

STOCKTON-ON-TEES BOROUGH COUNCIL

CABINET RECOMMENDATIONS

PROFORMA

Cabinet Meeting20th May 2010

1. Title of Item/Report

Street Lighting - Private Finance Initiative

2. Record of the Decision

Cabinet considered a report that provided details of the position with regard to the Street Lighting Private Finance Initiative (PFI) joint Bid with Durham County Council. The report also requested approval to continue to work with Durham County Council and appoint advisors to assist with the production of the Outline Business Case (OBC).

It was explained that in October 2009, the Department for Transport (DfT) had announced that, following the success of two rounds of PFI Street Lighting projects, it was inviting Expressions of Interest (EOI) for a third round and was making a total of £440m in PFI credits available nationally. Following discussions with neighbouring authorities, a joint EOI with Durham County Council was submitted. Cabinet noted that if successful, the Councils, jointly, would be able to replace approximately 124,000 units including street lights, illuminated and non-illuminated highway signs and bollards. This included approximately 30,000 units in SBC.

The Councils developed the EOI, which indicated that there would potentially be a combined funding gap for the Councils estimated at £0.523M. This would be split with £0.138M being contributed by Stockton and £0.385M by Durham although this was on the basis that maintenance and energy budgets would be inflated from 2010 to 2013.

DfT advised the Councils in February 2010 of the success of their submission and had provisionally awarded £125.47M PFI credits. SBC's share would be around £32M. The Councils' bid was one of six that had been approved and the DfT had requested that those Councils develop their EOI's into an OBC.

In order to maximise interest in all projects DfT had decided to submit the projects to the market in two tranches. The Council had been identified to be in the first tranche with a deadline of the end of June 2010 for submission of the OBC.

The Councils developed a robust delivery structure for the OBC with a single project board and single project team for the development and procurement phases. Details of governance and the management plan were provided to Cabinet.

It was explained that Durham County Council was carrying out a Scrutiny Review of the OBC process and had requested if Stockton Members would like to participate in this process.

Cabinet noted that in order to assist with the development of the street lighting PFI external technical, financial and legal advisors would be required. Durham County Council had agreed to lead on the one phase procurement of those services with support from appropriate Stockton Borough Council officers.

Costs associated with the development of the OBC were likely to be in the region of £200 to 300K, inclusive of contingency sums. This will be funded from Managed Surpluses already contained within the Medium Term Financial Plan. Any costs through the development of the PFI would be split between Durham and Stockton on a 75% to 25% nominal split. This was based proportionally around the numbers of street lighting assets each Council has.

RESOLVED that:-

1. the successful bid for Street Lighting PFI credits following the Expression of Interest submission in December 2009 be noted.
2. it be noted that the DfT announcement that £620M Street Lighting PFI credits had been approved nationally to six successful applicants.
3. the provisional allocation of £125.47M PFI credits to Stockton/Durham. This indicative allocation equated to approximately £31.3M for Stockton Borough Council.
4. the development of the OBC for submission to DfT in September 2010 be approved.
5. the procurement of external advisors to assist with the completion of the OBC be approved. The costs to be shared proportionally by the Councils.
6. it be noted that Durham County Council was carrying out a Scrutiny of the OBC and had asked if Stockton Members would like to participate in this process.

3. Reasons for the Decision

The approval would enable the Council to proceed from the Expression of Interest stage to Outline Business Case with a view to securing the PFI Street Lighting Credits, as detailed by the DfT.

4. Alternative Options Considered and Rejected

None

5. Declared (Cabinet Member) Conflicts of Interest

None

6. Details of any Dispensations

Not applicable

7. Date and Time by which Call In must be executed

Not later than Midnight on Friday, 28 May 2010

Proper Officer
24 May 2010