



DERBY CITY COUNCIL

COUNCIL CABINET PART 1 15 JUNE 2004

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

Private Finance Initiative (PFI) – Street Lighting

RECOMMENDATION

1. That approval be given to the Outline Business Case (OBC) for the Street Lighting PFI, and that it is submitted to the Department for Transport (DfT).

REASON FOR RECOMMENDATION

2. To enable the OBC to be submitted to DfT in accordance with the agreed programme.

SUPPORTING INFORMATION

- 3.1 Following the meeting of the Cabinet on 24 June 2003, approval was given to submit an Expression of Interest (EoI) for a Street Lighting PFI to DfT.
- 3.2 As Members will already be aware, the DfT announced on 19th December 2003 that the Council's bid for £32.47m of PFI credits has been approved in full.
- 3.3 The preparation of the OBC was approved by Cabinet on 24th February 2004, and the timetable for the submission of the OBC (25 June 2004) was approved by Cabinet on 27 April 2004.
- 3.4 The details of the OBC are still being finalised with the Council's technical and financial advisors, and this is due to be completed by 2 June 2004.
- 3.5 A copy of the completed OBC, and the Financial Implications will be forwarded to Members during week commencing 7 June 2004.
- 3.6 The key features of the OBC are:
 - Strategic context - a description of how the scheme reflects current Council policies contained in the Corporate Plan, public opinion, resident's views and consultation results
 - Existing assets, services and spending – a description of the current lighting stock and problems with the maintenance of the system, current levels of expenditure and existing budgets and levels of performance

- Business need – scope of the project, business objectives and required service outputs, including lighting standards
- Options appraisal – a financial and technical analysis of all the options available for the renewal of the assets, and the non financial benefits arising
- Preferred Option – a description of the preferred option, including risk analysis, risk transfer and risk management strategy for retained risks, and an evaluation of procurement and funding options
- Project Benefits, Value for Money and Affordability – an appraisal of the benefits arising from the project, the issues of sustainability and design quality, the calculation of the PFI credit application and an assessment of the affordability of the project
- Soft Market Testing, and Deliverability, - details of the recent industry soundings concerning the specific project, details of Cabinet approvals and details of how any affordability gap is to be managed
- Key contractual Terms – commentary on key issues of procurement
- Implementation, Project Management and Contract Monitoring – Details of project management structure, update of project programme, benefits realization plan, employment implications and TUPE, financial regulation and accounting treatment
- Appraisal summary tables
- Risk register
- Draft Output Specification and Payment Mechanism

OTHER OPTIONS CONSIDERED

4.1 None

<p>For more information contact:</p> <p>Background papers:</p> <p>List of appendices:</p>	<p>Martin Follows 01332 715050 e-mail martin.follows@derby.gov.uk</p> <p>Street Lighting PFI – Expression of Interest. Derby City Council July 2003</p> <p>Appendix 1 – Implications</p> <p>Appendix 2 – Draft OBC and Financial Implications – to be circulated in advance of the meeting</p>
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IMPLICATIONS

Financial

Scheme Costs

- 1.1 The overall profile of the financial arrangements of the scheme is set out in the Expression of Interest, and has been regarded by DfT as sufficient to warrant approval. The profile was reported to Cabinet at the meeting on 24 June 2003.
- 1.2 The potential for a funding gap between Government allocations and actual costs was identified to Cabinet at its meeting on 5 August 2003. The preparation of the OBC will allow greater clarity over the scale of any gap.
- 1.3 Further financial implications will be included in the draft OBC document which is to be circulated during week commencing 7 June 2004.

Project Development Costs

- 1.4 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 2004. Further advances from the initial estimated total cost of £500,000 will be subject to the regular reporting back to Cabinet of the progress of the project.

Legal

- 2.1 There are no direct legal implications arising from this report. However, should the proposals succeed, particularly beyond approval of the OBC, there will be a need to secure specialised legal advice in order to ensure that the Council is fully and regularly appraised of the legal implications.

Personnel

- 3.1 A PFI procurement often means the transfer of most staff to the private sector. However, it is understood this is not inevitable. Options for retaining an in house maintenance function are therefore being investigated. However it should be noted that it has not been possible to find any current street lighting PFI project where no staff have been transferred.

Equalities Impact

- 4.1 None arising from this report

Corporate Themes and Priorities

- 5.1 The maintenance and improvement of street lighting satisfies the Council's Objectives of **Providing Strong and Positive Neighbourhoods** and **Providing Integrated Cost Effective Services**.

It also satisfies the City Council's priorities for change of – **Increasing Value for Money from Council Services** and **Developing an integrated management system for the city and district centres to improve their attractiveness and viability.**