



DERBY CITY COUNCIL

COUNCIL CABINET 17 MAY 2005

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

Private Finance Initiative (PFI) – Street Lighting

RECOMMENDATION

- 1.1 That following the selection of the short list of Bidders for the scheme, the Council should now proceed to the next stages of procuring the project.
- 1.2 That the Council authorise the Director of Finance to release resources required to progress the project to financial close stage, up to the limit of £500,000.
- 1.3 That a further report be submitted to the Cabinet seeking approval for the selection of Bidders to go forward to the next stage.

REASON FOR RECOMMENDATION

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

SUPPORTING INFORMATION

- 3.1 At the meeting of the Cabinet on 28 September 2004, approval was given to the submission of the Outline Business Case (OBC) for a Street Lighting PFI to the Department for Transport (DfT). Approval of the OBC was granted by DfT on 29 November 2004.
- 3.2 As Members will recall, the DfT had rejected an earlier bid for additional credits, and have approved the OBC on the basis of the original indicative credit value of £32.47m.
- 3.3 In accordance with the approved programme, the project was advertised in the Official Journal of the European Union (OJEU) on 6 December 2004 and preliminary enquiries from potential Bidders received during January 2005.
- 3.4 A pre qualification questionnaire (PQQ) and Invitation to Submit Outline Proposals (ISOP) were sent out to the potential Bidders and 8 bids were returned on 14 February 2005.
- 3.5 Detailed analysis of the PQQ and ISOP submissions enabled the Council to invite a long list of 5 Bidders to an interview/presentation of their proposals. The interview/presentations took place on 4 April 2005. Following the presentations, the Council has produced a short list of Bidders to go forward to the next stage of the process, the Invitation to Negotiate (ITN). The ITN documents were sent to the 3 short listed Bidders on 15 April 2005 and the ITN proposals are due to be returned in July 2005.

3.6 The shortlisted Bidders for the scheme are:

Balfour Beatty
Vinci Investments/ABB
David Webster Ltd.

3.7 It is anticipated that the scheme will be operational by July 2006, and that it will bring a step change in the quality of lighting in Derby.

3.8 During the first five years of the contract, approximately 17,000 columns will be replaced and an additional 5000 columns installed to bring lighting levels up to European standards. The areas selected will be based on the areas of greatest need, determined by a structural assessment of the columns, the crime analysis and the prevailing lighting levels. It is not anticipated that any lighting off public highway will be replaced during this core investment period.

3.9 Members should be aware that PFI credits have been awarded for Highway lighting only, and that any improvements to the lighting levels in areas such as Parks and Derby Homes managed areas will have to be funded from outside the PFI, as at present. The existing columns in these areas will be replaced on a like for like basis, as they reach the end of their design life.

OTHER OPTIONS CONSIDERED

4. None in addition to the analysis of options contained within the OBC.

For more information contact:	Martin Follows 01332 715050 e-mail martin.follows@derby.gov.uk
Background papers:	Street Lighting PFI – Expression of Interest. Derby City Council July 2003 Street Lighting PFI – Outline Business Case Derby City Council September 2004.
List of appendices:	Appendix 1 – Implications

IMPLICATIONS

Financial

Scheme Costs

- 1.1 The potential for a funding gap between Government allocations and actual costs was identified to Cabinet at its meeting on 28 September 2004. The progression to ITN stage will allow greater clarity over the scale of any gap.

Project Development Costs

- 1.2 The Director of Finance was authorised to commit funds up to an initial limit of £175,000 to allow the scheme to progress to OBC stage at the Cabinet Meeting on 24 February.

Legal

2. 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 ITN. Staffing issues will start to need to 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 arising from this report.

Corporate Themes and Priorities

- 5.1 The maintenance and improvement of street lighting satisfies the Council's Objectives of **a Diverse Healthy and Attractive Environment** and **a Shared Objective to Regenerating our Communities**.
- 5.2 It also satisfies the City Council's priorities for change of – **Working in Partnership to Reduce Crime and the Fear of Crime** and **Provide and Improve the Transport Network**.