

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

17 DECEMBER 2009

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET DECISION

Regeneration & Transport – Lead Cabinet Member – Councillor R Cook

EFFICIENCY, IMPROVEMENT AND TRANSFORMATION (EIT) REVIEW OF HIGHWAYS, LIGHTING AND NETWORK MANAGEMENT

1. Summary

This report presents the findings of the gateway EIT review on Highways, Lighting and Network Management which was undertaken by an Officer team and reported into Arts, Leisure and Culture Select Committee.

This review builds upon the work completed by the Regeneration & Transport Select Committee which was approved by Cabinet on 4 January 2007.

The review covered Highways and Network Management but the main focus, given the timescales, was centred on street lighting operations. The Arts, Leisure & Culture Select Committee played a crucial role in reviewing the baseline and options stages of this review, providing challenge to the review team at each stage.

Costing just under £3M a year, Street Lighting is an essential but expensive part of our road and footpath network. Half of that is spent on electricity alone and with the cost of energy set to continue to rise in the long term, we must strive to look for more efficient ways of lighting the highways. With new technology coming on leaps and bounds we can now dim the street lights to suit the location and save on our energy bills. New lighter lights will also reduce ongoing maintenance, so we must look at innovative ways for investment in the medium to long term.

With almost £6M a year spend on highway maintenance, the challenge is to ensure we continue to deliver right first time repairs and improvements to meet residents' needs but continue to strive for efficiencies in the way we do that.

This review is looking at:

- Street Lighting – the maintenance and replacement of Street Lights and the energy that they use, which accounts for nearly 20% of the Council's total energy bill each year.
- How we buy and deliver our street lighting services in Stockton.
- Smarter ways of using technology to bring forward more energy efficient lighting systems and opportunities of funding them.
- Highway Maintenance – How we deliver highway maintenance and improvement schemes to ensure value for money.
- The effectiveness of management arrangements.

2. Recommendations

It is recommended that:

- 1 The Council pursue the application for PFI Credits and, if successful, procure a private finance operator to deliver a street lighting replacement and maintenance programme.
- 2 If the Council are not successful with the application for PFI credits, further consideration is given to bring the street lighting service in-house to deliver expected efficiencies.
- 3 Detailed exploration of partnership working with other Tees Valley Authorities be closely considered in line with recommendation 2 above.
- 4 Funding mechanisms be considered through prudential borrowing or capital investment to bring forward the replacement of obsolete column stock, delivering a revenue energy and maintenance saving in line with recommendation 2 above.
- 5 Decommissioning of lit road signs and bollards, replaced with reflective equipment to provide a revenue energy saving.
- 6 Further work be undertaken, in line with the commercial service EIT review to ensure that highway improvement works can be delivered in house on a commercial basis, to reduce the need to have to appoint delivery partners for capital highway works.
- 7 Further work be undertaken to look at strengthening the links between the Network Management Duty and the Highway Inspection Service, currently delivered by Care for Your Area.
- 8 Bus shelter maintenance budget to be transferred to Direct Services from 2010/11.
- 9 Highways related consultation be delivered through an electronic mechanism utilising internet and email communication where residents and customers are prepared to engage.

3. Reasons for the Recommendations/Decision(s)

To improve the management and maintenance of the Council's highway and street lighting assets whilst seeking to achieve service efficiencies.

4. Members' Interests (the text below is fixed and should not be altered by the author, however, extensive guidance on the **Members' Code** of conduct is available to officers if required)

Members (including co-opted Members with voting rights) should consider whether they have a personal interest in the item as defined in the Council's code of conduct (**paragraph 8**) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest (**paragraphs 10 and 11 of the code of conduct**).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting considering the business is being held -

- in a case where the Member is attending a meeting (including a meeting of a select committee) but only for the purpose of making representations, answering questions or giving evidence, provided the public are also allowed to attend the meeting for the same purpose whether under statutory right or otherwise, immediately after making representations, answering questions or giving evidence as the case may be;
- in any other case, whenever it becomes apparent that the business is being considered at the meeting;

and must not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (**paragraph 12 of the Code**).

Further to the above, it should be noted that any Member attending a meeting of Cabinet, Select Committee etc; whether or not they are a Member of the Cabinet or Select Committee concerned, must declare any personal interest which they have in the business being considered at the meeting (unless the interest arises solely from the Member's membership of, or position of control or management on any other body to which the Member was appointed or nominated by the Council, or on any other body exercising functions of a public nature, when the interest only needs to be declared if and when the Member speaks on the matter), and if their interest is prejudicial, they must also leave the meeting room, subject to and in accordance with the provisions referred to above.

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SUMMARY

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This review builds upon the work completed by the Regeneration & Transport Select Committee which was approved by Cabinet on 4 January 2007.

The review covered Highways and Network Management but the main focus, given the timescales, was centred on street lighting operations. The Arts, Leisure & Culture Select Committee played a crucial role in reviewing the baseline and options stages of this review, providing challenge to the review team at each stage. **The Committee supported the efficiency opportunities identified. A summary of their comments is attached at Appendix 3.**

RECOMMENDATIONS

Appendix 1 sets out the opportunities that have been identified, but the key recommendations are:

- 1 The Council pursue the application for PFI Credits and, if successful, procure a private finance operator to deliver a street lighting replacement and maintenance programme.
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DETAIL

- 1 The report presents Cabinet with the findings of the EIT review on Highways, Lighting and Network Management which was undertaken by an Officer team and reported into Arts, Leisure and Culture Select Committee.
- 2 The review formed part of a three year programme of EIT (Efficiency, Improvement and Transformation) reviews covering all services provided by the Council. The programme aims to ensure that all services are reviewed in a systematic way to ensure that they are provided in the most efficient manner, provide value for money and identify opportunities for service improvements and transformation.
- 3 The scope of this review is quite wide, however the focus has been biased towards Street Lighting. There are two reason for this, firstly, the announcement of a new round of PFI credits for street lighting renewal during the review period has to channel resources into the evaluation of whether or not to pursue with an expression of interest. Secondly, early baseline work identified that there were significant annual revenue savings to be gained by changing the way the Council procures and delivers its street lighting energy and maintenance.
- 4 **Appendix 1** provides a complete overview of the scope, baseline and emerging options within the review which have led to the recommendations above.
- 5 The review areas relating to highway improvement works have identified some opportunities to improve current working arrangements, however the savings associated with these, although valuable, are related to capital expenditure not Council Revenue. Some further work is required to consider how these can be taken forward. This also includes some analysis of the Highway Inspection function, and how this links to the recent Network Management Duty need to be reviewed.

FINANCIAL IMPLICATIONS

- 6 The procurement of a PFI for street lighting has a complicated financial model attached to it. At the time of writing, specialist financial consultants, Grant Thornton, had been commissioned to prepare a financial case to compliment the expression of interest to be submitted to Government on 7 December 2009. **Appendix 2.**
- 7 The conventional procurement of street lighting equipment to replace ageing and obsolete stock will generate revenue savings associated with reduced maintenance and lower energy consumption.
- 8 The procurement of a new street lighting maintenance contract that has a focus more aligned to resource efficiency will deliver significant annual savings in the region of £200,000.00. The provision of this service in-house will realise equal savings if not more. The additional opportunity of partnership working with other Local Authorities will only add to the opportunity for efficiency.

LEGAL IMPLICATIONS

- 9 A PFI contract with Central Government will require a long term legal agreement with a private sector provider that will need to be procured under European Legislation, the scope of which is not yet known.

RISK ASSESSMENT

- 10 The EIT review of Highways, Lighting and Network Management is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

SUSTAINABLE COMMUNITY STRATEGY IMPLICATIONS

Economic Regeneration and Transport

- 11 Improved street lighting and highways are integral to a safe and efficient transport system and sense of place.

Safer Communities

- 12 Improved street lighting is fundamental to achieving a perception of improved community safety.

Children and Young People

- 13 Improved street lighting makes sustainable home to school/college/employment journeys a real safe alternative for children and young people.

Healthier Communities and Adults

- 14 An improved highway environment, peoples sense of place is enhanced and walking becomes a more attractive option.

Environment and Housing

- 15 The energy benefits for new street lighting technology are significant with reductions of up to 30% in energy use.

CONSULTATION INCLUDING WARD/COUNCILLORS

None to date as a result of the overall EIT process and reporting in the Arts, Leisure and Culture Select Committee.

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Background Papers

None

Ward(s) and Ward Councillors:

The scope within this report affects all Wards within the Borough.