



DERBY CITY COUNCIL

**COUNCIL CABINET**  
**16 January 2007**

Cabinet Member for Planning and  
Transportation

**ITEM XX**

**STREET LIGHTING PFI PROJECT: APPROVAL OF FINAL  
BUSINESS CASE**

**SUMMARY**

- 1.1 Confirmation of the cost of energy and contract negotiations on the implications of the Changes to the British Standard (BS) for street lighting has meant that the scheme can be realised without making a further application for credits to the Department for Transport (DfT) above the level already requested in the submission to the DfT in July 2006.
- 1.2 Subject to any issues raised at the meeting, I support the following recommendations.

**RECOMMENDATIONS**

- 2.1 That the Council rescind the decision made by Cabinet on 28 November 2006 to submit an application for further PFI credits to the Department for Transport, to cover the cost of the revisions to the British Standard and the increased cost of undertaking the project.
- 2.2 To note that a further report will be submitted to Cabinet seeking approval to enter into the Final Contract after consideration of the Final Business Case.

**REASON FOR RECOMMENDATIONS**

- 3.1 Everything possible should be done to ensure that the Council has an affordable scheme whilst doing whatever is possible to minimise the risk of delays in signing of the contract.



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

## **STREET LIGHTING PFI PROJECT: APPROVAL OF FINAL BUSINESS CASE**

### **SUPPORTING INFORMATION**

- 1.1 At the meeting of the Cabinet on 28 November 2006, a confidential report on the current progress in negotiations with the Preferred Bidder, Balfour Beatty, was presented indicating an affordability gap for the Project.
- 1.2 The strategy for dealing with the shortfall in funding was set out in the last report; this included an application for further PFI credits from the Department for Transport, DfT.
- 1.3 Since then, confirmation of the energy costs and contract negotiations on the implications of the change to the British Standard (BS) for street lighting has meant that an affordable scheme can be achieved with making the application for credits mentioned in 1.2 above.
- 1.4 Discussions have taken place with DfT and have resulted in an agreement that the original application for credits, as approved by Council Cabinet on 1 August 2006, can be reinstated.
- 1.5 DfT have also indicated that they would be prepared to deal with this application expeditiously, as it will no longer be necessary for the application to be approved by the Project Review Group (PRG) and Partnerships UK (PUK), who act on behalf of the Treasury.
- 1.6 It is anticipated that by following this approach, financial close on this Project can be achieved during the current financial year, or shortly thereafter.
- 1.7 The financial implications of these revisions are contained within a confidential report elsewhere in the agenda.

### **OTHER OPTIONS CONSIDERED**

- 2.1 The option would be not to sign the contract. Many of the expected benefits would obviously then not be realised.

<b>For more information contact:</b>	Officer: Martin Follows Tel: 715050 e-mail: martin.follows@derby.gov.uk
<b>Background papers:</b>	None
<b>List of appendices:</b>	Appendix 1 – Implications

<b>IMPLICATIONS</b>
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**Financial**

1. **The Financial implications are included within the Private section of the Confidential report which includes commercial data for the Project.**

**Legal**

2. The Council is entering into the contract under powers contained in sections 2 – 5 Local Government Act 2000, Section 111 Local Government Act 1972, the Local Authorities (Contracting Out of Highway Functions) Order 1999 (made under the Deregulation and Contracting Out Act 1994) and section 97 Highways Act 1980.
- 2.2 The Council will be required to issue certificates to the contractor and its funder under the Local Government (Contracts) Act 1997 as to the powers relied upon by the Council.
- 2.3 The procurement has been carried out in accordance with EU procurement requirements.
- 2.4 As part of the Private Finance Initiative the procurement and contract documentation is subject to extensive guidance from and the requirements of central government. The contract documentation has been based on model documentation issued by government and any derogations from the model form will require approval. Experienced external legal advisers have been retained throughout the procurement process to act for the Council on the preparation and negotiation of the formal contract.

**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 their 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. The impact of the Project should benefit those living in areas being improved both in terms of the degree of lighting and the effect on crime levels.

**Corporate priorities**

5. The Project will help to support the Quality of Life in Derby's neighbourhoods and also help to deliver excellent services, performance and value for money.