

**EFFICIENCY, IMPROVEMENT AND TRANSFORMATION**

**HIGHWAYS, NETWORK MANAGEMENT AND STREET  
LIGHTING REVIEW**

**OPTIONS REPORT**

## SCOPE

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.

**Team:** The project team is led by Richard McGuckin with Richard Bradley, Simon Milner, John McMahon, Ian Pollitt, Andy Bryson and Julie Higgins and as Challenge Officer. There is also Scrutiny Officer support from Judith Trainer and Sarah Whaley.

The Arts Leisure and Culture Select Committee, chaired by Cllr Jean O'Donnell, is overseeing the work of the review.

**How it will happen:** The review team has carried out a baseline assessment of street lighting and highway operations to gain a comprehensive understanding of the full service area. The team has also focused on some opportunities that will see realise financial savings in street lighting maintenance and energy charges. Other useful work has highlighted the need to review working practices internally to ensure that we continue to operate in an efficient manner. The timetable will see Cabinet consider the opportunities recommended with in the review be considered in November.

## BASELINE POSITION

The following tables set out the factual baseline position in relation to the scope identified:

Applicable legislation	<p>Network Management Act places a specific duty upon the Authority to appoint a "Traffic Manager" and sets out duties and responsibilities to manage the road network to reduce adverse impact upon the travelling public. This sets out how we manage the use of the asset.</p> <p>The Council has a statutory role of Highway Authority, which encompasses the requirements of The Highways Act and associated legislation which sets out the statutory elements of maintenance of highways and associated street furniture (including Street lights).</p> <p>A range of National guidance is available for best practice for highway asset management and for highway network management.</p>
Local policy decisions	The Local transport Plan, the asset management plan, scrutiny reports for street lighting, and the network management plan sets out the current policies for service provision.
Service configuration	The programme identification, policy development and standards of asset management for highways and streetlights are developed within the technical service's team. CFYA highways then deliver the roads and footpaths service on street, a private contractor Webster deliver the Street lighting service. Network management is a relatively new statutory role delivered through the traffic management team within technical services. The network management role is to ensure that all activities are co-ordinated and fit into traffic management and congestion reduction targets.
Community focus & demographic change	The needs of different community groups, in particular, but not exclusively, disabled and elderly residents have a major influence on elements of the services. It can be expected that the free bus pass situation and predicted change to age profile within the borough will increase travel by the older population increasing their use of roads and footpaths.
Recent scrutiny and other review activity	Street Lighting Scrutiny Review
Possible review outcomes	<p>Possible outcomes include</p> <ul style="list-style-type: none"> <li>• Re-engineered service to reduce service levels</li> <li>• Staff review to reduce overhead costs</li> <li>• Outsourcing of inspection and repairs</li> <li>• Shared / single inspection service</li> <li>• Shared services (other LA's) across maintenance activities</li> <li>• Reduce need for new street lights in developments.</li> </ul>
Cost profile	<i>To be agreed with appropriate Finance Manager</i>
Assets	Councils highways, footpaths and public rights of way – street furniture and 27,000 street lights
Performance	<p>Main indicators are</p> <p>NI 167 Congestion</p> <p>NI 168 Principal Roads in need of maintenance</p> <p>NI 169 Non- Principal Roads in need of maintenance</p> <p>NI178 Bus Services running on time</p> <p>MORI satisfaction with service, net satisfaction currently improved 14%</p> <p>Local Transport Plan local indicators</p>

<p>Who provides the service?</p>	<p>Technical Services and Service Stockton. Lighting maintenance is provided by David Webster Ltd.</p>
<p>History how service was formed and why it exists</p>	<p>Evolved historically.</p>
<p>How is the service provided</p>	<p>Technical Services set and manage the policy for all highway operations including network management, road safety and street lighting. Service Stockton provide the delivery function for all highway operations and capital schemes up to a value of £100K. The street lighting maintenance contract is let on a 3 yearly basis and is currently with David Webster Ltd.</p>
<p>What influences impact on the service( political social economical, technological)</p>	<p>Highway condition is governed by a mixture of technical survey information, requests from Elected Members, requests from members of the public and from the inspection regime carried out by Service Stockton.</p>
<p>How does the service perform</p>	<p>Highway asset management is measured by condition survey and also through residents surveys, eg MORI. There is also internal performance management criteria that are used to measure number of schemes delivered and budgetary control.</p>
<p>What does inspection tell us about this service</p>	<p>To be confirmed.</p>
<p>What resources are used</p>	<p>£1.3M structural maintenance allocation from LTP. £6M scheduled and unscheduled maintenance from revenue resources. £150K from SBC capital.</p>
<p>What assets are used to deliver the current service</p>	<p>The highway assets of the Council are valued at £780M. Over and above that the only assets utilised are staff.</p>
<p>Are there any limitations or barriers affecting the delivery of the service</p>	<p>The backlog of maintenance required to bring the highway assets up to standard is in the region of £22M. The resources made available mean that all requests for services and assets in need of attention are not able to be funded. A priority system for repair and maintenance is therefore in place which does not cover all of the highest priorities identified.</p>
<p>If the service is outsourced or provided by a third party, how are service standards monitored</p>	<p>For street lighting, service standards are monitored through a series of performance measures, ie response times for repair etc with</p>

<p>Could the service be provided through a different mechanism</p>	<p>an aim to continuously improve.</p> <p>The service could be externalised or delivered through partnership working.</p>
<p>Who are the customers what are their needs now</p> <p>How are service users consulted and how do their views shape delivery</p> <p>How satisfied are the customers</p> <p>How do you communicate with your users</p> <p>How are these services promoted / marketed</p> <p>What do Viewpoint Surveys/ internal audit reports tell us about the service?</p>	<p>Every resident and member of the travelling public is a customer of the highway asset related services.</p> <p>The views of users are sought through a series of mechanisms</p> <ul style="list-style-type: none"> <li>• Viewpoint</li> <li>• MORI</li> <li>• Pre scheme implementation questionnaires</li> <li>• Post scheme implementation questionnaires</li> </ul> <p>2008 MORI survey revealed a net satisfaction of 25% for road maintenance and repairs and 14% for footpath maintenance, this is a significant increase on the previous MORI survey results.</p> <p>Website, specific letter drops, scheme information boards, satisfaction leaflets, service user groups.</p> <p>As above.</p> <p>Nett satisfaction</p>
<p>Are there customers who could use the service but don't</p> <p>Are there customers using the service who shouldn't be</p> <p>Who are the customers of the future and what are their needs</p> <p>What is likely to impact on demand for these services in the future</p> <p>What do complaints/ compliments tell you about these services</p>	<p>Residents who do not wish to or know how to engage with the Council for matters relating to traffic, highway and lighting schemes and maintenance.</p> <p>No.</p> <p>A safe functional highway asset.</p> <p>The demand will increase as the gap between asset condition, increased traffic congestion and the resources to deal with it increase.</p> <p>The level of satisfaction is positive, however the negative comments always relate to the need for more infrastructure and increased levels of maintenance.</p>
<p>Is the service required by statute</p>	<p>Yes – Highways Act 1980.</p>

<p>Is there a statutory level of service</p> <p>Is the service responsive or proactive or a mixture</p> <p>Is the service needed</p> <p>What would happen if the service was not provided either in whole or part</p> <p>How would the service react to new pressures what capacity would be required to deal with additional / new demands</p>	<p>Yes the role of the Traffic Manager is statutory.</p> <p>Both.</p> <p>Yes</p> <p>Transport and Highway network would be unmanaged and deteriorate into an unsafe, congestion environment.</p> <p>Ongoing</p>
<p>Who provides a similar service to this using a different delivery mechanism e.g. external partnerships, shared services etc</p>	<p>Other Local Authorities, the Highways Agency and with regard to responsive maintenance private contractors.</p>
<p>How does the service fit with the overall aims of the Council</p> <p>How does the service contribute to key policy areas</p> <p>What policies, plans and strategies impact on the service e.g. statutory, policy, function , other services</p> <p>Are there any political judgements / decisions involved in determining the level of service</p>	<p>CAA Environment block and the Sustainable Community Strategy objectives of Regeneration and Transport, Safer Communities, Older Adults etc</p> <p>Highways Act, Traffic Management Act, Road Traffic Act, LTP, Regeneration Strategy, Network Management Plan, Carbon Management Plan.</p> <p>Yes capital and revenue programmes agreed with Cabinet Member for Regeneration and Transport. Policies set by Cabinet and Council as necessary.</p>
<p>What are the costs of the service</p> <p>Capital and revenue costs</p> <p>What is the level of 3<sup>rd</sup> party expenditure</p> <p>What contracts or other arrangements are in place (spend analysis)</p> <p>What is the Councils commitment to contracts / other arrangements</p> <p>Do you have any charging policies</p> <p>How have Gershon efficiency savings impacted on the service and how were the service</p>	<p>£3.5M LTP, £150K SBC Capital, £6M SBC Revenue.</p> <p>Developer funding (variable).</p> <p>Service Stockton, Street Lighting, Structural Maintenance, Lead Authority arrangements.</p> <p>Annual and 3 +1 years for tendered services.</p> <p>Yes for dropped crossings, legal orders etc.</p> <p>VFM Frameworks???</p>

<p>planning to meet future Gershon efficiency targets?</p> <p>How will the current financial climate affect the service?</p>	<p>Associated Central Government RSG, DfT SBC funding is at risk of being frozen or reduced.</p>
<p>How can you demonstrate that the service is cost effective overall?</p> <p>Do external contracts offer value for money?</p>	<p>A VFM framework needs to be reviewed.</p> <p>Yes these are market tested on a price quality basis at each procurement cycle.</p>
<p>What do we need to change and why?</p> <p>What are the main drivers of change?</p>	<p>Review the staff engaged on the service areas.</p> <p>Efficiency of systems and resources.</p>

## BASELINE INTERPRETATION

### **STREET LIGHTING**

The maintenance and repair of the 27000 street lights and 4500 road sign stock is managed by Technical Services and delivered by an outside contractor, David Webster Ltd.

The total SL budget is £2.3M, of which £1.4M is spent on energy costs alone, however this has slightly reduced in 2009/10, nevertheless, this is 61%. The remaining £0.84M is spent on maintenance operations through the contract. In addition to revenue works, a capital allocation of around £0.2M per year is also delivered using the contract. This capital funding is from the Local Transport Plan (LTP).

The current contract with David Webster has an annual expenditure of circa £1.5M, with their operating costs in the region of £400K. These costs provide their offices, staff, labour and transport, hence the remaining funds are used to purchase new columns and equipment for installation on the Borough's highways.

The existing contract expires in September 2010, but the current assumption is to extend this to March 2011 to bring it in line with other renewals. The set up of the contract is performance based to ensure that both DNO and non DNO faults are repaired as quickly as possible. Prior to 2007/08, the repair times were reported as a BVPI suite and the SBC performance was set against a poor benchmark. Over the life of the current contract, the performance is now very good, however the BVPI is no longer measured by Government, but it remains a local performance indicator.

#### **Opportunity 01**

A significant cost of the street lighting contract is made up from the contractors operating costs. Can this be procured differently to provide better value for money?

Is providing this service function in-house a viable option?

The total energy costs to the electricity supplier exceed £1M per annum. Electricity is purchased through NEPO so the best value for money is almost certainly guaranteed in that respect. SBC have an ongoing trial to dim street lights. The initial findings of this have shown that a 50% reduction in output results in up to a 30% saving in electricity costs. An extension to this trial is now being implemented using Salix funds from the Council's Carbon Management Programme. This will see the total number of dimmed street lights up to 1200.

The Salix funds also included investment in the infrastructure to manage and control the dimming process and there is now 100% coverage across the Borough should we wish to dim more. Effectively the lighting output levels in every street light in the Borough could be controlled if it is fitted with dimming technology. This system will also monitor and report any defective lights which would eliminate the need for night time scouting.

Another project recently funded by Salix involved replacing photo-electric cells to modify the burning hours of street lights. Currently, street lights are controlled by 70/35 lux photo-electric cells. These cells control the annual burning hours of the street lights @ 4154 hours per annum. The proposal on this project was to replace the 70/35 cells with 35/18 cells. In effect, this reduces the annual burning hours to 3820 hours per annum, hence, a 334 hours reduction per annum per light. So far 1200 photo-electric cells have been replaced resulting in a tangible annual saving.



The Council currently has around 4000 obsolete columns and up to 10000 columns of very old stock of the total 27000. The ongoing maintenance cost of older columns continues to be a resource commitment, whereas new and newer columns don't need such attention.

### Opportunity 02

Capital Investment into replacing old and obsolete columns will significantly reduce both their energy usage and their maintenance costs. Capital investment in dimming technology will reduce energy costs. An invest to save, prudential borrowing or PFI solution could realise significant annual revenue savings.

Further work into possible Tees Valley joint procurement and maintenance arrangements will also be explored. The opportunity to support Middlesbrough with their street lighting activities may also be possible, as Webster currently provide the same service to them.

In addition to street lights, 4500 road signs are also lit and have an associated energy charge but the energy associated with them only equates to circa £25K per year. New legislation means that keep left bollards and road signs do not have to be lit if they meet certain criteria. For many years the standard internally lit bollard has been used throughout the borough. This involves installing ducting and electrical cabling which are both costly and disruptive as trenches are usually required cutting into roads and footways.



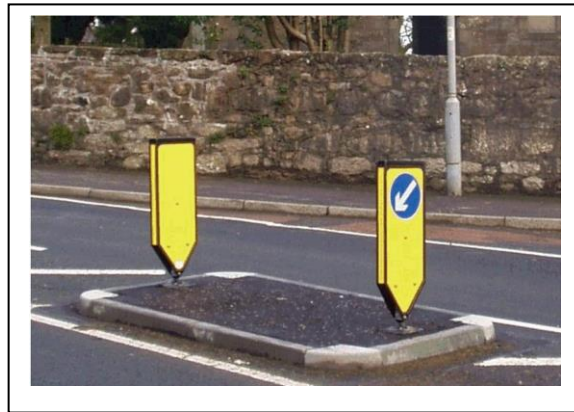
One of the chief advantages of a standard internally lit bollard is the uniformity of light across the whole bollard, and the fact that it is cast equally in all directions. This means that the bollard can be seen from any angle, particularly useful in situation such as at roundabouts.

Standard internally lit bollard

Due to rising electricity costs, unlit retroreflective self-righting traffic bollards are increasingly used as an alternative to lit bollards. These bollards do not require any power as well as offering potentially reduced maintenance costs. When installed at new sites they also negate the need for electrical cabling, offering a significant saving both in time and money. At existing sites, where the required electrical infrastructure for lit bollards is already in place, cost savings from installations of unlit bollards may be fairly small. This is due to the upfront costs of these bollards being significantly higher than a standard lit bollard, but also the added cost of making safe the existing electrical connections. In order to use these bollards 'authority wide' authorisation had to be obtained from the Department for Transport.



Unlit retroreflective self-righting bollard



Solar powered Retroreflective self-righting bollard

Given the limited situations in areas with street lighting where unlit bollards are authorised for use, solar powered bollards have recently become available on the market. These bollards combine retroreflective sign face material with LED lighting for the regulatory sign symbol. The same benefits are realised as for the case of unlit bollards in terms of energy usage and cabling requirements, but with the additional benefit that DfT authorise their use in any location. Except for the retroreflective material, most parts are replaceable in case of damage from a vehicle. The bollard is highly vandal proof and the life of the battery is about 6-7 years. The LED's have an expected lifetime of 15 years.

### Opportunity 03

All keep left bollards and road signs could be replaced for solar powered or unlit retroreflective self-righting bollards, either on mass or as a phased approach to achieve energy and maintenance savings, however capital investment is required. A policy of using these bollard types for any new road improvement works should be introduced.

The needs of the customer must remain the focus, be it road users who rely on street lights for road safety or communities who need light to reduce fear of crime. Assessments of these criteria must be central to any recommendations.

### HIGHWAY IMPROVEMENT WORKS

Capital funding for highway improvement schemes is provided by Central Government through the Local Transport Plan. This funding is set in blocks of safety schemes, network management, public transport, cycle and powered two wheelers, pedestrians and highway maintenance. In total the LTP capital allocation is around £3.5M per annum.

LTP and scheme of delegation

Within this area, works up to £100K in value are delivered by Direct Services and no formal quotation process is used. The cost of works are estimated from an agreed schedule of rates and then actual costs are recharged. This works well on the whole but no existing value for money indicators are in place. Sometimes where works are funded by an external source, e.g. Sustrans, they insist on works being tendered on the open market. In these cases, over the last three years Direct Services have won 3 of the 11 tendered. This fluctuation is subject to market conditions but does emphasize the need to have robust value for money indicators in place.

Works above £100K are currently tendered on the open market in line with procurement good practice. The officer time in preparing tenders is costly in time and money. Many Council's have

moved towards procuring three year term contracts with several providers so that all works, particularly in the £100 – 500K range can be simply allocated to partner contractors. The Tees Valley major bus scheme has led the debate on Authorities entering into such arrangements to help them efficiently deliver 60 plus projects that existing in the overall £62M scheme.

#### **Opportunity 04**

Develop a procurement strategy to engage two/three construction partners for all highway improvement works in the £100 – 500K value range and remove the need to competitively tender every single project or alternatively, 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.

Assessment of the delivery process for highway improvement works has led to investigation into the overlap and costs supervision. At the moment works are supervised by Technical Services Engineers to ensure quality and adherence to specification. Direct Services also have a supervisory role to ensure that the resources are working effectively and that the activities are carried out in accordance with the programme of works. There does appear to be some duplication here, however a mechanism to guarantee works are completed to specification must be in place. The fact that Direct Services are responsible for all future maintenance, hence what they built they must also maintain should lead to a guarantee of quality. It is clear that some efficiency in the management of highway improvement works can be made.

#### **Opportunity 05**

Consider earlier involvement on minor capital works for the Direct Services buying function into the design development process to ensure that the programming, resourcing, quality control and community engagement aspects of such projects are more efficient.

Although there appears to be some opportunities to streamline operations surrounding the procurement and supervision of highway improvement schemes, these operations are all funded through LTP capital resources. Any efficiency is welcomed, but are not directly related to SBC revenue streams.

### **HIGHWAY NETWORK MANAGEMENT**

Highway maintenance budgets comprise of the following:

LTP - £1.45M including £250K for structures.

Revenue £2.5M of £1.5M planned works and 0.6M unscheduled maintenance.

Sbc capital £150K

Under the Highways Act 1980, the Council has a duty to inspect and maintain the highway.

The Traffic Management Act 2004, places a statutory duty all Council's to manage the expeditious movement of traffic effectively. The remit of this includes co-ordination of policy, maintenance works and those of utility companies.

At present the Highway Maintenance policy and delivery is led by Technical Services, with Direct Services supporting on some delivery aspects. The Traffic Management Act has dictated that all Council Highway operations and utility operations must be effectively co-ordinated to ensure the highway network is kept moving. As part of the Local Transport Plan, Authorities must report annual to Central Government on their own performance. Highway Maintenance activities form a major part of this and the capital funding received for principal and non-principal roads must be

used to ensure that the annual highway condition surveys inform the programme of structural maintenance.

Scrutiny of the current delivery has shown an effective approach and the integration of Highway Improvement and new build road schemes must be closely aligned to the network management functions to ensure the Council does not fall foul of its statutory duty.

### **Opportunity 06**

Bus Shelter Maintenance, with an annual budget of £48K sits with Technical Services. This budget should be moved to Direct Services and absorbed into routine unscheduled highway maintenance activities.

### **ANCILLARY**

Consultation – Meeting the needs of the Customer in all highway operations is always a priority. The focus remains on not only the travelling public those residents who are directly affected by operations, such a new traffic calming features, changes to parking arrangements or even routine road and footpath re-surfacing.

On a typical traffic calming scheme, the Council will communicate with every affected resident on the following occasions:

- Consultation on options and ideas for the scheme layout – letter, plans, reply slip and return envelope.
- Feedback on consultation results and opportunity to comment on final two options or the scheme to be introduced.
- Letter to residents informing them of the final agreed scheme that has been signed off by the Cabinet Member
- Advertise any Traffic Regulation Orders in local press at minimum £500 per advert.
- Letter to Inform residents on start date for works and the duration.
- Letter (s) to all residents informing them of any road closures during the works.
- 'How was it for you' questionnaire after the works have been completed.

On one recent scheme, Surbiton Road safety scheme, the Council sent out a total on 6200 letters and associated plans etc. The cost of this in postage alone is £1100, with paper, officer time etc the total cost of consultation was just under £3000.

### **Opportunity 07**

Comprehensive use of the internet is already common practice. One postcard could be delivered to affected houses encouraging them to use the web and only use further paper correspondence if specially requested. They could even register their email addresses so that regular updates could be sent at key project points.

## SCHEDULE OF OPPORTUNITIES AND PRELIMINARY COST SAVINGS

The schedule below indicates a rough idea of what maybe realised in terms of savings from some of the opportunities identified. The next stage will be to consider in more detail these opportunities and accurately model them both in terms of service structure and financial implications.

	Headline	Order of saving possible	Comments
Opportunity 01	Street Lighting maintenance delivered in house	£200,000.00	The figures provided are only a logical guess as this point and are still subject to detailed financial appraisal.
Opportunity 02	Street Lighting obsolete column replacement and lantern replacement for dimmed street lights.	£150,000.00*	
Opportunity 03	Decommissioning of lit road signs and bollards, replaced with reflective equipment.	£25,000.00**	
Opportunity 04	Change the mechanism to deliver higher value highway improvements through in-house, if market commercial or appointment of delivery partners for capital highway works.	Operational efficiencies associated with LTP capital expenditure.	
Opportunity 05	Improve working mechanisms shared between Technical and Direct Services.	Operational efficiencies associated with LTP capital expenditure.	
Opportunity 06	Bus shelter maintenance, to be consumed with Direct Services existing revenue maintenance	.Negligible	
Opportunity 07	Highways related consultation delivered through an E-agenda.	£20,000.00	

\* Annual saving of maintenance costs and energy charges, **excluding** capital investment need to bring stock up to standard.

\*\*Subject to ongoing replacement funded through revenue maintenance and LTP capital replacement.

+ Savings associated with fee earning officers associated with capital project spend on LTP and private sector.

## OPPORTUNITIES

From the baseline interpretation, this document tabulates the early opportunities identified and sets out what is realistically achievable in the immediate, short and longer term. The work to conclude how deliverable the assumptions are will continue beyond the Cabinet approval.

Opportunity	Immediate Action	Action within 12 months or so	Longer Term Action	Cost Saving
Street Lighting maintenance delivered in house		Contract renewal date is 30 September 2010. Option to extend to March 2011 to give any in house operation time to setup.		£200,000.00
Street Lighting obsolete column replacement and lantern replacement for dimmed street lights.	Pursue PFI or capital borrowing. Option appraisal ongoing to look at value of PFI credits and combination of column/lantern renewal.			£150,000.00*
Decommissioning of lit road signs and bollards, replaced with reflective equipment.	Policy change to be implemented so that all new bollards or those replaced through ongoing maintenance will be reflective.			£25,000.00**
Change the mechanism to deliver higher value highway improvements through in-house, if market commercial or appointment of delivery partners for capital highway works.		Review of procurement procedures above £100K to get a delivery partner on board. Now included in Technical Services Service Plan.		Operational efficiencies associated with LTP capital expenditure.
Improve working mechanisms shared between Technical and Direct Services	Revised working practices to be developed to remove overlap of supervision.			Operational efficiencies associated with LTP capital expenditure.
Bus shelter maintenance, to be consumed with Direct Services existing revenue maintenance		Transfer budget for 2010/11 fiscal year.		Negligible
Highways related consultation delivered through an E-agenda.		Website to be upgraded and Cabinet report to be taken to agree principles of a E based consultation mechanism.		£20,000.00

\* Annual saving of maintenance costs and energy charges, **excluding** capital investment need to bring stock up to standard.

\*\*Subject to ongoing replacement funded through revenue maintenance and LTP capital replacement.

+ Savings associated with fee earning officers associated with capital project spend on LTP and private sector.

## CONCLUSIONS

The main focus of the review has highlighted significant opportunities in relation to street lighting. The recent announcement of further PFI credits from central Government has focused the team to consider an Expression of Interest. The Council has now engaged the services of Grant Thornton, specialist accountancy consultants to advise of the bid. The guidance suggests that joined up bids will be welcomed. To date, discussions on a joint bid with Durham County Council have been held and agreement reached that a joint bid will be submitted. The Grant Thornton commission has subsequently been procured on a 50/50 basis.

Chief Engineer discussions have also been held with Darlington and Hartlepool Council's about joining the PFI. To date, Hartlepool have expressed they won't be joining the bid, whilst Darlington and yet to confirm their intentions. These discussions however were much more positive in relation to joining up conventional street lighting services. The scope to bring street lighting maintenance in-house is realistic. With the contract ending in September 2010, tentative discussion how this might work have begun. There remains commercial sensitivity around this subject as the Council remains in a live contract with David Webster PLC.

Darlington and Hartlepool Councils' both run in-house street lighting services and can see the opportunity of a centralised unit for efficiencies, in a model that would likely be Stockton centred.

Recognising the commercial trading review, the delivery of in-house services for street lighting or highway improvement schemes must be commercially competitive. To date, any value for money analysis on highway improvement schemes shows this not to be the case. Further investigation shows that this is associated with the overhead recovery mechanism within Direct Services that creates an artificially high hourly rate.

Much of the findings around highway improvement schemes has stimulated efficiencies in process, however the financial opportunities relate to LTP capital funding. Further opportunities relating to the links between the statutory network management function and highway inspection regime work is needed.

The Arts, Leisure and Culture Select Committee conducted challenge of baseline information and options as part of the review and supported the efficiency opportunities identified. A summary of their comments is attached at **Appendix 3**.

In summary the key findings of the review at this stage have led to the following recommendations:

- 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, to be consumed with resources be pass ported to Direct Services.
- 9 Highways related consultation be delivered through an electronic mechanism utilising internet and email communication where residents and customers are prepared to engage.