

# ITEM 15



DERBY CITY COUNCIL

**COUNCIL CABINET**  
**14 MARCH 2006**

Cabinet Member for Planning and Transportation

## **Private Finance Initiative (PFI) - Street Lighting**

- 1.1 Following receipt and evaluation of the Best and Final Offer (BaFO) Bids, we need to select one Bidder as Preferred Bidder and to progress the scheme to completion.

The report also provides an update of the affordability position resulting from the BaFO submission, based on the best priced bid.

- 1.2 Subject to any issues raised at the meeting, I support the following recommendation.

### **RECOMMENDATION**

- 2.1 To select the Bidder as detailed in the report and progress the scheme to completion.
- 2.2 To note the latest affordability position.

### **REASON FOR RECOMMENDATION**

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



DERBY CITY COUNCIL

## **COUNCIL CABINET 14 MARCH 2006**

Report of the Director of Regeneration and Community and the Director of Resources

### **Private Finance Initiative (PFI) - Street Lighting**

#### **SUPPORTING INFORMATION**

- 1.1 At the Cabinet Meeting on 18 October 2005, approval was given to the selection of two Bidders, to submit Best and Final Offer (BaFO) proposals to the Council. The next step in the process, following the evaluation of the BaFO bids, is to select one Bidder as the Preferred Bidder (PB) to go forward to completion.
- 1.2 BaFO proposals were submitted on 13<sup>th</sup> January 2006, and a thorough evaluation is taking place on the proposals. The evaluation is based on the technical, legal and financial proposals, compared to the requirements in the bid documentation, and the overall compatibility of the proposals. The evaluation will be completed by the date of the meeting.
- 1.3 Details of the evaluation process, the bid which will give the best value for money and the Preferred Bidder, will be available at the meeting.
- 1.4 In order to meet the Council's affordability and quality aspirations, the Bidders were required to focus on the following in their resubmissions:
  - i) energy efficiency initiatives
  - ii) innovative proposals designed to reduce the overall costs
  - iii) acceptance of the recently issued addendum to Standardisation of PFI Contracts, version 3 (SPOC3)
  - iv) the potential for a change in the length of the contract
- 1.5 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 have been included.
- 1.6 The main aspects of the PFI are included at Appendix 2.

## OTHER OPTIONS CONSIDERED

2. None in addition to the analysis of options contained within the OBC, which were set out in detail within the Cabinet Report of 17 May 2005, and listed below:

### **Investment Options**

Do Nothing  
Do Minimum  
Steady State Replacement  
Fast Track replacement  
Full stock replacement

### **Procurement Options**

Leasing  
PPP/PFI procurement  
Conventional procurement  
Joint venture  
Project partnering

### **Funding options**

Prudential borrowing  
Capital receipts  
Revenue  
Private Finance Initiative

The result of the options appraisal identified that that the PFI Fast Track approach is the only route that would deliver project objectives and achieve best value for money.

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

<b>IMPLICATIONS</b>
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**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.

Bidders submitted their bid prices based on a set of specific technical and financial assumptions as detailed in the BaFO instructions. As part of the evaluation of the BaFO submissions, an evaluation of the affordability position for the council has been carried out to determine any “gap” that exists at this stage.

Based on the approved 2006/07 budget for Street Lighting, there is likely to be an affordability gap of £301k above the lowest submitted bid.

	Gap (£000)	
Lowest Bid	301	Including energy at presumed 06/07 prices
07/08 budget	(238)	In indicative budget plans
<b>Revised gap</b>	<b>63</b>	

This however excludes any provision for 2 temporary posts required for the first 5 years (CIP period), equating to approximately £57k per year.

If approved, negotiations will continue with the preferred bidder over the next few weeks in order to seek an improvement on this position.

**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 staff affected by the transfer have been consulted during the process and the pension rights have been safeguarded by the Council’s insistence on the Preferred Bidder getting Admitted Body Status to the LGPS

The number of posts scheduled to transfer under TUPE is 13, comprising 12 at Stores Road, and one from the client based in Regeneration and Community. Of the 12 designated posts at Stores Road, one is currently vacant and there are no plans to fill it.

## **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**

## **Appendix 2**

- 1 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.
- 2 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.
3. 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.
4. 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.