

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

1. INTRODUCTION

- 1.1 The purpose of this report is to update Cabinet on progress on including NFDC's street lights in HCC's Public Finance Initiative (PFI)
- 1.2 NFDC's Cabinet considered a report on this matter on 5 November 2008 and resolved:
 - (a) That NFDC owned street lighting, other than its lighting in conservation areas, be 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;
 - (b) That NFDC enter into an agreement with HCC in accordance with (a) 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;
 - (c) That existing NFDC owned lighting in conservations areas be retained by NFDC and neither improved nor replaced as part of the PFI;
 - (d) That, 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 Planning and Transportation Portfolio Holder, be authorised to arrange the procurement of lighting maintenance and replacement of its street lights through a competitive tendering process when the current HCC Lighting Contract ends;
 - (e) That, subject to the agreement of HCC, NFDC owned lighting not included in the PFI be maintained by the PFI contractor using PFI call-off rates and, where this is not acceptable to HCC, then competitive tenders be sought;
 - (f) That officers be authorised to 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;
 - (g) That NFDC inform 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 utilise light emitting diodes;

- (h) That provision be made in the lighting budgets for:
- increased energy costs of £8,168 in 2008/9
 - increased energy costs 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; and
- (i) That 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 as detailed in Report I to the Cabinet.

2. PFI REVISIONS

2.1 Since the Cabinet decision a number of changes have been made to HCC's PFI which allow improvements to the arrangements for including NFDC's lights in the Contract. These are:

i) *Resolutions (a), (b) and (h) refer -*

The estimated cost of including NFDC owned street lighting in the PFI is less than anticipated. The current estimate for the PFI in 2010/2011 can be contained within existing budgets (previously reported that the extra cost would be in the region of £37,878 to £53,694). The anticipated cost reduction is due to:

- lower energy costs up to 31 March 2011 (£18.50/light/year) and later the installation of more efficient lighting systems through the PFI
- more lights than anticipated being re-designated as "highway lighting" from the start of the PFI contract (about 1400)
- when lighting systems improved along busy roads and in higher crime areas (should be within 4 or 5 years of PFI contract starting, current start date approx March/April 2010 but not yet fixed) HCC say they will take them on as highway lighting as they should meet the appropriate highway standards.

The above more than offsets the slightly higher PFI charges than previously reported:

- maintenance – now £31.66/light/year plus 8% administration charge
- administration charge for energy (electricity) of 3%.

In four or five years time when lights in the District are expected to be replaced (or in the case of historic lights refurbished as referred to below) NFDC may decide to make a one off budget provision to allow for enhancements to the appearance of lights over and above the "like for like" replacement provided for as part of the PFI. As that time approaches, the Council will have a better idea of the costs involved and an expenditure plan bid will be prepared at the appropriate time.

ii) *Resolution (e) refers -*

MAINTENANCE AND ENERGY FOR LIGHTS NOT INCLUDED IN THE PFI -

The original intention was to maintain some lights through so called “call off” rates. However that is no longer a viable option so it is proposed to include all NFDC’s lights in the PFI. Since the report was prepared officers have been told that the use of “call off” rates outside the PFI inventory will be subject to the “change protocol” in the contract and the PFI contractor could decline to do the work or repairs etc. if it is considered disruptive to his contractual work or timescale. This would not deliver an acceptable standard of service. HCC say that their energy procurement arrangements are based on their PFI lighting schedule. The only alternative to the PFI is for NFDC to make its own arrangements for maintenance and energy procurement which continues to be the most expensive option.

iii) *Resolution (c) refers -*

LIGHTING IN CONSERVATION AREAS –

Detailed work has been undertaken to assess existing NFDC lighting in conservation areas (CAs). NFDC has 56 “genuine” historic lighting columns mostly in CAs but some outside. The lanterns on top of these columns are all modern additions. The bulk of the remaining “standard” lights in CAs are ageing lighting units commonly found throughout the district. There are some “decorative” lights which are modern lights with external embellishments to make them appear more attractive than a standard light. These decorative lights can easily be replaced on a “like for like” basis through the PFI. It has therefore been agreed that NFDC will retain the ownership of its historic lights and not allow the lighting columns, which are the only original part of these lights, to be replaced whilst they are still serviceable.

HCC have given assurances that NFDC will be consulted by the contractor when lights are planned to be replaced/refurbished. If NFDC is unhappy about what is proposed to its historic lights then it can explore alternative design options to preserve the historic lights which may have a cost implication, or it can get the lights in question removed from the PFI. This will ensure that NFDC has full control over what happens to its historic lights.

iv) *Resolution (b) refers -*

HCC have prepared a standard agreement that they asked NFDC and the other participating authorities to sign before 30 October 2009.

This agreement contains references to the 25 year PFI contract that has not yet been signed and it cannot be made available by HCC to NFDC until signed. The provisions in the agreement are generally acceptable with a few minor points needing attention. As the agreement contains references to the PFI Contract HCC have been informed that NFDC is willing in principle to sign the agreement (with agreed amendments) once our legal department has had sight of the Contract. This has been accepted by HCC officers. The agreement can be viewed at -

<http://www.hampshire-alc.gov.uk/Article/Detail.aspx?ArticleUid=42a24e09-0d59-434b-b6d6-2b5135525948>

3. ENVIRONMENTAL IMPLICATIONS

- 3.1 The environmental implications were set out in the previous report on 5 November 2008. There are no changes resulting from this report.

4. FINANCIAL IMPLICATIONS

- 4.1 Detailed financial implications were set out in the 5 November report. The changes referred to in this report will allow the costs of including NFDC's lights in the PFI to be contained within existing budgets (previously reported that the additional cost would be in the region of £37,878 to £53,694).

5. CRIME AND DISORDER IMPLICATIONS

- 5.1 The crime and disorder implication were set out in the previous report on 5 November. There are no changes resulting from this report.

6. EQUALITY AND DIVERSITY IMPLICATIONS

- 6.1 There are none arising directly from this report.

7. PORTFOLIO HOLDER'S COMMENTS

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

8. CONCLUSIONS

- 8.1 The reduced costs resulting from a combination of lower energy charges, more 'highway' standard lights being transferred to HCC prior to the PFI and agreed transfer of upgraded lighting during the initial replacement phase of the contract will allow the estimated additional costs for 2010/11 to be contained within existing budgets.
- 8.2 The inclusion of all NFDC's lights in the PFI rather than have some (conservation areas, including 'historic' lights) under a separate contract or possible 'call off' rates, will provide better, more cost effective maintenance.
- 8.3 The revised arrangements in respect to the Council's 'historic' lights will allow for their sensitive replacement/refurbishment (lantern replacements only unless the columns are unserviceable) under the initial replacement phase of the contract, with this Council having the ability to remove the units from the PFI (termed 'de-accrue').
- 8.4 The arrangements for signing HCC's Agreement provide for this Council's legal department to view the signed Contract before completing the Agreement.

9. RECOMMENDATIONS

- 9.1 That the Cabinet approve the alterations to the PFI contract, as set out in section 2 of this report, insofar as they differ from the report and resolutions agreed on 5 November 2008;
- 9.2 That the Chief Executive be authorised, in consultation with the Planning and Transportation Portfolio holder, to agree any further minor amendments arising from the finalisation of the PFI contract; and
- 9.3 That the Chief Executive be authorised to sign the completed agreement.

For Further Information Please Contact:

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Background Papers:

Published papers
Report 5 Nov 2008
Files on Transportation Section
shared IT Drive