

DISTRICT OWNED STREET LIGHTING – IMPLICATIONS OF HCC'S POSSIBLE PFI BID

1. INTRODUCTION

- 1.1 The purpose of this report is to outline the implications of Hampshire County Council's (HCC) possible Private Finance Initiative (PFI) bid to improve the condition and effectiveness of all its highway lighting so New Forest District Council (NFDC) can:
- Make an "in principle" decision on whether or not it wants to include all or some of its lights in the PFI bid that HCC is considering making during the early part of 2006.
 - Consider what preparatory work is appropriate for NFDC to undertake during the next year to ensure the continued maintenance of its street lights.
 - Comment to HCC and others, if appropriate, on the wider implications of a successful PFI bid by HCC

2. BACKGROUND

- 2.1 HCC own and are responsible for "highway lighting" in the District but NFDC owns approximately 4,600 street lights (called footway lighting) in the District. Currently the District's street lights are included in Hampshire County Council's Maintenance of Street Lighting Contract and electricity procurement arrangements. For 2006/7 the anticipated cost for maintenance, electricity and planned maintenance (column replacement) is approximately £223,000.
- 2.2 These Maintenance Contracts come up for renewal at regular intervals. For example the Maintenance of Street Lighting Contract is due to be re-tendered in April 2007.
- 2.3 HCC are considering a PFI bid to Government to allow it to address the problems it has with its aging stock of highway lighting. Over 40% of its lights are estimated to be over 30 years old. Even with possible Local Transport Plan funding of £5 million between 2006 and 2011 HCC officers believe the overall condition and effectiveness of its highway lighting systems will fall below acceptable standards. A successful PFI bid will allow HCC to improve its lighting systems. This would involve replacing its existing lighting with new to accord with current National and European standards for highway lighting. If the bid was successful HCC would have a long term (say 25 years) arrangement with its PFI partner, usually a multi national organisation. HCC would pay maintenance and energy costs over this period and the PFI partner would decide how best to meet its obligations.
- 2.4 HCC have invited NFDC (and the other Hampshire Authorities who are party to the current County lighting arrangements) to be a partner in its PFI bid. The e mail attached at Appendix 1 refers. Attached as Appendix 2 is a NFDC briefing note. HCC require an "in-principle" decision during January 2006. HCC officers have said that, in the absence of a decision now, HCC will not include NFDC's street lights in its bid. Dorset County Council's & Surrey County Council's PFI bids only included County owned lights.

- 2.5 Under the current maintenance arrangements HCC's lighting contractor should report any lighting units that are in a poor condition to the client. Currently there is not a backlog of reported repairs to remedy. One conclusion from this could be that NFDC's stock of street lights is in a better condition than HCC's. However, it is likely that the age of NFDC's stock of street lights is similar to that of HCC's. HCC do include details about NFDC's street lights in its inventory but the age of the lights is generally not currently known and not included in the inventory. Lights installed at the same time may well start failing (electrically or structurally) at a similar time and more information will be needed to plan column replacement work in the future for those lights not included in a PFI bid.
- 2.6 A decision on what was considered to be Highway Lighting (for which HCC are responsible) and Footway/Public Lighting (for which NFDC are responsible) was taken following Local Government Reorganisation in 1974. Since then additional development has taken place that has changed the character of parts of the District. In some cases HCC have adopted new lighting within areas designated as Footway/Public Lighting. It is anticipated that the majority of Town and Parish Councils would not wish to take on lights currently owned by NFDC.

3. PRESENT MAINTENANCE ARRANGEMENTS

- 3.1 District owned street lights, including lighting in car parks and some lights on "housing" land, are maintained by HCC's lighting contractor. HCC has also negotiated the supply of electricity, a proportion of which is "green", at market rates. The arrangements include contract administration and supervision as well as dealing with fault reports.
- 3.2 The more costly maintenance works require "client approval" (NFDC officers currently make such operational decisions for NFDC owned lights). NFDC officers are also responsible for implementing the Council's Lighting Column Replacement and Improvement Schemes.
- 3.3 The present arrangements have worked well for several years with HCC's contractor meeting performance standards and achieving "economies of scale". It is suggested that having the same maintenance and fault reporting (by the public) arrangements for both HCC and NFDC street lights is highly desirable. Work associated with the contract letting, supervision and customer service is not duplicated by HCC and NFDC officers.
- 3.4 Street lighting is a high profile service and used to generate a high volume of customer complaints when the standard of maintenance was lower than it currently is.
- 3.5 The implications of a District based street lighting contract (would exclude HCC owned lights) include:
Cost of preparing contract documents etc (may be a need to appoint a specialist quantity surveyor but some work could be done "in house").
- 3.5.1 Costs likely to increase due to loss of "economies of scale".
- 3.5.2 Confusion regarding which authority to contact for organising repairs to faulty lights (as some owned by County and some by District).
- 3.5.3 Greater local control and flexibility.

- 3.5.4 NFDC would need to arrange contract administration and monitoring (including out of hours scouting) to maintain current maintenance standards or put appropriate “in house” or “partnering” arrangements in place.
- 3.5.5 Little scope for improved quality given existing high quality of service (see above).

4. IMPLICATIONS OF PFI BID

- 4.1 The likely general implications of a successful PFI may include:
 - Higher standard of illumination and lighting equipment maintenance
 - More (may be in the region of 10% more) & newer lighting columns (may be taller ones)
 - Increased maintenance and energy costs due to having more street lights but partly off set by more effective equipment.
 - Less Local Authority control on how lights maintained and equipment used as there would be a performance based contract and likely that any contractor will want to limit the number different styles and finish.
 - 25 year (or so) commitment between all parties although this would be subject to break clauses covering specific issues such as non-performance
 - Acceptance of standard form of contract that allocates risk between HCC which NFDC would be obliged to accept, and PFI partner
 - PFI bid will exclude lighting in car parks and other “non-highway” areas for which owners would have to make separate arrangements.
 - Although clarification is needed from HCC, it is understood that after the end of the 25 year period HCC would take over responsibility for those which are currently NFDC street lights.

- 4.2 For NFDC some of the likely implications of its lights being included in a successful PFI are:
 - 4.2.1 Allows NFDC’s lights to continue to be included in the same maintenance arrangements for adjacent areas of highway lighting. This will secure economies of scale and customers will continue to have the benefit of a fault reporting system that covers both HCC & NFDC street lights.
 - 4.2.2 Higher standard of illumination that will be provided to meet current National and European standards for highway lighting will, during the hours of darkness or semi-darkness
 - assist road safety
 - contribute to crime & disorder reduction
 - reduce the fear of crime
 - 4.2.3 Higher standard of illumination could have an adverse impact in sensitive areas including New Forest Villages. A significant proportion of NFDC’s street lights are in environmentally sensitive areas.
 - 4.2.4 It may not wish others to decide the type and height of its lights especially in environmentally sensitive areas.
 - 4.2.5 The anticipated additional maintenance and energy costs (tentatively estimated to be in the region of £120k a year which represents a 55% increase).

- 4.3 If HCC's PFI bid is successful the *status quo* is not an option as HCC's PFI bid will not include lighting in car parks and other "non-highway" locations. New maintenance arrangements will have to be put in place for these lights and all NFDC street lights not included in the PFI bid. The number of NFDC street lights not included in the PFI bid will have a significant impact on how this should be arranged.
- 4.4 The likely general implications of a successful PFI bid that NFDC was not a party to include:
- Increased costs if NFDC lights no longer included in County wide lighting contract. Will require additional NFDC employee resources to administer separate arrangements. A rough comparison indicated that works and administration costs could increase by in the region of 50% and energy costs by 10%.
 - Even if NFDC lights could be included in a County wide lighting contract costs will increase but not by as much as 50%.
 - No Government funding to contribute towards column replacement costs
 - **Different lighting standards in the same settlement** giving rise to road safety and crime and disorder concerns
 - Local Authority has flexibility to vary funding allocations for the service on a year by year basis rather a fixed 25 year commitment.
 - Local Authority control on how lights maintained and what equipment is used retained.
 - NFDC retains obligation to maintain all its street lights indefinitely.
 - Allows the inclusion of lighting in car parks and other "non-highway" areas in a NFDC lighting contract which should result in lower unit maintenance costs for "non-highway" lighting.
 - The public may have to contact two organisations to report faults etc unless reciprocal arrangements made

5. ENVIRONMENTAL IMPLICATIONS

- 5.1 A higher standard of illumination could have an adverse impact in sensitive areas including New Forest Villages. A significant proportion of NFDC's street lights are in environmentally sensitive areas. Even in the large settlements residents may object to intrusive lighting.
- 5.2 Likely to be more (may be in the region of 10% more) & taller lighting columns if successful PFI bid. Some of these could be in environmentally sensitive areas.
- 5.3 Less flexibility to choose lighting equipment that is most suitable to the locality.
- 5.4 There would be potential environmental benefits from having newer more energy efficient lights supplied as part of the PFI bid.
- 5.5 Previously HCC have negotiated for 5% of the electricity supplied to be generated from (green) renewable sources. It is not known if this will be increased under the PFI bid.

6. FINANCIAL IMPLICATIONS

- 6.1 Irrespective of the PFI bid there is a general concern. In areas where all the street lighting is all owned by HCC no costs fall on either the other local Parish/Town/District Councils. In other areas (like NFDC) where other local Parish/Town/District Councils do own some of the street lights the Council Tax payable to HCC is the same but the Council Tax payable to these other Councils reflects the street lighting costs they incur. This appears inequitable.
- 6.2 The additional maintenance and energy costs of including NFDC's street lights in a PFI arrangement is tentatively estimated to be in the region of £120k a year (which represents a 55% increase) and NFDC would be committed to the additional cost for 25 years. However after 25 years participation in the PFI bid would become increasingly financially advantageous. This is because, after 25 years, the costs of all PFI lighting would become the responsibility of HCC including those NFDC lights included in the PFI bid
- 6.3 If HCC's PFI is successful and NFDC's street lights are not included the PFI then it is likely that there will be additional maintenance and energy costs associated with the loss of economies of scale, aging stock and the scattered distribution of many lights. Also NFDC will need to arrange and supervise a local street lighting contract. An estimate is not currently available but the increase costs could be in the region of 20% (£45,000 a year).
- 6.4 There would also be additional "one off" costs associated with :
- 6.1.1 updating the inventory
 - 6.1.2 re-negotiating with HCC the status of existing lighting systems (*Highway Lighting*, for which HCC responsible or *Footway/Public Lighting*, for which NFDC responsible)
 - 6.1.3 Preparing contract documentation for a local maintenance contract. These costs of 6.4.1-6.4.3 are not known but may be in the region of 10% of the contract value (£27,000). Some, but not all, of the work could be done "in-house".
- 6.5 Lights installed at the same time may well start failing (electrically or structurally) at a similar time. If NFDC's street lights are not included in a PFI it is suggested that an assessment of the age and required replacement date should be estimated. Site assessments will be required. It is anticipated that major replacement work will be required in the medium term when the condition of groups becomes "critical" at the same time. Assuming like for like replacement of NFDC's 5,000 street lights at an estimated cost of £800 per light the cost to the Council will eventually mount up to approximately £3.7 million during the medium to long term. The future annual maintenance costs (2007/8 estimate plus 20% less the £10k identified for column replacement) will be of the order of £250k. The annual cost of replacing NFDC's street lights (£3.7 million spread over a 25 year period) will be of the order of £ 147k. Adding these figures together the future annual cost, ignoring inflation, will be in the region of £400k. This compares with an annual PFI cost of about £350k. The PFI option has (subject to confirmation) the benefit that after 25 years those NFDC street lights that are included in the PFI bid become the responsibility of HCC.
- 6.6 HCC acknowledge that the devil is in the detail and that they do not know all the details at this time. Against this background giving a firm commitment now to participate in HCC's PFI bid may not be in the Council's best interests.

7. CRIME AND DISORDER IMPLICATIONS

- 7.1 The PFI proposal will provide a higher than existing standard of illumination so as to meet current National and European standards for highway lighting. This will, during the hours of darkness or semi-darkness:
- assist road safety
 - contribute to crime & disorder reduction
 - reduce the fear of crime
- 7.2 The road safety benefits and personal security benefits will be reduced if differing levels of lighting are provided within the same settlement. This results in vehicles successively moving from brightly lit roads to poorly lit roads and this does not assist road safety. If NFDC “urban” lighting was not included in the PFI bid this situation would occur.

8. CONCLUSIONS

- 8.1 The present arrangements deliver a high quality service at a reasonable cost. However these arrangements will not continue if HCC’s PFI bid is successful.
- 8.2 Including all NFDC’s street lighting in the PFI proposal would have environmental disbenefits in environmentally sensitive areas and immediately incur substantial additional costs.
- 8.3 When considered in the longer term the PFI has the potential financial advantages especially taking into account that, at the end of the 25 year period, HCC will take over responsibility for a substantial number of lights that are currently NFDC’s responsibility. Unfortunately, the information and time needed to evaluate the options and implications are not available to make a binding decision at this time. If NFDC can commit to the “expression of interest” process and retain the ability to withdraw then it could be advantageous to participate in the PFI bid. However it appears that an irrevocable decision is required now.
- 8.4 Having both HCC’s and NFDC’s street lights maintained under the same arrangements is better especially for the public who want to reports street lighting faults.
- 8.5 The higher levels of illumination the PFI lighting would provide have community safety benefits associated with road safety and crime and disorder benefits.
- 8.6 Noting the follow pros and cons:
- Possible longer term financial benefits
 - the adverse impact of brighter lighting in environmentally sensitive areas including the National Park
 - the community safety benefits especially in the settlements outside the National Park with a significant number of street lights
- it is suggested that NFDC informs HCC of its interest in participating in the PFI bid but not if it involves making an irrevocable decision before more information is available.

- 8.7 If NFDC were to participate in the PFI bid it should be on the basis of including this Councils street lights in the larger settlements (including Totton, Marchwood, Hythe, Dibden Purlieu, Holbury, Fawley, Blackfield, Lymington, Pennington, Hordle, Milford-on-Sea, Ashley, New Milton, Barton-on-Sea, Ringwood and Fordingbridge) to be included in the PFI bid. Lighting in “countryside areas” (as defined in the County Lighting Policy/District Local Plan) would not be included nor would any isolated pockets of lighting elsewhere in the District.
- 8.8 Once it is know that Government Treasury officials have accepted HCC’s Expression of Interest NFDC Officers identify the options for procuring the maintenance of, and electricity for, its street lights etc (including all those in the National Park, car park lighting and other “non-highway” lighting) that will not be included any PFI and report their conclusions to the Portfolio Holder.
- 8.9 NFDC officers should instigate discussions with HCC officers with the aim of identifying any NFDC owned lights that should be re-designated as be Highway Lighting (for which HCC would then become responsible for).

9. PORTFOLIO HOLDER’S COMMENTS

- 9.1 The Portfolio Holder is generally satisfied with the report but needs fuller details of HCC’s PFI bid before making further comments.

10. RECOMMENDATIONS

- 10.1 It is recommended that:

- (i) NFDC informs HCC of its interest in participating in the PFI bid but not if it involves making an irrevocable decision before more information is available.
- (ii) Subject to (i) above being acceptable to HCC then NFDC proceeds on the basis that it seeks to include its street lights in the larger settlements (including Totton, Marchwood, Hythe, Dibden Purlieu, Holbury, Fawley, Blackfield, Lymington, Pennington, Hordle, Milford-on-Sea, Ashley, New Milton, Barton-on-Sea, Ringwood and Fordingbridge) in the PFI bid.
- (iii) NFDC Officers identify the options for procuring the maintenance of, and electricity for, its street lights etc (including all those in the National Park, car park lighting and other “non-highway” lighting) that will not be included any PFI and report their conclusions to the Portfolio Holder.
- (iv) NFDC officers should instigate discussions with HCC officers with the aim of identifying any NFDC owned lights that should be re-designated as be Highway Lighting (for which HCC would then become responsible for).
- (v) NFDC informs HCC that is concerned about the implications of additional and/or taller street lights on sensitive areas such as the National Park and Conservation areas and urges HCC to ensure that any PFI partner is not given a free hand to decide the extent and type of replacement lighting installed and that appropriate consultation are undertaken.

- (vi) NFDC informs HCC that it is concerned about the road safety implications if the PFI proposal results in inconsistent standards of lighting within the same settlement.

For further information please contact:

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Street Lighting Maintenance ~ PFI (first draft)
16th December 2005

Background Papers

Published papers
Street Lighting Information (NFDC IT
System)

APPENDIX 1

EXTRACTS FROM E MAILS

From: Stephens, Tony [mailto:tony.stephens@hants.gov.uk]
Sent: 09 December 2005 16:02
To: office@yateley-tc.gov.uk; Nick Hunt; ian_eyres@easthants.gov.uk
Cc: Trevor Wallis (E-mail); Millen, Brian; Collett, Cllr A P; West, Cllr J K;
Quant, Alison; Mills, Alan
Subject: RE: Meeting on Possible Joint Street Lighting PFI
Importance: High

Gentlemen,

Since our meeting on Monday we have produced some very crude calculations as to the possible cost of participating in a PFI for the full 25 yrs and not including any set up or procurement costs. This rate is indicative only and must not be taken as an offer of any sort.

The cost has been estimated at £75 per column per year plus inflation for the sinking fund contribution. So as an example - Anytown at 500 columns would have to pay approx £37,500 plus inflation each year throughout the 25 yr term of the contract. (- total £936k over 25 yrs plus inflation.) The end result is however, a completely replaced street lighting network to current design standards and no further ownership issues after 25 yrs.

There are other options which have been discussed previously at various stages that might be considered but each of these would involve the County Council in additional cost either immediately or latterly depending when adoption was considered to have been completed.

1. Adoption now - HCC costs approx £1m + inflation extra each year
2. Adoption at say 10yrs into any PFI contract - HCC costs approx £1m + inflation extra each year after say 10 yrs or
3. Adoption at the end of the PFI contract (as described above)

(The HCC costs are based on all Parish and District lighting on the Highway being adopted at some stage)

Kind Regards

Tony Stephens
Corporate Manager - Street Lighting
Hampshire County Council
01962 846938
'e' mail - tony.stephens@hants.gov.uk

> -----Original Message-----

> From: Stephens, Tony
> Sent: 29 November 2005 12:22
> To: 'office@yateley-tc.gov.uk'; 'Mike Adams (E-mail)';
> 'nick.hunt@nfdc.gov.uk'; 'ian_eyres@easthants.gov.uk'
> Cc: 'Trevor Wallis (E-mail)'; Millen, Brian; Collett, Cllr A P
> Subject: RE: Meeting on Possible Joint Street Lighting PFI

>

> Gentlemen,

> I have been in contact with all of the main parties to this proposal and I have now booked a room here at Winchester for 1:30pm on the 5th December.

> I will send out a more formal notice of a meeting and the only item on the agenda will be the possible implications to Parish and District Councils of the County Council bidding and being successful in attracting PFI credits for the future investment in the street lighting and illuminated sign stock.

> If you are unable to attend then if your authority is interested in these proposals please arrange to send a substitute.

>

> Kind Regards

>

> Tony Stephens

> Corporate Manager - Street Lighting

> Hampshire County Council

> 01962 846938

> 'e' mail - tony.stephens@hants.gov.uk

>

> -----Original Message-----

> From: Stephens, Tony

> Sent: 24 November 2005 08:34

> To: 'office@yateley-tc.gov.uk'; Mike Adams (E-mail);

'nick.hunt@nfdc.gov.uk'; 'ian_eyres@easthants.gov.uk'

> Cc: Trevor Wallis (E-mail); Millen, Brian; Collett, Cllr A P

> Subject: Meeting on Possible Joint Street Lighting PFI

> Importance: High

>

> At Yateley - would you please direct this email to Laurence Smith - thank you.

>

> Gentlemen,

> Following on from my brief telephone conversations with you individually yesterday I would like to formally invite you to a meeting here at Winchester to discuss the possible implications of a possible PFI that the County Council currently considering submitting an expression of interest for by the 24th February 2006. in fact the date for a possible draft report to Cabinet is the middle of December.

>

> As you can see the final timetable date is very tight hence the need to organise a meeting fairly quickly but Consultant's advice is that a possible 'partnership' of local lighting authorities might be of interest to DfT when considering a possible PFI bid from the County Council and therefore a greater chance of being accepted.

>

> I have the following dates that both myself and Trevor Wallis, the County Council's treasury advisor from Portsmouth can make and I would ask you to confirm your availability.>

> I would suggest that you will also need to bring along a representative from your Authority's treasury/finance dept as the issues will be about age of stock (not condition), ability to finance replacement for the future and affordability.

>

> Possible meeting dates are as follows:- 30/11- am, 1/12 - pm, 5/12 - am or pm, and 7/12 - pm.

>

> I would ask you to try to make the 30/11 even if you have to move a meeting or two but in that regard I am in your hands.

> If you have any other queries at this time then please contact me on the number below or on 07802 842960.

>

>

> Kind Regards

>

> Tony Stephens

> Corporate Manager - Street Lighting

> Hampshire County Council

> 01962 846938

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FROM TONY STEPHENS TO THE HAMPSHIRE ASSOCIATION OF TOWN & PARISH COUNCILS
(23/12/05)For the attention of Jackie Panakis

Jackie - a note which you might wish to send out to your members ref the above mentioned issue.

Following on from Steven Lugg's note to the Parish Council's (hopefully just those with street lighting responsibilities) I think that some further explanation is required to allow you to give this matter more consideration.

The County Council have, for many years, struggled to find the necessary funding to carry out the timely replacement of its street lighting stock. The County Council should have been spending approximately £3.0m over the last 10 to 15 yrs to have kept pace with the reinvestment required and whilst the number of columns requiring actual replacement is still low at approx 1% of the stock the age of the stock is increasing year on year and eventually the funding required to keep up with the actual replacement will be well beyond the County Council's funding ability.

The Government are well aware of the under funding issue in street lighting nationally and whilst recognising the need for further investment are only prepared to provide the funding via the Private Finance Initiative or pfi route. This system of funding allows for a core investment of approx £70m to £80m over a 5yr period to replace the majority of the County Council's over 15 yr old columns and for the contractor to operate and maintain that stock for a further 20 yrs. the County Council in effect hand the stock over to the contractor for the 25 yr period - he has sole responsibility for this stock during the period of the contract and for this service he is paid a specific sum of money plus inflation for the whole period of the contract less any performance penalties that he might incur.

The street lighting stock will have been replaced and brought up to current lighting standards during the initial 5 yr period.

Unfortunately the devil is in the detail and this covers some of the areas which I don't have full knowledge about at this time.

Most County Council's that have undertaken this funding approach to date have not included Parish or District Council's lighting in with the pfi due in the main to the legal and financial difficulties associated with the provision of the pfi contract. The lead in times provided by DfT are very short in that the initial Expression of Interest (EoI) has to be with the Government by the 24th February and for any joining authorities such as Parish/District Council's etc if they wish to be involved I believe that we have to have a legal agreement in place to include such Authorities as is covered by the EoI due to the pfi credits the government will potentially award. This will then lead onto the provision of an Outline Business Case (OBC) which will be a more detailed document and which will be scrutinised by the Government Treasury officials. This work must be completed within 4 months from acceptance of the EoI and then 22 months on from there the contract must be signed for a start approx 6 months later.

The approximate cost for an Authority to participate is approx £75 per column per year which includes replacement, if over 15 yrs old, maintenance and energy. It doesn't include inflation or increases in the cost of energy above 7.0p per unit. There may also be a need for a proportion of the legal costs to pay as the County Council expect to have to pay approx £500k in fees to specific consultants both technical and financial as well as legal to achieve the necessary contract signature. What these costs might be I have no idea but it will be proportionate so as the County Council has approx 135,000 items of furniture then the proportional cost may well be small.

Should your council not wish to be included in the pfi then it will be necessary for a new maintenance contract to be provided for those Council's as well as having to tender/negotiate for the cost of energy. This would probably be required by the 31st March 2009 but it is possible that arrangements could be put in place for the pfi contractor to pick up the maintenance work as an aside to the main pfi arrangement . Initially the County Council may be to arrange a call off for such works as Parishes etc require but clearly this arrangement may not prove to be beneficial in the longer term.

There is also the question of what happens to Parish Council street lighting in the Countryside where we have say with 5 or 6 lights along a road where the standard of lighting that should be provided is to the code of practice but where neither the County Council or the Parish require this level of lighting. This type of lighting arrangement can be catered for within the pfi and the columns etc will be replaced on a one for one basis and be maintained by the contractor for the remainder of the 25 yrs but at the end of that time the lighting will revert back to the Parish for maintenance and energy.

However, where a Parish Council brings it's lighting up to an adoptable standard there will still be the option for this lighting to be passed over to the Contractor and subsequently the County Council for future maintenance and energy liability even during the course of the contract. It would not however start off as being included within the pfi contract.

The decision as to whether to opt in or out is required in the very near future through a possible legal agreement with the County Council prior to the County Council submitting its EoI.

The County Council's time table for procuring the pfi credits is as follows:- 1. County Council approval to proceed to Expression of Interest is at the Cabinet meeting on the 23 Jan.

2. Hard copy of HCC's expression of interest to be with Dept for Transport by 24th February 2006

On the basis of this document the DfT will decide if it is prepared to set aside a level of pfi credits pending the submission of an Out Line Business Case (OBC) within the following 4 months. This is where the level of pfi credits will be decided but it is unlikely that the level of credit will increase over and above that set aside at the EoI stage. Hence why you will need to be very clear about the financial commitment your members will be making by opting in at this early stage.

3. After the acceptance of the OBC the County Council will have to have signed up a contractor to start the work by Oct 2008 - probably with a start date for the works of April 2009.

In the interim the County Council will continue its present form of contract either by extending the present contract will SEC or arranging a further 2 yr contract with another contractor through the open tender arrangement.

If your members have any other queries then please funnel them through yourselves but the funding required is substantial and each Council needs to be aware of this fact.

For those members who do not enter into the pfi there will be a call off arrangement for maintenance only, but this would be directly negotiated by Parish, Town and District Council's with the Contractor after the pfi has been signed. In addition it should also be pointed out that the pfi works will only apply to lighting mounted over an adopted highway.

Street Lighting PFI Briefing Note:

The Public Finance Initiative is primarily designed to address long term capital investment needs and to ensure that the Government obtains long term certainty about costs and service provision. Typically this means that contracts cover the capital investment need and maintenance liabilities for 25 – 30 years.

In the past Government would have provided support for Capital Investment through credit approvals or, more recently through revenue support grant allocations covering some of the cost of borrowing (e.g. contribution towards interest and repayment). This is however frequently insufficient for LAs to cover significant investment needs, nor does it provide the Government with any assurance that the allocations are used for Government priorities (as LAs have freedom to allocate these), that the long term costs are sufficiently considered and covered, and that the investment provides value for money.

With PFI the Government practically invites LAs to set out the project rationale and the project costs in bidding for limited (albeit substantial grant funding). In practice this means that LAs compete for limited funding and the Government can therefore select those schemes put forward by LAs, which it deems are the best in terms of achieving Government objectives and in providing value for money.

As the funding is ring fenced to the specific project it also means that it cannot be diverted for other purposes.

PFI credits are principally an allocation of Government funding for part of the PFI costs, i.e. the capital costs of the proposed scheme. Non capital costs would still have to be funded by the local authorities, and as the contract to be agreed upon would involve a substantial element of these (e.g. ongoing maintenance etc.) authorities involved would have to commit budget allocations for a considerable period in the future (As an example if you were operating a library you could each year decide as part of the budget process how much you were going to spend on this service; once the service is provided by a PFI contractor you would no longer have this freedom as a substantial part of your costs would be committed for the length of the contract).

PFI processes are in general lengthy and detailed (which is not surprising, given that detailed implications need to be assessed covering a long contractual arrangement), and one element be the potential financial contribution of various partners involved. A Street Lighting procurement pack is available from the 4ps at a cost of £100. This gives details about the specific rules applying to Street Lighting PFIs **and the calculation of credits**. I would assume that HCC already have a copy of this and that it may not be essential for us at the moment. Given the potential complexity and development costs of PFI it is probably more important for now, if HCC did provide us with a project outline and details about the role they expect other authorities to play (in terms of general input, partnership and as potential contributors).