

## INCLUSION OF NFDC-OWNED STREET LIGHTS IN HCC'S PFI LIGHTING

### EXECUTIVE SUMMARY

*Currently NFDC gets excellent value for money by using HCC's County Lighting Contract to maintain NFDC's street lights and procuring energy through HCC.*

*If HCC go ahead with their PFI then there will be no County Lighting Contract after 2009.*

*In 2006 NFDC decided that it should proceed on the basis that it would join the PFI but that a final decision would be made when more detailed information was provided by HCC.*

*We are at that stage and HCC now require a binding decision. There is just one caveat – if maintenance costs vary from those quoted HCC say that it will be acceptable for NFDC to withdraw.*

*HCC have recently agreed that nearly 1,300 NFDC owned street lights can be transferred to them when the PFI starts. This offsets the cost to NFDC of joining the PFI and having its ageing street lights replaced.*

*The key benefits of NFDC joining the PFI include:*

- Lower maintenance costs through economies of scale.*
- PFI costs include for the replacement of ageing columns.*
- Even if some lights not included in the PFI proper many can be maintained using rates included in the PFI tender (so called "Call Off" rates).*
- Targeted improvement of lighting systems to assist road safety and crime reduction whilst having regard to energy conservation/climate change issues – number of lights increases from 465 to nearly 1,300 with represents an investment of approximately £0.8 million in additional lights.*
- Same unified maintenance and fault reporting arrangements for both NFDC and HCC owned street lights.*
- Opportunity to install new lights that use less electricity*
- At the end of the 25 year PFI period the 1,300 or so NFDC owned lighting systems that have been improved to highway standard will be eligible for transfer to HCC – thus the total that may transfer to HCC will be approximately 2,600.*

*The arrangement provides for:*

- NFDC's lights in sensitive areas to be replaced on a one for one basis (additional lights not installed here).*
- NFDC excluding its lights in conservation areas (Members previously expressed concern about loss of control over the future of these lights).*

*Taking into account the need to replace ageing columns it is financially advantageous to enter into an agreement with HCC to join the PFI but the costs will rise by between £38,000 and £54,000 per year for the 25 year period of the PFI. The equivalent annual increase if NFDC does not join the PFI is about £200,000.*

## 1. INTRODUCTION

- 1.1 The purpose of this report is to consider whether or not New Forest District Council (NFDC) should agree to include some of its street lights in Hampshire County Council's (HCC) private finance initiative (PFI).
- 1.2 NFDC's Cabinet considered a report on this matter on 1 February 2006 ( [175.1.100.25/committeedocs/cab/CDR01370.pdf](http://www.newforest.gov.uk/committeedocs/cab/CDR01370.pdf) ) and made the following decision:
- (i) That the Council 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) That 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) That 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 in any PFI and report their conclusions to the Portfolio Holder;
  - (iv) That 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) That the Council 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 consultations are undertaken; and
  - (vi) That the Council 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.

- 1.3 Since the Cabinet decision taken in February 2006 a number of further decisions have been taken:

Cabinet December 2007 – Re-designation of some of NFDC's street lights as HCC owned highway lighting (link to decision <http://www.newforest.gov.uk/committeedocs/cphd/CDD03478.pdf> )

Planning & Transportation Portfolio Holder Decision February 2008 – Infill Lighting (to allow additional NFDC lights to be re-designated as HCC owned highway lighting (link to decision <http://www.newforest.gov.uk/committeedocs/p-phd/CDD03501.pdf> ).

- # 1.4 HCC have informed NFDC of the progress it is making with its PFI (letter dated 19 February 2008 attached as Appendix 1 refers). This letter also sets out the basis for NFDC including its lights in the PFI but there have been a number of revisions to the costs quoted and clarification of some issues. These are referred to in the body of this report. It should be noted that HCC required a binding decision on NFDC's participation in the PFI during November 2008. This will involve NFDC entering into a formal agreement with HCC (draft agreement not currently available). HCC accept that should the actual PFI costs significantly increase above those referred to in this report NFDC could withdraw from the PFI but otherwise it should not do so.

## 2. BACKGROUND

- 2.1 NFDC has no duty to provide additional street lights but may, with the approval of HCC as local highway authority, do so if it wishes. NFDC does have a duty to maintain the street lights it owns.
- 2.2 Details of the present maintenance arrangements and the implications of the PFI bid were set out in the report considered by Cabinet in February 2006. Since the Cabinet's decision taken in February 2006 additional information has been obtained and a number of meetings involving NFDC Members as well as HCC and NFDC officers have taken place.
- 2.3 Members of the Economy & Planning Review Panel considered the matter at its meeting held on 20 September 2006 (link to the minute <http://www.newforest.gov.uk/committeedocs/eprp/CDM02052.pdf> ). Councillors F R Harrison, N Scott and Mrs Wyeth were appointed. The Group's purpose was to *investigate whether the Council should be included in Hampshire County Council's PFI bid, and to make recommendations to the Economy and Planning Review Panel in due course*. A meeting of the Group was arranged and although only Cllr Wyeth attended there was a useful exchange of information and the conclusions reached have guided NFDC officers. The Panel considered a report on the future of NFDC's street lights in November 2007 (link to Minute <http://www.newforest.gov.uk/committeedocs/ptrp/CDM03315.pdf> ).
- # 2.4 HCC have notified NFDC (letter dated 6 May 2008 attached as Appendix 2 refers) that it is willing to agree to the re-designation of some of NFDC's street lights as HCC owned highway lighting. It is anticipated that the lights will be re-designated at the same time as the PFI starts (current start date is during October 2009). Opportunities for additional re-designation have been identified and these will, subject to HCC agreement, be progressed in line with the principles set out in the December 2007 Cabinet report and February 2008 Planning & Transportation Portfolio Holder Decision referred to above. Regarding the provision of infill lighting linked to the re-designation of some of NFDC's street lights as HCC lighting, HCC's current position is that NFDC should pay HCC to undertake the infilling rather than arrange for the additional lights to be installed prior to October 2009. It is suggested that parts of 2007/8 and 2008/9 allocations for column replacement and improvement be carried forward into 2009/10 to cover the cost of this infill lighting.

- 2.5 It has also been noted that there are some roads with a mix of both HCC and NFDC owned street lighting. Officers will seek to resolve such inconsistencies by having the owner of the majority of the lighting take on the ownership of the other lighting in that road. It is anticipated that the transfers between HCC and NFDC will be roughly equal and that the number of lights in the various categories will remain broadly the same as set out in this report.
- # 2.6 Appendix 4 lists the roads lit by NFDC owned street lights that are either:
- In a conservation area
  - In roads where the lighting will be improved through the PFI

### 3. RECENT CHANGES TO PFI INCLUDING HCC'S CRITERIA FOR REPLACEMENT LIGHTING

- 3.1 HCC quite rightly recognise that the benefits of improved street lighting needs to be balanced against other factors such as increased carbon emissions, energy consumption, installation and energy costs. Energy and carbon reduction are important considerations especially when considering the provision of additional lighting units.
- 3.2 In line with PFIs in other areas HCC originally planned to upgrade all their lighting outside the "countryside" areas (HCC's Lighting Policy refers <http://www3.hants.gov.uk/roads/highway-information/street-lighting/lighting-policy.htm> ). HCC now propose a criteria to decide if their lighting outside the "countryside" areas should be improved:
- **Recorded crime** - HCC owned lighting in roads (also applies to NFDC lighting in "non-sensitive" areas included in the PFI) that are wholly or partly in an area where recorded crime is an issue will normally be identified for improvement under the PFI. Reference is made to data on CADDIE SITE [hantsiowcaddie.gov.uk/caddie-2/portal/media-type/html/user/anon/page/default.psml/js\\_panename/MapLite/action/MapActionLite/eventssubmit\\_doextent/null/minx/403095.40/miny/92054/maxx/449322.20/maxy/123351.20/district/newforestdistrict;jsessionid=CB8B6A3DE31026CA82FBF46BD12F3EC0](http://hantsiowcaddie.gov.uk/caddie-2/portal/media-type/html/user/anon/page/default.psml/js_panename/MapLite/action/MapActionLite/eventssubmit_doextent/null/minx/403095.40/miny/92054/maxx/449322.20/maxy/123351.20/district/newforestdistrict;jsessionid=CB8B6A3DE31026CA82FBF46BD12F3EC0) )
  - **Road safety** - The general pattern of recorded injury accidents is along busier roads and in town centres. Therefore HCC propose that their lighting in town centres, along A, B and C class roads and other busy roads such as distributor roads will be improved. Lighting in other roads, e.g. minor estate roads, will not normally be improved.
- # 3.3 HCC have confirmed that it acceptable for NFDC owned street lights in "sensitive" areas (please see Appendix 3 for Parishes classed as sensitive areas) to be included in the PFI on the basis that existing lights will be replaced by new lights on a "one for one" basis. The principle that lighting should only be improved in the larger settlements was referred to in the Cabinet decision taken in February 2006.
- 3.4 NFDC's owned street lighting systems in roads that are both included in the PFI and improved to current highway standards is eligible to be taken on by HCC as highway lighting at the end of the PFI (2034).

- 3.5 HCC will not commit itself to take on NFDC owned street lighting in roads that are not improved to current highway lighting standards. It should be assumed that at the end of the PFI these will be still be NFDC's responsibility. However it is anticipated that HCC will agree for this lighting to be included in its post PFI County Lighting Contract if NFDC wishes.
- 3.6 The maintenance costs for lights included in the PFI will be the PFI contract rates adjusted in future years in line with an inflation clause. Once the contact rates are known these costs will only vary in line with the contact inflation clause. The current estimated PFI costs are set out in the following table and referred to in the Financial Assumptions as set out in Appendix 5 and in the financial implications below.

#

PFI Maintenance	£32-36/unit/year	Will be adjusted in future years in line with an inflation clause (£34/unit/yr has been used in tables)
Replacement	Nil	No charge if replaced through PFI
Administration	£2/unit/year	Final sum to be agreed with HCC
TOTAL	£34-£38/unit/year	Excludes energy, see below

- 3.7 Energy (electricity) costs will vary in line with market prices as energy is outside the scope of the PFI. The current estimate for energy at the start of the PFI is £27/unit/year. As and when lights included in the PFI are replaced the energy costs will reduce.

#### 4. NFDC OWNED STREET LIGHTS IN CONSERVATION AREAS

- 4.1 Since the Cabinet meeting held on the 6 November 2007 officers, in consultation with the Portfolio holder, have come to the view that NFDC owned street lighting in conservation areas should be retained by NFDC. This was on the basis that there was generally merit in retaining the existing lighting equipment and the best way of ensuring this was for NFDC to retain the ownership of lights in conservation areas. A small number of these are "listed" under planning related legislation as historic structures.
- 4.2 It does need to be noted that many of these lights are in town centres and that existing lighting levels will be lower than current highway standards. When lighting in adjacent roads is improved NFDC may come under pressure to improve lighting levels especially if there are concerns about road safety or crime reduction issues. In some cases modest improvement to existing lighting levels may be achieved at a low cost by changing the type of bulb within the existing lantern unit.
- 4.3 As future maintenance costs are likely to be more than the present costs under any of the available options it is suggested that any identified maintenance work or bulb changes are, provided they can be accommodated within existing budgets, undertaken before the commencement of the PFI.

## 5. OPTIONS FOR MAINTAINING NFDC LIGHTING OUTSIDE THE PFI

- 5.1 The maintenance of lighting in public car parks and some lights on NFDC's Housing land is currently arranged through HCC's current County Lighting Contract.
- 5.2 If HCC's PFI bid is successful there will not be another County Lighting Contract until after the PFI ends so alternative arrangements will need to be made. This also applies to the street lights that NFDC does not want included in the PFI such as NFDC owned streets lights in conservation areas as referred to above.

Number of Lighting Units in NFDC's Public Car Parks	203
Number of Lighting Units on NFDC's Housing land	26
NFDC owned Street Lighting in conservation areas	177

There are two options for maintaining lights not included in the PFI (see Appendix 5 for more detail):

- PFI "Call Off" rates
- Non-PFI Contract

- 5.3 The PFI tender documents include rates for the maintenance of street lights not included in the PFI. HCC have indicated that NFDC owned street lights which form part of a lighting system on public roads could be maintained using the call off rates by their PFI contractor. These rates are likely to be competitive provided the contractor is interested in this work. There are benefits to the contractor, local authorities and the community such as having all lighting on public roads being subject to the same fault reporting and maintenance arrangements. However until PFI tenders are received it will not be possible to assess if call off rates offer value for money.
- 5.4 The other option is for NFDC to seek competitive tenders locally. This is considered advisable because:
- the success of the PFI, whilst looking positive, is not assured at this time
  - the call off rates may be higher than anticipated (it is anticipated they will be higher than other PFI rates)
  - NFDC's car park lights are likely to fall within the scope of PFI call off rates.
- 5.5 Some initial work is underway with HCC assisting by providing some draft contract documents. Once Cabinet have made a decision on this report further work of the preparation of tender documents will be undertaken.
- 5.6 The indicative costs (2009 prices) for maintenance and replacement are set out in the following table and referred to in the Financial Assumptions as set out in Appendix 5 and in the financial implications below:

#

INDICATIVE COSTS (2009) FOR LIGHTS OUTSIDE SCOPE OF PFI				
	Maintenance	Replacement	Energy (Electricity)	Administration
PFI Call Off Rates	£35-£40/unit/yr (£37 used in tables)	£1,000/unit (£1,500/unit if in conservation area)	£27/unit/yr	£2/unit/yr

INDICATIVE COSTS (2009) FOR LIGHTS OUTSIDE SCOPE OF PFI				
Non PFI Contract Rates	£39/unit/yr	£1,250/unit (£1,500/unit if in conservation area)	£35/unit/yr	£10/unit/yr
CURRENT COSTS (2008/9)				
County Lighting Contract (will <b>cease</b> in Oct 2009 if PFI proceeds)	£26/unit/yr	£1,000/unit (£1,500/unit if in conservation area)	£18/unit/yr	NFDC £1/unit/yr plus HCC's costs (included in maintenance & energy costs)

- 5.7 Energy (electricity) costs will continue to vary in line with market prices whether or not lights included in PFI.
- 5.8 Consideration has been given to working in partnership with nearby authorities to arrange the maintenance etc. of street lights and other lights currently included in the County Lighting Contract. However these authorities already have their own PFI or are already committed to PFI arrangements.
- 5.9 NFDC's Housing Service are considering if they can make alternative arrangements for their lights perhaps linked to other housing maintenance contracts. The Parking Manager wants car park lights to be maintained to current maintenance standards.
- 5.10 Based on the above it is anticipated that using PFI call off rates is preferable to NFDC to seek competitive tenders locally but that a final decision cannot be made at this time. In line with the Cabinet decision made in February 2006 it is suggested that the maintenance arrangements are agreed in consultation with the Portfolio Holder for Planning & Transportation.
- 5.11 It should be noted that should HCC decide to change its decision (there is currently no indication it will do so) regarding some NFDC lights to be re-designated as HCC owned highway lighting then the financial implications of the three options for maintaining lights referred to in this report will need to be reassessed.

## 6. ENVIRONMENTAL IMPLICATIONS

- 6.1 The environmental implications have been set out in previous reports. The potential negative impacts of the PFI have been reduced as a result of a number of key decisions:
- NFDC wanting its lighting in "sensitive areas" being replaced on a one for one basis rather than additional lights installed
  - HCC deciding to only improve lighting to current highway standards where there are crime reduction issues and or road safety issues
  - NFDC wanting its lighting in conservation areas excluded from the PFI (means the existing units are retained – having these lights maintained using PFI call off rates would not prejudice this).

- 6.2 On a County wide basis it should be noted that most of the street lights in Hampshire are already owned by HCC and many are in sensitive areas and some in conservation areas. HCC's Street Lighting Policy [hants.gov.uk/roads/highways-policy/lighting.htm](http://hants.gov.uk/roads/highways-policy/lighting.htm) demonstrates that it takes its responsibilities seriously when it comes to the environmental issues.
- 6.3 HCC has asked NFDC to consider the implications of it replacing/improving HCC owned lighting in conservations areas. This issue is outside the scope of this report.
- 6.4 In order to reduce electricity consumption HCC are actively considering "dimming" lights for a period after midnight when there are fewer road users. It is suggested that this initiative merits support. HCC did consider the possible option of turning some lights off but it is understood that option has been abandoned. It is suggested that NFDC inform HCC that it would not support lights being turned off.
- 6.5 There is the opportunity to install new lights that use less electricity. Some fluorescent lighting is likely to be installed in some roads to reduce both energy costs and carbon emissions. A disadvantage of fluorescent lighting is the larger size of the unit. This means lanterns need to be larger and it is more difficult to direct the lighting to the areas it is needed. This could be to the detriment of nearby residents and night sky pollution. HCC appreciate these issues and believe they have taken a balanced considered decision which is about right. Further developments of light emitting diodes are necessary for general street lighting use but this is an emerging option.

## 7. FINANCIAL IMPLICATIONS

- 7.1 There are clear financial benefits if NFDC owned street lights are re-designated as HCC owned highway lighting as set out in the report considered by Cabinet in December 2007. The Council's accountants have checked the financial implications outlined in the table in section 7.10 in line with the model assumptions referred to in Appendix 5.

#

As with the current County Street Lighting Contract, the large number of lighting units included in the PFI means that any PFI contract will deliver economies of scale resulting in lower costs and effective IT based systems to administer the contract and deal with fault reports.

- 7.2 The works budgets for 2008/9 are set out below:

DESCRIPTION	ALLOCATION	ANTICIPATED OUTTURN
Public Lighting Maintenance	117,260	117,260
Energy (electricity)	75,740	87,100
Planned Maintenance & Improvements (substantially less than sum needed in future years to properly cover replacement costs, table in 7.10 refers)	35,790	35,790
<b>TOTAL</b>	<b>228,790</b>	<b>240,150</b>



7.3 Energy costs have risen in line with fuel costs generally. The costs HCC secured recently are 7.9p per unit which is only a 15% increase on the previous costs (6.9p per unit). A more typical figure is 9p per unit. To take account of future increases future energy costs (HCC's letter dated 19 February 2008 refers) have risen from £20/light/yr to £27/light/yr. It was stressed that if NFDC wants HCC to procure energy on its behalf then NFDC will need to accept the prevailing market price. There is a clear expectation that energy prices will rise but joining or not joining the PFI will not change this risk.

7.4 The 15% increase referred to above will result in NFDC's energy costs increasing from £75,740 to £87,100 for 2008/9. It is anticipated that this increased price will apply until March 2010 but increase further after this date.

7.5 For street lights included in the PFI (either in an area which is to be improved to current highways standards or on the basis of "one for one" replacement) there are medium/long term benefits in having the costs include the replacement of the lights.

7.6 The savings resulting from:

- economies of scale
- the medium/long term benefits in having the PFI maintenance costs include the replacement of lights

will be off set by additional costs in respect of those roads lit by NFDC lights that will be improved to current highway standards by the installation of additional lights (list of roads in second part of Appendix 4). This is because the cost NFDC will be required to pay for lights in these roads will be based on the number of lights in the improved lighting system (existing lights plus additional lights). It is currently estimated that in these roads there are currently 465 lights which will rise to 1288 if the NFDC owned lighting in these roads is improved through the PFI.

# 7.8 The financial assumptions set out in Appendix 5 have been used to produce a financial model to assess the financial implications of three main options for maintaining NFDC's street lights. The model takes account of:

- NFDC Lighting in conservation areas not being included in the PFI but maintained using either PFI call off rates or Non PFI contract rates
- NFDC Lighting in sensitive areas being included on the basis of "one for one" replacement without any additional lights.

7.9 The financial model compares the costs of three options for maintaining NFDC's street lights:

- PFI contract rates except for NFDC Lighting in conservations areas
- PFI call off rates used
- Non PFI contract arranged by NFDC

# 7.10 The outputs from the financial model are referred to in Appendix 5 and summarised in the following table which shows that:

- participating in the PFI is financially advantageous in the medium/long term
- the cheapest short term option is to maintain street lights using PFI call off rates but within the next 4-10 years it is anticipated that this will become more expensive than joining the PFI as aging columns will have to be replaced.
- NFDC arranging its own maintenance contract is the least financially attractive option
- When the true cost of replacement lighting is taken into account all options more than the current budget.

**COST COMPARISONS: PFI, CALL OFF RATES & SEPARATE NFDC CONTRACT**

	NUMBER OF LIGHTS ##	OPTIONS		
		1	2	3
		PFI # – NFDC’S LIGHTS INCLUDED (except conservation areas & transferred)	PFI # – NFDC’S LIGHTS NOT INCLUDED BUT PFI CALL OFF RATES USED	NON PFI – NFDC ARRANGES OWN CONTRACT
<b>PFI PERIOD (2009 Prices)</b>				
Average Annual Lighting Maintenance and Energy during PFI (2009-2034)	4131 for Option 1 ###  3308 for Options 2 & 3	£260,124	£218,328	£277,872
Average Annual Replacement Costs (2009-2034)	Approximately 6 conservation area lights per yr for Option 1 - 116 per yr for Options 2 & 3	£9,452  Plus £5,000 for minor improvements	£120,915  @ £1,000 /light Plus £5,000 for minor improvements	£148,781  @ £1,250/light Plus £5,000 for minor improvements
<b>Total Average Annual Costs (2009-2034) 2009 Prices</b>		<b>£274,576</b>	<b>£344,243</b>	<b>£431,653</b>
<b>2008/9 Budget</b>	Maintenance, Energy & Replacement	<b>£ 228,790</b> (Anticipated outturn will be £240,150 due to £11,360 increased energy costs)		
<b>POST PFI PERIOD (2009 Prices)</b>				
Annual Lighting Maintenance and Energy during PFI (post 2034)	2843 for Option 1 ###  3308 for Options 2 & 3	£178,980	£218,328	£277,872

<b>POST PFI PERIOD (2009 Prices)</b>				
Annual Replacement Costs (post 2034)	1 conservation area light per yr for Option 1 - 16 per yr for Options 2 & 3	£1,328 Plus £5,000 for minor improvements	£16,983 Plus £5,000 for minor improvements	£20,896 Plus £5,000 for minor improvements
<b>Total Average Annual Costs (post 2034)</b>		<b>£185,308</b>	<b>£240,311</b>	<b>£303,768</b>

- # Assumes HCC will allow NFDC to take advantage of County wide contract when PFI period ends and for Options 1 & 2 that NFDC's conservation area lighting maintained using call off rates during PFI period.
- ## All options allow for 1288 NFDC owned street lights be re-designated as highway lighting in 2009 and thereafter maintained as HCC's expense.
- ### Under PFI option an estimated 823 lights installed so larger number of lights under Option 1 (3308 plus 823) during PFI. At end of PFI improved lighting systems (465 existing lights and 823 additional lights) in the roads listed in the second part of Appendix 4 (roads with additional lighting) eligible to be re-designated as highway lighting so number of NFDC lights drops by 1288 to 2843.

- 7.11 The provision of infill lighting is linked to the re-designation of some of NFDC's street lights as HCC lighting. HCC's current position is that NFDC should pay HCC to undertake the infilling rather than arrange for the additional lights to be installed prior to October 2009. Some funding has been transferred from 2007/8 to 2008/9 for this purpose. It is suggested that this plus some 2008/9 funding is transferred into 2009/10 which is now when the payment is expected to be made.
- 7.12 If Option 1 is selected then the works budget for NFDC's street lighting budget will need to be increased as set out below with effect from October 2009. To be consistent with decision taken by Cabinet in December 2007 £5,000 has been included for minor lighting improvements. As the PFI is due to start in October the increased costs will not apply for the whole year but with effect from 1 April 2008 until the start of the PFI energy costs equivalent to £11,360 will need to be met.
- 7.13 As set out in Appendix 5 the figures in the tables have all been based on PFI costs for maintenance and energy (excluding energy) of £34/light/year PFI but we have been advised by HCC that these costs are likely to be between £32 and £36/unit/yr index linked. Referring to the table below the Annual Cost For Option 1:  
Public Lighting Maintenance & Energy is £260,124 if £34/light/year is used giving a total of **£274,576**.  
If £32/light/year is used the figures are £252,216 and **£266,668** respectively.  
If £36/light/year is used the figures are £268,032 and **£282,484** respectively.  
used). The estimated increased costs for 2010/11 will be:  
£45,786 if £34/light/year is used  
£37,878 if £32/light/year is used  
£53,694 if £36/light/year is used

### BUDGET IMPLICATIONS OF JOINING PFI

DESCRIPTION	2008/9 WORKS ALLOCATIONS	ANNUAL COST FOR OPTION 1 (Oct 2009 onwards)	ESTIMATED INCREASED COSTS (excluding inflation)
Public Lighting Maintenance & Energy	193,000 (117,260+75,740)	£260,124 (includes most replacement costs other than for conservation area lighting)	£11,360 for 2008/9  £67,124 for 2010/11
Planned Maintenance & Improvement	35,790 (substantially less than sum needed in future years to properly cover replacement costs, table in 7.10 refers)	£14,452 (includes £9,4520 for replacing conservation area lighting and £5,000 for minor improvements)	No saving in 2008/9 as will be used to fund infill lighting.  Saving £21,338 for 2010/11
<b>TOTALS</b>	<b>£228,790</b>	<b>£274,576</b>	<b>£11,360 for 2008/9</b>  <b>£45,786 for 2010/11</b>

## 8. CRIME AND DISORDER IMPLICATIONS

- 8.1 The Improved levels of lighting in areas where there are higher levels of recorded crime that the PFI provides for would have beneficial crime reduction implications.
- 8.2 Within built up areas having improved levels of lighting along classified roads and other busy roads that the PFI provides for will have both road and community safety benefits. The re-designation of District owned street lights as highway lighting will contribute toward this objective.
- 8.3 Omitting NFDC owned conservation area lighting in town centres from the PFI means that there will be no crime reduction benefits and no road and community safety benefits.

## **9. CONSULTATIONS**

- 9.1 Local Members were previously consulted about the re-designation of lighting in sensitive areas within their ward. The responses indicated there was support for the approach being taken.

## **10. MAIN CONCLUSIONS**

- 10.1 In the short term, Option 1, 2 and 3 will all be more expensive than the current maintenance arrangements (please refer to the above table). This is due to a number of factors including:
- Current budgets do not provide for the replacement of aging street lights to any significant extent
  - Current budgets do not provide for the systematic improvement of lights to address road safety and crime reduction issues.
- 10.2 If HCC's PFI is approved and implemented it is not possible to continue with the current maintenance arrangements.
- 10.3 Energy (electricity) costs will continue to vary in line with market prices whether or not NFDC's lights are included in PFI.
- 10.4 The economies of scale resulting from including NFDC owned street lights in a HCC county wide lighting maintenance contract and county wide energy procurement contract results in lower costs compared with having a local contract.
- 10.5 Joint lighting maintenance and energy procurement contracts involving other nearby lighting authorities is not practical as these authorities either have or are preparing their own PFIs.
- 10.6 Environmental concerns about the PFI have addressed by:
- NFDC retaining its lighting in conservation areas
  - NFDC only including its lighting in "sensitive" areas on the understanding that it will be replaced on a "one for one" basis
  - HCC only improving lighting to address road safety, community safety and crime reduction issues (rather than improve virtually all lighting in the larger settlements).
  - The intended use of more energy efficient lights including fluorescent units where appropriate.
- 10.7 HCC are a lighting authority and highway authority so they have the powers to improve lighting in any adopted road. However HCC officers have given assurances that they will respect NFDC's wishes regarding lighting in conservation and "sensitive" areas unless there are overriding road safety issues.

# 10.8 The outputs from the financial model are summarised in the table above and  
# referred to in Appendix 5. None of the identified options provide for lighting  
# improvements other than improvements to the roads referred to in Appendix 4.

- **In the short term the cheapest option is to maintain street lights (without replacement of aging lighting units) using PFI call off rates**  
This could be funded for less than the current costs but within the next 4-10 years it is anticipated that this will become more expensive than joining the PFI as aging columns will have to be replaced.
- **In the short term the cheapest short term option, allowing for proper column replacement, is to join the PFI.**
- **In the medium/long term participating in the PFI is the most financially advantageous, option**, especially so after the PFI ends (2035)
- **NFDC arranging its own maintenance contract is the least financially attractive option**
- **All options cost more than the current budget but the current budget does not properly allow for the replacement of aging lighting.**
- **Budgets will need to be increased by in the region of £37,878 to £53,694 for 2010/11 (see 7.13 above).**

10.9 In case either PFI call off rates are significantly higher than anticipated and/or the successful PFI contract does not want to maintain lights not included in the PFI then NFDC should be prepared to seek competitive tenders for lighting maintenance works (with HCC's assistance work on tender documents has started).

10.10 The "dimming" of street lights for a period after midnight is supported in order to reduce electricity consumption. However the energy conservation benefits of turning lights off are more than outweighed by crime and personal security considerations so is not supported by NFDC.

## 11. EQUALITY AND DIVERSITY IMPLICATIONS

11.1 There are none arising directly from this report.

## 12. PORTFOLIO HOLDER'S COMMENTS

12.1 The Portfolio Holder agrees with the conclusions and recommendations set out in this report.

## 13. RECOMMENDATIONS

13.1 It is recommended that:

- (i) NFDC owned street lighting, other than its lighting in conservation areas, is included in the PFI at an estimated additional annual cost in the region of £37,878 to £53,694 for 2010/11 on the understanding that its lighting in

sensitive areas will be replaced on a one for one basis and that none of NFDC's street lights will be turned off during the hours of darkness to save electricity without the consent of NFDC.

- (ii) NFDC enter into an agreement with HCC in accordance with (i) above that incorporates the terms etc. set out in HCC's letter dated 19 February 2008 except that the energy costs will be based on market energy rates.
- (iii) Existing NFDC owned lighting in conservations areas should be retained by NFDC and neither improved nor replaced as part of the PFI.
- (iv) Should PFI tender rates for maintenance be significantly more than £30 per unit per year (2009 prices) and result in the cost of including of NFDC owned street lighting in the PFI (excluding its lighting in conservation areas) becoming more expensive than the other options considered then NFDC officers, in consultation with the Portfolio Holder, shall arrange the procurement of lighting maintenance and replacement of its street lights when the County Lighting Contract ends through competitive tendering.
- (v) Subject to the agreement of HCC, NFDC owned lighting not included in the PFI shall be maintained by the PFI contractor using PFI call-off rates and were this is not acceptable to HCC then competitive tenders shall be sought.
- (vi) Officers agree the re-designation of street lights where appropriate to address anomalies such as a mixture of NFDC and HCC owned street lights in the same section of road.
- (vii) NFDC informs HCC that it supports the use of more energy efficient lights including fluorescent units where appropriate and, in due course when their use becomes more viable, units that utalise light emitting diodes.
- (viii) Provision be made in the lighting budgets for:
  - increased energy costs of £11,360 in 2008/9
  - increased energy cost and PFI costs in the region of £13,950 and £21,858 for 2009/10
  - PFI costs in the region of £37,878 to £53,694 for 2010/11 and future years, adjusted in line with inflation.
- (ix) Cabinet authorises up to £50,000 of the 2007/8 and 2008/9 allocations for column replacement and improvement be carried forward into 2009/10 to cover the cost of the infill lighting referred to in 1.3 above.

**For Further Information Please Contact:**

Nick Hunt  
Principal Engineering (Transportation)  
Tel: 023 8028 5916  
E-mail: [nick.hunt@nfdc.gov.uk](mailto:nick.hunt@nfdc.gov.uk)

**Background Papers:**

Published papers  
E-mails in N Hunt's IT Microsoft Office  
System



**Hampshire  
County Council**

Environment Department  
 Castle Avenue, The Castle  
 Winchester, Hampshire SO23 8UD  
 Tele: 0845 603 5638 (General Enquiries)  
 0845 603 5633 (Roads and Transport)  
 0845 603 5634 (Recycling Waste & Planning)  
 Textphone 0845 603 5625  
 Fax 01962 847055  
 www.hants.gov.uk

Head of Highways  
 New Forest District Council  
 Appletree Court  
 LYNDHURST  
 Hampshire  
 SO43 7PA

Enquiries to	Trevor Wallis	My reference	
Direct Line	02392 446510	Your reference	
Date	19 February 2008	E-mail	trevor.wallis@hants.gov.uk

**For the attention of Mr Nick Hunt**

Dear Sir

**Street Lighting PFI**

I refer to the above matter and to our ongoing discussions and correspondence in relation thereto.

As your Council is aware, the County Council submitted its Outline Business Case in relation to the Street Lighting PFI Project to the Department for Transport (DfT) in March last year. The DfT has recently confirmed its approval for us to go ahead with the Project. There are currently four bidders involved and during the course of this year that number will be reduced to three, with the selection of the Preferred Bidder taking place at the beginning of 2009. Negotiations will be carried out during the course of this year and therefore the County Council will have a better idea as to the specific terms on which the parties will be contracting towards the end of the year. The contract is programmed to be in place by the middle of next year for service commencement in late 2009.

I assume that your Council remains interested in pursuing the possibility of having its systems of street lighting being replaced and maintained by the PFI contractor. If so, your Council will be asked to confirm its participation by Autumn of this year. Once the Preferred Bidder has been selected, your Council will be required to enter into a contract with the County Council which contract will, to a certain degree, mirror the terms contained in the PFI Project Agreement. For instance, your Council will be required to agree to the following terms:



Certificate No FS 21845

- 1 The contract period will be 25 years during which period you shall not have the option to terminate. Throughout the contract period your lighting will be subject to any new requirements affecting the contract generally, eg revised lighting standards.



INVESTOR IN PEOPLE

Director of Environment  
**Alison Quant BSc MSc MRTPI**

N182829L



info@hants.gov.uk recycling@hants.gov.uk  
 waste@hants.gov.uk roads@hants.gov.uk transport@hants.gov.uk



- 2 In consideration for the replacement and maintenance of your Council's lighting columns, they will be required to make a payment to the County Council on a yearly basis totalling approximately £50 per column. The exact price will be dependent on labour, materials and energy costs at the date of service commencement as well as the type of apparatus but are intended as a broad indication of cost. The amount will be broken down as follows:
  - 2.1 Approximately £30 in respect of replacement and maintenance which will be subject to yearly price indexing.
  - 2.2 Approximately £20 in respect of energy which will be subject to prevailing price fluctuations.

Your Council should also be aware that in PFI contracts the payments are equalised over the 25 year period and there may appear to be a small mismatch between column replacement and your payments during the five year investment programme at the start of the contract.

For the same of clarity, please note that all lighting systems which are currently maintained by you will remain in your Council's ownership but the responsibility to maintain and insure the apparatus will be transferred to the Service Provider. Should those systems be brought up to adoption standards during the course of the Project, then further discussions can be held at the end of the Project in relation to a possible transfer of those systems to the County Council.

Please be aware that the terms set out above constitute only a few of the provisions you will be required to agree. It is my intention to provide your Council with a draft contract towards the end of the year but they will need to be aware that this will be a standard document and it will not be possible to provide individual changes to suit a specific Council. In the meantime I will, of course, keep you updated as the progress of negotiations.

Yours faithfully



pp Trevor Wallis  
PFI Project Director



Hampshire  
County Council

N.F.D.C.  
RECEIVED  
- 8 MAY 2008  
RESOURCES

Mr N. Hunt  
Principal Engineer (Transportation)  
New Forest District Council  
Town Hall  
Avenue Road  
Lymington  
Hants SO41 9ZG

Environment Department  
The Castle, Winchester  
Hampshire SO23 8UD  
Telephone 0845 603 5633 (Roads and Transport)  
Fax 01962 847055  
Fax (abnormal loads) 01962 854045  
www.hants.gov.uk/environment

Enquiries to Julian Higgins  
Direct Line 01962 847034  
Date 06 May 2008

My reference JAH/18 Newfo/1391313  
Your reference  
E-mail Julian.higgins@hants.gov.uk

Dear Mr Hunt

**Redesignation of NFDC Street Lighting**

I refer to our recent correspondence regarding the letter from the County Council's PFI Team which outlined the criteria whereby lighting, currently in your Council's ownership, could be transferred to the County Council for maintenance at its expense and your subsequent transfer proposals

These proposals have been considered by the Environment Department's Highways and Transportation Management Team and have been agreed in principal. It has recommended that the transfer be timed to coincide with the commencement of the Street Lighting PFI project currently expected to begin in October, 2009. Should the PFI project not move forward for any reason then a revised transfer date can be agreed.

Following separate discussions with my lighting contractor it would not be possible to incorporate any proposed infill lighting works during this financial year. However, as this transfer will now take place at the start of the PFI Core Investment Period any required infilling can be carried out during this 5 year period.

In the meantime, those units identified as structurally defective, are in the process of being replaced.

Yours sincerely

Julian Higgins  
Corporate Manager – Street Lighting



Director of Environment  
Alison Quant BSc MSc MRTPI

**List of Parishes that are classed as sensitive areas**  
(as agreed in previous Cabinet report)

ASHURST & COLBURY
BEAULIEU
BROCKENHURST
BREAMORE
BOLDRE
BRANSGORE
BURLEY
BRAMSHAW
COPYTHORNE
DAMERHAM
DENNY LODGE
EAST BOLDRE
ELLINGHAM, HARBRIDGE & IBSLEY
EXBURY & LEPE
GODSHILL
HALE
HYDE
LYNDHURST
MINSTEAD
MARTIN
NETLEY MARSH
ROCKBOURNE
SANDLEHEATH
SOPLEY
SWAY
WHITSBURY
WOODGREEN

**NFDC STREET LIGHTS IN CONSERVATION AREAS TO BE RETAINED  
ROADS LIT BY NFDC LIGHTS WITH ADDITIONAL LIGHTING**

**NFDC STREET LIGHTS IN CONSERVATION AREAS (RETAINED BY NFDC)**

**FORDINGBRIDGE:**

FOOTPATH FROM THE BARTONS TO ROUND HILL; WEST STREET

**HYTHE & DIBDEN**

HIGH STREET; NEW ROAD; PROSPECT PLACE; ST JOHNS STREET; SCHOOL ROAD;  
THE MARSH; WEST STREET

**LYMINGTON & PENNINGTON**

EMSWORTH ROAD, NEW STREET, EARLEY COURT, THE QUAY. QUAY STREET, QUAY  
HILL, QUAY ROAD, CAPTAINS ROW, NELSON PLACE, ASHLEY LANE, GROVE PASTURES  
(SPINE), CHURCH LANE

**LYNDHURST**

GOSPORT LANE

**RINGWOOD**

COLLEGE ROAD, STRIDES LANE, BICKERLEY ROAD, LYNES LANE, KINGSBURY LANE,  
THE CLOSE, STRIDES LANE FOOTPATH

**SUGGESTED FOR INCLUSION IN PFI – ADDITIONAL LIGHTING TO BE  
INSTALLED (Eligible for re-designation as HCC owned highway lighting at end of  
PFI, excludes lighting to be transferred to HCC in 2009)**

**FAWLEY**

LONG COPSE, SLADE HILL, FAWLEY ROAD, DARK LANE

**FORDINGBRIDGE**

STATION ROAD, ST GEORGES ROAD

**HYTHE & DIBDEN**

SOUTH STREET, SOUTHAMPTON ROAD, FROST LANE, RANMORE COURT (PARKING),  
BRINTON LANE, LANGDOWN ROAD, HOBART DRIVE, WINDRUSH WAY (NUMBERS 4-16  
EVEN), ELGIN CLOSE (SPINE), KNIGHTWOOD ROAD, LINWOOD CLOSE, WARRYS  
CLOSE, EYEWORTH WALK

**LYMINGTON & PENNINGTON**

CORBIN ROAD, PENNINGTON OVAL (LOOP) WIDBURY ROAD (SPINE), GORDON ROAD,  
WHITAKER CRESCENT, SOUTHBOURNE ROAD, GREENWAY CLOSE, HIGHFIELD  
AVENUE, FAIRLEA ROAD, CANNON STREET, QUEEN KATHERINE ROAD, SOLENT  
CLOSE, FOOTPATH (PRIESTLANDS LANE), EFFORD WAY FOOTPATH

**MARCHWOOD**

MAIN ROAD, NORMANDY WAY, LONG LANE

**MILFORD**

LYMINGTON ROAD

**NEW MILTON**

AVENUE ROAD, WHITEFIELD ROAD (SPUR), CROSSMEAD AVENUE, PARK ROAD, STANNINGTON CLOSE

**RINGWOOD**

CHRISTCHURCH ROAD, GORLEY ROAD (PART), SOUTHAMPTON ROAD (PART), WEST STREET, GYPSY LANE, WESSEX ESTATE, EASTFIELD LANE, MERRYWEATHER ESTATE, MANOR ROAD, MANOR ROAD (NUMBERS 58-82 EVEN), KEPPEL CLOSE, HILTOM ROAD (PART), POPLAR WAY (SPINE), POPLAR CRESCENT, POPLAR WAY

**TOTTON & ELING**

COOKS LANE (SPINE), ELING LANE, ROSE ROAD, PLAYERS CRESCENT (SPINE), PLAYERS CRESCENT (SPUR), TENNYSON ROAD, BRACKLEY WAY (SPINE), NORTHLANDS ROAD, MONTGOMERY AVENUE, TEDDER WAY, MOUNTBATTEN ROAD, PORTAL ROAD, ALEXANDER CLOSE, ABBOTSFIELD, LIBRARY ROAD, TREESIDE AVENUE, STATION ROAD SOUTH, SPICERS HILL, JACOBS GUTTER LANE (PART), SCHOOL ROAD, DOWNS PARK CRESCENT, LEXBY ROAD (SOUTH SECTION), CALMORE SCHOOL FOOTPATH, PORTAL ROAD / RINGWOOD ROAD FOOTPATH

**APPENDIX 5**

**INCLUSION OF NFDC-OWNED STREET LIGHTS IN HCC'S PFI –  
SUMMARY OF FINANCIAL ASSESSMENT OF OPTIONS (50 YEAR  
PERIOD)**

	NO. OF EXISTING NFDC STREET LIGHTS	APPROXIMATE NO OF ADDITIONAL LIGHTS	TOTAL	OPTIONS		
				1	2	3
				PFI # – NFDC'S LIGHTS INCLUDED (except conservation areas & transferred)	PFI # – NFDC'S LIGHTS <b>NOT</b> INCLUDED BUT PFI CALL OFF RATES USED	NON PFI – NFDC ARRANGES OWN CONTRACT
LIGHTS TO BE RETAINED BY NFDC	177	NONE	177	Call off rates 177	Call off rates 177	Non-PFI Rates 177
LIGHTS TO BE TRANSFERRED TO HCC	1290	TO BE DETERMINED BY HCC		Nil Cost	Nil Cost	Nil Cost
NFDC LIGHTING SYSTEMS TO BE IMPROVED THROUGH PFI	465	823	1288	PFI Rates 1288 lights	Call off rates 465 lights	Non-PFI Rates 465
NFDC LIGHTING SYSTEMS INCLUDED IN PFI BUT NO ADDITIONAL LIGHTS	2666 (1765 in non-sensitive areas and 901 in sensitive areas)	NONE	2666	PFI Rates 2666	Call off rates 2666	Non-PFI Rates 2666
NUMBER LIGHTS RETAINED BY NFDC AFTER 25 YRS				2,843 (2666+177)	3308 (4598-1290)	3308 (4598-1290)
TOTAL COST OVER 50 YEAR PERIOD (at 2009 Prices)	4598	COST		£11.2m	£14.4m	£18.1m

# assumes HCC will allow NFDC to take advantage of County wide contract when PFI period ends.

## Housing and Car Park Lighting

	NO. OF NFDC LIGHTS		OPTIONS	
			A	B
			<b>CALL OFF RATES</b> (*may not be possible to use these rates)	<b>NON PFI – NFDC ARRANGES OWN CONTRACT</b>
<b>HOUSING LIGHTS</b>	26	Average Annual Lighting Maintenance and Energy during PFI (2009-2034)	£1,716	£2,184
		Average Annual Replacement Costs (2009-2034)	£1,040	£1,300
		<b>Total Average Annual Costs (2009-2034) 2009 Prices</b>	<b>£2,756</b>	<b>£3,484</b>
<b>CAR PAR LIGHTING</b>	203	Average Annual Lighting Maintenance and Energy during PFI (2009-2034)	£13,398	£17,052
		Average Annual Replacement Costs (2009-2034)	£8,120	£10,150
		<b>Total Average Annual Costs (2009-2034) 2009 Prices</b>	<b>£21,518</b>	<b>£27,202</b>

### Expenditure Profile for Lighting Replacement of lights not included in PFI

Year	1-3	4-13	14 - 50	Replacement Cost
%age of lights replace per year	1% (3% in 5 yrs)	8% (80% in 10 yrs)	0.5% (17% in 35 yrs)	£1000 per unit if linked to PFI. £1,250 for Non-PFI. £1,500 for conservation areas (All 2009 prices)
	88% during PFI		12% after PFI	

Replacement costs based on need to replace the bulk of the lights during the next 13 years but this replacement work does not have to start immediately. It is assumed that replacement columns will last at least 50 years. Assumed approx 17% of lighting stock is in good condition and can be gradually replaced after year 13. There replacement programme for lights not included in the PFI may vary by a few years but it is considered sufficiently accurate to enable realistic pricing of options. Replacement costs shown in the tables within the report are based on the average annual replacement costs based on the assumptions stated above.

### 2008/9 Costs (need to be adjusted for inflation)

PFI –	Maintenance £32-£36/unit/yr index linked (in tables £34 used) Energy £27/unit/yr linked to market energy costs Admin 2.5-5% of above say £2 per unit per yr
Plus Replacement –	see above table and table in report in Financial Implications section.
Call Off Rates -	Maintenance £35-£40/unit/yr index linked (in tables £37 used) Energy £27/unit/yr linked to market energy costs Admin 2-5-5% of above say £2/unit/yr Plus Replacement – see above table above and table in report in Financial Implications section.
Non-PFI Contract -	Maintenance £39/unit/yr index linked (see note 1 below) Energy £35/unit/yr linked to market energy costs (see note 2 below) Technical/Admin/Customer Care etc 15% of above £10/unit/yr Plus Replacement – see above table above and table in report in Financial Implications section.

#### Note 1:

Current estimated rates for 2008/9:

- Maintenance £26/unit/yr
- Energy £18/unit/yr will increase by 50% at the start of the PFI to £27/unit/yr then change in line with market energy costs which are expected to increase faster than corporate inflation allowance (see also note 2 below)
- It is likely that maintenance costs under a separate contract just covering NFDC's lights will be significantly above PFI costs (relatively small number of units spread over a wide area) – 50% more than current cost assumed so £39/unit/yr is the assumption for Non-PFI maintenance costs. PFI call off rates are likely to be about 10% above PFI rates for lights included in the PFI

#### Note 2:

Typical “bulk” energy costs are 9p/unit compared with 7.9p/unit for 2008/9 (14% higher) and likely to rise by a further 50%. On this basis the cost will increase from £18/street light/yr to £27/street light/yr during the first part of the PFI. However, as NFDC will be purchasing small amounts, an uplift of 30% to £35/street light/year for non-PFI contacts is more realistic.

#### Note 3:

The numbers of additional lights in first table and all the costs are estimates but the purpose of this note is to consider the considered sufficiently accurate enable a realistic financial comparison of the options.

#### Note 4:

50 Year model assumed as PFI benefits after 25 yrs.