns to an alternative location. A draft communication plan has been prepared and is attached as Appendix 2.
- 1.8 The Council will retain an in house monitoring team, whose primary function will be to coordinate all the proposed works with the proposed development work being undertaken by the City Council. All proposed development schemes which have a lighting element must be reported to the Council's monitoring team at an early stage in the process, to ensure that there is full compatibility with the PFI programme. It is proposed that the monitoring team will also have a customer liaison officer, who will provide the first point of contact between residents, the Council and the contractor.
- 1.9 Due to affordability constraints, it has not been possible to provide additional lighting in areas that are currently unlit. Any additional lighting required in these areas will have to be funded outside of the PFI. This funding will not only comprise the capital cost of additional columns, but will also include for future maintenance liabilities and energy usage for the period of the PFI period.
- 1.10 Attachments to columns will be permitted under the PFI, however the size and number of attachments will be strictly limited. Permitted attachments will include such items as road signs, litter bins etc. Any existing attachment will automatically be replaced, but any new attachment will only be permitted with the approval of the contractor. This approval will not be withheld unreasonably, but no attachment will be permitted without the agreement of the contractor. Any attachment that is erected without permission will be removed, and any damage caused to the column will be recharged to the offending party.
- 1.11 Arrangements are being put in place to ensure that attachments for advertising and WiFi are accommodated within the contract.
- 1.12 Energy costs are an important element of the PFI and all new equipment will be the most energy efficient available to minimize the impact of rises in energy costs. Additionally, the contractor has produced a profile of energy consumption over the 25 year period, and the contractor will be responsible for any energy consumption over the agreed energy profile. The cost of energy remains the responsibility of the City Council.
- 1.13 Discussions are ongoing with Balfour Beatty to ensure a smooth transition of the customer contact from Balfour into Derby Direct once the migration of Streetcare services into Derby Direct has been completed.

OTHER OPTIONS CONSIDERED

- 2.1 To defer seeking Cabinet approval to sign the Project Agreement until all outstanding issues are fully resolved.

For more information contact: Officer: Martin Follows Tel: 01332 715050
Background papers: e-mail: martin.follows@derby.gov.uk
List of appendices: None
Appendix 1 – Implications
Appendix 2 – Communication plan

Communication Plan

Introduction

The Service Provider for the design, installation, operation and maintenance of street lighting and illuminated signs, is required to fulfil the obligations placed on the Authority by the Local Authorities Act 1999 in respect of Best Value, and to recognise the importance of the consultation processes in delivering quality services to the needs of the community.

In designing the consultation process, the following have been considered:

- the issues
- the purpose of the consultation process
- the identity of the stakeholders
- what communication processes will be effective
- the constraints of the contractual timetable.

It is proposed to implement a two stage approach to the consultation process.

- a) Stage 1 Consultations – Strategic – will be with the Members and relevant Authority departments.
- b) Stage 2 Consultations – Local – will involve those who have an interest in the service delivery at a detailed local level, including Authority Officers, Authority and Town Centre Committees, the Planning Council, the 5 Area Panels, Emergency Services, Utilities, Statutory Bodies, Planning Authorities, Community Groups, Countryside Commission, Conservation Groups, Local Residents, Neighbourhood Offices, Public Transport Operators, and all other relevant stakeholders.

The Service Provide will discuss the consultation processes and their outcomes at Progress Meetings held with the Authority, based on details in the monthly service reports. However, separate regular meetings with other interested parties will be held - which the Authority may also attend, to review and refine the consultation processes.

Strategic Stage 1 Consultation

Strategic consultation will be between relevant representatives of the Authority and the Service Provider, and will be conducted in regular meetings of a Strategic Consultation Forum. The core membership of the Strategic Consultation Forum will be selected from the Service Provider and Authority representatives for this project. Representatives from other Authority departments and stakeholders – such as Members, the police, community safety and relevant interest groups – will be invited to attend as appropriate.

Various matters will be discussed and finalised at meetings of the Strategic Consultation Forum including:

- Priorities for the Core Investment Period Programme
- 'Deemed to comply' lists
- Local consultation processes, including interfaces with Authority's initiatives such as Area Panels, Community Assembly and Safety Partnership etc.
- Methods and timing of publicising local consultation and actual works
- Annual Core Investment Period Programmes, taking account of stakeholder comments and feedback from local consultation
- Performance measures and targets
- Specified approvals and consents required from the Authority.

Strategic consultation will commence during the Preferred Bidder stage. This will allow asset inspections, design and local consultation to proceed in time for the Core Investment Period Programme works to commence by the start of month 3 of the commission. Initially the meetings of the Strategic Consultation Forum will be held at least monthly, but as various fundamental matters are resolved, the Strategic Consultation Forum meetings may be moved to quarterly. Strategic Consultation Forum matters may be incorporated into the contract progress meetings, particularly after completion of the Core Investment Period Programme.

The Service Provider will interact with various Authority departments including:

- Planning and Development Control Sections – developments and adoptions
- Highways Section – lighting improvements for accident reductions, new works carried out in the highway and modal changes plus any de-trunking proposals
- Traffic Section – TMA and Streetworks issues
- Car Parks Section – lighting in the Authority’s car parks
- Property Section – floodlighting of monuments and buildings.

At this level of consultation the Service Provider will consult with the Authority to identify projects included in the major and annual minor works programmes (LTP) so that the effects on the Core Investment Period Programme can be considered. The Police and Community Safety Partnership will have a principal input in refining the content / phasing / priorities of the replacement programme regarding its effect on the reduction of crime and the fear of crime.

Each of the Authority’s Consultation representatives will identify potential local consultation participants and existing processes to:

- Maximise uniformity with the Authority’s existing practices
- Ensure efficiency and non-duplication of representation
- Improve success rates in communicating with hard to reach groups.

Local Stage 2 Consultation

The purpose of the Local Consultation processes is for the Service Provider to inform stakeholders what proposals are being considered, and for stakeholders to express their opinions on these proposals. The replacement, refurbishment or installation of approximately 39,000 items of Apparatus in 5 years is a challenging task, requiring detailed planning in order to complete the works with minimum disruption to local communities. Effective local consultation involving listening and responding to local opinion will be crucial to the efficient delivery of the Core Investment Programme (CIP).

Local Co-ordination Panels will be formed, as local issues are best considered by people with local interests. The Local Co-ordination Panels will be based on the Authority’s 5 Area Panels, and will involve:

- Residents, resident/tenant housing associations
- District committees
- Ward Council Members
- Derby Community Safety Partnership
- Statutory bodies
- Community groups
- Relevant service-user representative organisations
- Representatives from special interest groups and Hard to Reach Communities
- Local business communities
- Emergency Services
- Derbyshire Constabulary
- Utilities
- Transitory Visitors
- Motorists
- Bus companies
- Pedestrians
- Cyclists
- Any other relevant stakeholders.

Representation on the Local Consultation Panels will be agreed with the Authority – in the Strategic Consultation Forum – and may vary to ensure each one best represents its local circumstances. The views of local specialist representative groups, including ethnic minorities, disadvantaged groups and less able residents will be sought.

Before presenting any final CIP proposals, an initial meeting of each Local Co-ordination Panel will be convened to advise them:

- of the purpose of consultation

- how the information obtained will be used
- what proposals are being considered
- of the timetable and decision-making process
- how they will receive feedback on the outcomes and reasons.

Local Co-ordination Panel meetings will subsequently be held, as appropriate, to review and discuss CIP proposals and other matters within the locality, such as maintenance, emergencies, vandalism, fault reporting and repairs. The meetings will continue after the CIP is completed, as not only do the other matters continue to be relevant, but also the Service Provider will refurbish, replace, or install in new locations more than 4,000 items of Apparatus during the remainder of the concession.

The Consultation Process

Effective consultation will require various stages, and to avoid delays to the CIP, it will be necessary to clearly establish and maintain time limits for each stage. The purpose of the consultation process is to reach a majority consensus for proposals to be implemented, recognising that the perfect process whereby all stakeholders are completely satisfied is an unattainable goal. The scale of the task requires the process to proceed to a timetable that will allow the CIP to be delivered on time. Therefore we will operate to a time-scale that allows proper consultation processes, but does not create excessive delays.

The process is:

- to issue agendas and reports on matters to be discussed at each meeting of the Strategic Consultation Forum at least 5 working days before the meeting, and minutes within 2 working days of the meeting
- within 5 working days of the Strategic Consultation Forum meeting to publish details of the CIP proposals - as discussed and agreed, and invite comments to be returned within one month of publication
- to issue written acknowledgement of all comments received within one month of publication, confirming that these comments will be considered during the meetings to finalise the CIP details; to acknowledge receipt of any comments that arrive after the expiry of the allowed public consultation period, but confirm that they have been submitted too late to be taken into account during the meetings to finalise the CIP details
- to, during each week of the public consultation period, forward copies of the comments received to members of the relevant Local Co-ordination Panels
- within 5 working days after the expiry of the public consultation period, to issue a report to the members of the relevant Local Co-ordination Panel with details of all comments received, and recommendations of any changes to the published CIP proposals. This will enable the Local Co-ordination Panel to meet 2 working days later to review and discuss both the published proposals and the received comments
- to include minutes of the Local Co-ordination Panel meeting in the report and prepare for the next Strategic Consultation Forum meeting, at which this set of CIP proposals can be finalised, taking into account public comments and the views of the Local Co-ordination Panel.

Dissemination of Information

By far the most effective means of informing stakeholders and initiating consultation is to print detailed information, which can be revisited as a reminder. To publish details of the CIP proposals agreed in Strategic Consultation Forum meetings, the Service Provider will produce leaflets explaining both the nature and location of the proposed works. The leaflets will also contain generic information on the partnership which has been formed to deliver an improved lighting service to the communities, and details on how to contact us with any queries. An example of the type of leaflet which could be produced is included at the end of this section.

The Service Provider will distribute copies of the leaflets to members of the Local Co-ordination Panel; the relevant local residents; businesses and schools; and place copies in Authority offices, libraries, doctors'/dentists' surgeries, community centres, shops, cafes and similar outlets. In addition, the local press and radio stations will be used to publicise the consultation processes and the availability of the leaflets, either in feature articles or advertisements. Information will also be available on the web site. These will invite comment by e-mail, which will be made available to the Authority so they have the opportunity to include details on their web site and in their press releases.

Consultation Comments

Whatever opportunities are provided for stakeholders to participate, the consultation relies on capturing the attention of those with a potential interest. The use of Local Co-ordination Panels who will represent the collective interests of communities, and directly involve Ward Members and local stakeholders, will almost certainly be the most effective means of promoting high community involvement. Close co-operation with the Derby City Council Customer Services Representative (a temporary post in the Street Lighting Section for the 5 year CIP) will improve the likelihood of having a successful process.

The Service Provider will monitor the responses from this form of consultation and report back to the Strategic Consultation Forum. If the level of consultation appears to be unreasonably low or achieving a consensus rarely occurs, the processes, practices, and procedures will be reviewed and advice sought on how best to improve them.

Detailed records of all comments received will be kept, so future initial proposals can be modified, and a reply to advise the outcomes can be made, with reasons, of all comments received. Feedback to the originators of comments is particularly important for fostering partnering relationships and inform the review as part of the procedures for continuous improvement.

Dispute Resolution

It is an inevitable fact of life that not all interested parties will be happy with the proposals put forward. It is important however the community does not lose the benefits that will flow from the project because of the actions and views of a small minority. The Service Provider will work closely with the members of the Authority to improve the perception of the project by those less enthusiastic to its aims. If necessary, variations may be suggested by the Service Provider to the Authority in an effort to overcome some objections, but the final word will lie with the Authority as to how it wishes to obtain final resolution of any major issues.

Method of Consultation with relevant users, residents and other stakeholders

There are many demonstrable benefits to all parties of an effective public interface. The Service Provider will work in partnership with the Authority to co-ordinate the manner and content of information to be provided to customer. The Service Provider will hold public consultation meetings alongside Authority officers and members, with a view to increasing public awareness and understanding of lighting issues. Information provided for customers may include (but not necessarily limited to):

- Programmed work dates – letters and/or erect signs at the locations of works, or via residents/business groups two weeks in advance of work commencement, to localised affected parties
- Consultation procedures for the CIP will be published in selected newspaper articles/adverts, and via the Authority's web site. Information can also be made available via a specific project website.
- Work detail will necessarily be limited, but could include advanced programmed details of such activities as routine maintenance, painting/cleaning/inspections etc. or replacement/refurbishment schemes when whole streets are affected
- Leaflets will be distributed under the joint banner of the Service Provider and Derby City Council
- Leaflets will be distributed to all residents affected within 2 weeks of CIP commencement in their area

The proposed format for the letter the Service Provider could produce for circulation throughout the City of Derby is shown overleaf.

Interfaces or consultations with interested parties regarding the design of new and replacement lighting

Prior to the commencement of the design process of each scheme, the Authority, Police and other stakeholders will be consulted to determine any particular technical, social or aesthetic requirements applicable to it. Other stakeholders may include any one or more of a number of groups, such as:

- Area committees
- Members
- Resident groups such as Age Concern and Neighbourhood Watch
- Residents & Neighbourhood Offices
- Authority Housing and Planning Departments

- Transport Forum
- Chamber of Commerce
- Local residents who form 'friends' of groups for local parks and libraries
- Town Centre Forums and Boards
- Tennant Associations
- Heritage Committees
- Countryside Commission
- Conservation Groups etc.
- Derby Cityscape
-

All consultations will be by well-publicised meetings, supplemented by responses to Invitations to Stakeholders and the Public, to submit written and verbal comments.



Derby Lighting Services

Please read this letter – it affects you

Dear Resident,

Street Lighting Improvements

Derby City Council will soon be upgrading the street lighting in your road. The works will be carried out by XXXXXXXXX on behalf of the Council and will involve installing new lamp columns and lanterns designed and maintained to meet the latest British and European Standards. This work is part of a city wide programme to improve street lighting under the Private Finance Initiative (PFI).

The Council believes the benefits to residents will include among other things:

- (a) Improve road safety, in particular by reducing the incidence and severity of night time accidents;
- (b) Reduce the incidence of night time crime;
- (c) Increase leisure and commercial activity after dark;
- (d) Help to develop safer routes to schools;
- (e) Reduction in personal injury accidents.
- (f) Create a quality environment for local people, business and tourism in general.

Minimum Disruption

As a scheme of this nature will inevitably cause some disruption, the Council and XXXXXXXX are seeking your co-operation in helping ensure any inconvenience is kept to a minimum.

This work has been planned and co-ordinated with public utilities and other bodies to ensure the programme is carried out as efficiently as possible. The local electricity company will carry out connections to the new columns. Old columns will be disconnected and removed for re-cycling soon afterwards. Normal working hours are 0800 hrs to 1700 hrs. A yellow painted circle on the ground with the letters L/C will mark the locations of the new columns.

If you have any queries specific to these works, please contact