

MEMBERS INFORMATION UPDATE

STREET LIGHTING PFI PROJECT

DATE: 26 January 2009

Introduction:

The Council has been working towards a PFI financed agreement for the long term replacement and maintenance of its street lighting stock since an initial credit allocation of £65M was agreed with Government in 2005.

The key objectives of the street lighting PFI Project are:

- The provision of a safe, sustainable and high quality street lighting infrastructure.
- The maintenance of high service standards throughout the 25 years of the PFI Contract, backed up by payment deductions when service levels have not been reached.
- The achievement of better value for money/compliance with Best Value for street lighting. This includes provision of energy and consolidation of monitoring.
- The provision of lighting levels to European Union (EU) Standards or appropriate local standards throughout Surrey.
- Improving the contribution street lighting makes to achieving the 2020 Vision for Surrey and the aims and objectives of the Community Strategy.

The project encountered affordability issues (mainly due to increases in connection and energy costs) when it received the initial costed bids in December 2005. It was re-tendered in 2006. As a result, the Council has been in discussions with the Department of Transport (DfT) in order to secure additional PFI credits to enable the project to become affordable within current budgetary provisions.

We are pleased to confirm that after a lengthy process, the DfT has increased the Councils' PFI credits to £73.9M, which should enable the project to be affordable within current budgets, subject to final bids.

What will the new contract cover?

In summary the PFI project will deliver:

- The provision of lighting levels to European Union (EU) Standards on major traffic routes and on about 5% of residential roads that have been identified as crime spots across the County. This will result in the re-design of lighting in these areas to meet the standards.
- Replace approximately 80% of the current street lighting stock, which would be carried out over a 5 year replacement programme at the start of the contract. In residential areas this will generally be a 1 for 1 replacement in the same location.
- The replacement lamp would be from a short list of standard uniform lighting columns and a light source, comprising of the latest lamp technology on the market. The design of the new lighting will also help to reduce intrusive light in to adjacent properties.
- The entire street lighting stock would then be maintained by the successful provider for the balance of the 25-year contract period. The maintenance standards match the

national code of conduct for street lighting, which are an improvement on the current standards.

Service Levels:

The PFI Contract will incorporate a payment mechanism designed to ensure that the desired outcomes and objectives for the lighting service are delivered over the full term of the Contract. Payments to the contractor are linked to a range of performance standards, reflecting the allocation of risk and responsibility between the Council and the contractor.

These performance standards cover the following areas:

- An investment programme of five years to bring all lighting equipment up to the latest standards and for the relevant standards of service to be maintained over the period of the Contract.
- A maintenance regime to ensure that the lighting units are kept in-light to a performance target of 98% and that the lighting units are delivering the appropriate light output.
- Emergency and non-emergency fault identification, response and rectification arrangements, with appropriate performance targets agreed for each type of fault.
- Arrangements for developing and maintaining a customer care system, with performance targets agreed for various types of responsiveness and action.

Sustainability & Energy Usage:

One of the major costs associated with the provision of Street Lighting is energy and the Council is anticipating a significant increase in costs once the current energy contract expires in late 2009. Officers are currently evaluating how energy saving measures can be incorporated into the technical specification of the PFI. The following areas are all being considered:

- Ability to dim street lights
- Ability to turn off street lights after certain agreed times
- Use of the latest energy efficient lamps
- Introduction of new technology into the contract over its 25 year term.

Next Steps:

The next stage of the procurement process is to receive Best and Final Offers (BAFO) from the remaining 2 bidders and these are expected in early 2009. Once these are evaluated a preferred bidder will be appointed and final negotiations will be undertaken. We anticipate awarding the contract in June 2009 with the service commencing 3 months after.

The 2 bidders remaining are Skanska Laing who are made up of Skanska Infrastructure and John Laing, and Balfour Beatty Infrastructure Services.

Draft Timetable:

Procurement Stage	Target Date
<i>Updated Outline Business Case (OBC) to DfT</i>	<i>12th August 2008</i>
<i>DfT Internal Decision Committee approve Updated OBC</i>	<i>16th October 2008</i>
<i>DfT letter confirming Central Government Support received</i>	<i>13th November 2008</i>
Issue of BaFO documentation	19 th December 2008
BaFO submissions returns	09 th February 2009
Draft Final Business Case to DfT	March 2009
Evaluation of BaFO submissions completed	06 th April 2009
Project Board to agree Preferred Bidder	07 th April 2009
Appoint Preferred Bidder	07 th April 2009
Final Negotiations with Preferred Bidder	08 th April – May 2009 *
Executive to approve contract award	19 th May 2009
Contract award	June 2009
Mobilisation	July – September 2009
Contract commencement	1 st October 2009

Note: * Final negotiation end date to be advised.