

**REPORT OF DIRECTOR OF PLANNING, TRANSPORT & HIGHWAYS**

**STREET LIGHTING PRIVATE FINANCE INITIATIVE (PFI) PROJECT**

**1. SUMMARY**

The Street Lighting PFI is a 25 year contract agreement with a private sector service provider to deliver a fast track programme of street lighting enhancements. The work is designed to replace failing and outdated street lighting infrastructure and to improve the standard, performance and efficiency of street lighting provision across the City in line with the City Council's corporate aims and objectives. The initial five year programme of capital investment is supported by an award of PFI Credit from the Department for Transport (DfT).

**2. RECOMMENDATIONS**

It is recommended that the Committee:-

- (i) notes the benefits that will be delivered by the project together with the changes to the delivery of the street lighting service;
- (ii) notes the commitment to further communication as the details of the service provision are refined and clarified;
- (iii) notes the summary of the situations where changes will be required to introduce the improved lighting standards.

**3. BACKGROUND**

On 21 March 2006 the Executive Board noted the submission of a PFI Expression of Interest (EOI) to the Department for Transport (DfT) to secure funding support for a fast-track programme of street lighting enhancements. An Outline Business Case (OBC) was then prepared and submitted to the DfT on 28 February 2007.

**4. PROPOSALS**

- 4.1 Should the OBC stage be passed, the City Council will then address the PFI procurement process, to identify and appoint a private sector partner to take responsibility for the lighting stock. The contract will require the stock to be brought up to agreed standards and maintained over a period of 25 years. During years 1 to 5 of the contract, 22,835 old and poor-condition lighting columns are expected to be replaced and all lighting units in residential areas will be fitted with a "White Light" source helping to improve community safety and enhance the night-time environment.
- 4.2 Although the majority of column replacements in residential areas are expected to be on a one-for-one basis, some changes to column heights and positions will be

necessary in order to improve lighting and comply with current standards. Appendix 1 summarises the key aspects of the new lighting standards and highlights situations where changes will be required.

## **5. TIMESCALE FOR IMPLEMENTATION OF PROPOSALS**

Subject to the approval of the OBC by both the DfT and the Treasury, the Council will invite contractors to enter discussion and negotiation ('Competitive Dialogue' – a new European Union (EU) procurement requirement) to determine the most cost effective scheme, choose the preferred bidder and prepare for financial close. This process is expected to take until the end of 2008 or early 2009.

## **6. FINANCIAL IMPLICATIONS**

- 6.1 The City Council is responsible for the costs associated with the development of the PFI scheme from submission of the initial expression of interest through to contract close with the private sector partner. Provision has been made within the City Council's accounts for the estimated cost of this work, totalling £820,000.
- 6.2 Once a PFI contract is in place, responsibility for the street lighting service will transfer to the service provider. The City Council will make monthly availability payments to the service provider for the replacement lighting programme and ongoing maintenance, with payments being linked to performance. The Council will, in return, receive a PFI revenue grant from Central Government throughout the 25-year contract period, to contribute to the cost of the initial 5-year replacement programme. However, since the cost of later years' lighting column replacements and increases in maintenance and energy costs are not included within the PFI grant, an annual financing 'affordability gap' will be created during the contract period, which will entail an ongoing revenue commitment for the City Council. The Medium Term Financial Plan (MTFP) approved by the Executive Board on 20 February 2007 contains an annual revenue contribution of £1.5m to meet this affordability gap.

## **7. LEGAL IMPLICATIONS**

The Competitive Dialogue process is the new standard approach taken for PFI projects under European procurement law.

## **8. EQUALITY AND DIVERSITY IMPLICATIONS**

None specific to this report.

## **9. RISK MANAGEMENT ISSUES**

A risk workshop has been held and a Risk Register produced, which includes risks identified in the PFI guidance provided by the 4ps (local government's project delivery specialists) and evaluated in accordance with the Council's corporate risk management framework. An internal Gateway 1 review, as required by the Council's Financial Regulations, was carried out in May 2007.

## **10. CONSULTATIONS**

A comprehensive Communication Plan has been prepared covering a range of consultation activities including staged consultations with Area Committees as the contract details are refined and clarified. Leaflet drops to individual households during the five year Core Investment Period are also planned so that residents are kept informed of changes in their neighbourhoods.

## **11. STRATEGIC PRIORITIES**

This proposal meets with a number of local, city and sub regional strategies. The proposal would contribute towards key objectives set out within Nottingham City Council's Corporate Plan, the Community Strategy and the second Local Transport Plan.

## **12. CRIME AND DISORDER ACT IMPLICATIONS**

The reduction of crime and fear of crime is a key objective of the proposals. Using night-time crime statistics provided by the Crime and Drugs Partnership, the Geographic Information Systems (GIS) Team has carried out a crime hotspot analysis which will be used to inform the project design process.

## **13. VALUE FOR MONEY**

13.1 To demonstrate value for money the PFI option has been compared with a Public Sector Comparator (PSC) using methodology in accordance with guidance from the Treasury, the DfT and the 4ps. The assessment demonstrates that the PFI route offers 15.9% headroom when compared with the PSC. The OBC also demonstrates a Benefit Cost Ratio of 9.89. The City Council can therefore be confident that the proposed PFI project would offer value for money given the assumptions made.

13.2 The Competitive Dialogue process involving a number of providers in detailed discussions and negotiations before a final tender is let ensures active competition remains throughout the process so that prices represent value for money.

## **14. List of background papers other than published works or those disclosing confidential or exempt information**

Nottingham City Council, Street Lighting PFI Expression of Interest, Feb 2006.

Nottingham City Council, Street Lighting PFI Outline Business Case, Feb 2007.

## **15. Published documents referred to in compiling this report**

Executive Board Report, 21<sup>st</sup> March 2006 and minutes of that meeting.

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## APPENDIX 1

### Impact of New Lighting Specifications in Residential Areas

**Background:** There are approximately 25,000 streetlights in residential areas of which about 5,000 are on footpaths in and around housing estates.

Number of lighting columns	<ul style="list-style-type: none"><li>• No reduction in numbers is planned</li></ul>
Height of columns	<ul style="list-style-type: none"><li>• Max. height 6 metres (as now)</li><li>• 16,600 4m and 5 m columns will be replaced with 6 m</li></ul>
Column Material	<ul style="list-style-type: none"><li>• All concrete columns replaced with mild steel</li><li>• All cast iron columns (except heritage) replaced with mild steel</li><li>• Older mild steel columns replaced before the onset of corrosion</li></ul>
Column Position	<ul style="list-style-type: none"><li>• Most columns replaced in-situ</li><li>• Up to 5,231 columns may be moved from kerb edge to rear of footpath (where possible) to protect against road traffic accidents</li><li>• 1,497 cast iron columns will be replaced with new schemes of about 2,000 columns to meet modern lighting standards</li></ul>
Type of Lantern/Lamp	<ul style="list-style-type: none"><li>• White light fitted to all street lights in residential areas</li></ul>
Backlight/Spillage/Skyglow	<ul style="list-style-type: none"><li>• Modern lanterns have superior optics giving better directional control of light</li></ul>
Contractor Performance	<ul style="list-style-type: none"><li>• Residents will be notified by leaflet drop of works in their neighbourhood</li><li>• In-situ replacement will minimise excavation works</li><li>• Works will be planned to minimise disruption</li></ul>

## Street Lighting PFI

- Background
- What is the Street Lighting PFI?
- What will change?
- What benefits will be delivered?
- How will the Contractor and the Council work together?



## Background

- Recent surveys identified street lighting improvements as a key local demand from residents
- Reduction in crime and fear of crime is a priority in the Corporate Plan and all Community Plans
- Improved lighting has been shown to reduce night time road traffic accidents
- The Council recognises the need for investment to improve lighting standards and aims to provide a sustainable, energy efficient lighting scheme throughout the City



## What is the Street Lighting PFI?

- 25 year contract between NCC and the PFI Contractor
- Replacement of 23,000 street lighting columns in the first five years of the PFI programme
- Conversion of 6,000 additional "White Light" lanterns to improve lighting standards
- PFI credit from the Department for Transport
- Financial and contractual penalties if performance standards are not achieved



## What will change?

- The key change is that the Council will specify the lighting outputs to be achieved, the Contractor then has the exclusive right to design, build, finance and operate the service
- Lighting schemes will be designed by the Contractor and approved by the Council
- Provision for heritage column replacement in Conservation Areas
- Provision for the Council to make changes to the service (subject to agreement on cost)





## What benefits will be delivered?

- "White light" provided on all residential roads and on 5,000 footpath lights
- "White light" provided in all high crime areas
- Lower energy consumption but better quality lighting
- All concrete, cast iron and older steel columns replaced
- Lighting improvements, where necessary, on major roads to meet current standards
- Installation works will start Spring '09 and will be completed in the first five years of the contract period



## What are the benefits of "White Light"?

- Better colour rendering (this benefits older residents especially)
- Improved night time appearance of neighbourhoods
- Better recognition of CCTV images
- 60 watt lamps instead of 100 watt in high crime areas leading to improved energy efficiencies







## **How will the Contractor and Council work together?**

- TUPE transfer of Street Lighting workforce from the City
- Area Committees and Members will be regularly updated on planned works
- Residents will be notified by leaflet drop of works in their neighbourhood
- Council will monitor and coordinate the new installations during the first five years
- Council will set and monitor Performance Standards and administer the payments to the Contractor



## **APPENDIX 3**

### **Street Lighting PFI Questions & Answers**

#### **QUESTION**

#### **What is a PFI?**

A PFI (Private Finance Initiative) is a method by which an Authority transforms from being the owner and operator of assets to a purchaser of a service from a private company. In the case of a Street Lighting PFI, the Council transfers to a private sector Street Lighting Service Provider the responsibility for designing, installing, financing and operating the City's street lighting. The main benefit is that the City receives a large grant from the Government (£40M) which is used to pay for the replacement of approximately 22,000 lighting units over a 5 year period. For the next 20 years, the Council pays the private operator to maintain the lighting after which the asset reverts to Council ownership and responsibility.

#### **How will the street lighting PFI affect me?**

In the first five years of the PFI contract most of the street lights in Nottingham will be replaced, that is, unless they already meet the required standards. This is usually the columns that have been installed in the last 10 years and accounts for about one third of the columns in Nottingham.

#### **Why is Nottingham City Council using a PFI for the street lighting?**

In the last 20 years Nottingham has done better than most authorities in replacing older, outdated street lighting. The Council now recognises, however, that a piecemeal approach will not bring lighting up to the required standards. A PFI allows for a concentrated period of investment with payments being spread over 25 years, rather like a mortgage.

#### **Will I get to choose what type of column I get on my street?**

No, in a large scale project like this it makes sense for many reasons to use a standard column throughout the City. The columns are installed as designed, columns are installed based on location e.g. residential are fitted with up to 6m units, major roads with 10m units.

## **Will I get a say as to whether there is a streetlight outside my house?**

The lighting is designed to illuminate the street as evenly as possible. To achieve this there is only a limited amount of leeway concerning where columns can be sited. However, the contractor will ensure as far as possible that columns are not sited directly in front of windows or blocking driveways.

## **Will the lighting on my street be brighter?**

The preferred lamps that are used in a modern street lighting design is a 'white light' compared to the yellow/orange light that we see around most of Nottingham at present. White light is shown to make objects appear clearer and faces more recognisable even if lighting levels are lower. This is especially important for the elderly and those with poor eyesight.

## **Will the light still be yellow/orange?**

In residential areas and City and Town centres the lighting will be white. Main roads will, however, have high-pressure sodium lighting which has a golden/pink appearance providing some colour recognition and not to be confused with yellow light of low-pressure sodium lamps which will no longer be used in the City.

## **The Lighting on my street is too bright, can it be turned down?**

The lighting on the street will be designed in accordance with British Standards taking account of traffic flow, crime rate and the surrounding intrinsic district brightness. For safety reasons the lighting level on the road will not be reduced.

## **What is being done to stop light pollution?**

Lighting control in a modern lantern is much more improved compared to the equipment available twenty years ago. Light is directed downwards with a minimal spread of light near or above the horizontal. If there is a problem with light shining through a bedroom window then the offending lantern can be fitted with a louver to cut-out light in that direction

## **Will street lights be turned off early to save money/energy?**

Unlike a few County Councils, with large proportions of their lighting situated in rural areas, there are no plans for the City to go half-night lighting. The Council's commitment to making Nottingham a safer city means it is unlikely to take away the contribution that street lighting provides in reducing the 'fear of crime'.

## **Will there be more streetlights because of the PFI?**

Some areas, especially those where the lighting was installed in the 1950's and 1960's and tree lined streets will have to be redesigned to meet modern standards. This will invariably mean closer spacing of columns with the result that there will be extra columns on some streets and the positions of existing columns will change. Generally, it is expected that the majority of columns will be replaced on a 'one-for-one' basis, although this might require an increase in height for the new columns compared to the old.

## **The City Council have just resurfaced my road; does this mean it will be dug up again?**

The majority of columns are expected to be replaced on a 'one-for-one' basis. However, if the existing columns are sited at the kerb edge then the new columns will generally be installed at the back of the footpath. This should reduce the chance of columns being knocked down in the future. Where new street lights are installed the electricity for these is taken from the nearest available source but in most instances should require minimal excavation and reinstatement.

## **Will the new streetlights go back in the same place as the old ones?**

Wherever this is possible yes. This is to our advantage with regards to reducing costs and disruptions.

## **Won't it be chaos when everywhere is dug up?**

With a 'one-for-one' replacement the extent of excavation around each column is kept to a minimum. Reinstatement of the footpath is carried out soon after the new lamp is lit, usually within 24 hours.

## **When will the streetlights on my road be replaced?**

The replacement of lighting columns will be carried out over a period of 5 years. With such a large scheme it is difficult to state when an individual street will be improved during that five year period. However, each year the Contractor has to provide a programme of works which outlines the areas that will be improved during the following year.

## **The column outside my house is quite new; does this mean you are going to replace that?**

Not necessarily, it will depend on the design of the whole street.

## **Will all the streetlights be replaced?**

No. In the past ten years the City Council has installed more than 10,000 columns. Many of these will be classed as 'deemed to comply' and will be retained since they are expected to outlive the 25 year PFI Contract period and conform to current lighting standards. Many are in high crime areas or covered by CCTV cameras. It is proposed that the light sources on these columns that are situated in residential areas will be changed to 'white light' to bring them up to the same standard as the new installed columns.

## **Will the repair service be affected?**

The Contractor will have to meet performance targets, which are no less than those currently in operation. If the Contractor fails to meet these targets then he will incur stringent penalties in the form of reduced payment by the Council. If default is persistent then the Contractor will be in danger of having his contract terminated. This is very unlikely since pressure will be brought by his other financial partners to correct matters.

## **How much will Nottingham City Council have to pay towards this?**

The Council has committed an additional £1.7 million towards street lighting improvements but a new purchasing procedure called 'Competitive Dialogue' is meant to get the contractors bidding against one another to reduce this figure if possible.

## **Will Council Tax go up because of this?**

The core investment period, which is the first five years of the contract when the street lights are replaced, is being paid for through a subsidy from the Department of Transport. The Council currently spends nearly £3m per year on street lighting. This will be increased by up to £1.7m during the PFI contract. Resources have been allocated for this and it is unlikely that Council Tax will be directly affected

## **Will we still have festive lighting?**

Festive lighting will continue throughout the City but responsibility will be transferred to another section within the Council



## **Who will I have to call to report that a streetlight is not working?**

The public should see no change since fault reporting will still be made through the Council's Call Centre. This will help in judging the performance of the Contractor by monitoring the number of complaints received and the length of time taken to correct the faults.

## **Will we still be able to have our Neighbourhood Watch signs on lamp columns?**

The Service Provider will have a duty to reinstate all signs off old columns and replace them onto the new ones.

## **If not replaced will lamp columns be painted?**

The Service Provider will continue to maintain all of the lamp columns over the twenty five year contract; this includes the repainting of lamp columns.

## **Will all concrete columns be replaced?**

Yes, in the first five years of the PFI contract most of the street lights in Nottingham will be replaced, that is, unless they already meet the required standards. This is usually the columns that have been installed in the last 10 years and accounts for about one third of the columns in Nottingham.

## **Will energy be from renewable energy sources?**

Yes, The City Council has a policy to use renewable energy sources.