HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Member for Environment and Transport
Date:	3 November 2016
Title:	Street Lighting PFI Refinancing
Reference:	7834
Report From:	Director of Economy, Transport and Environment

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1. Executive Summary

1.1. The purpose of this paper is to update the Executive Member for Environment and Transport on plans to reduce the cost of street lighting by seeking a refinancing of the street lighting Public Finance Initiative (PFI) debt.

2. Contextual information

2.1. In December 2009 Hampshire County Council entered into a Project Agreement with Tay Valley Lighting (Hampshire) Ltd. The Project Agreement is based on Department for Transport (DfT) standard form street lighting PFI documentation for the provision of street lighting services. Tay Valley Lighting (Hampshire) Ltd is 100% owned by Equitix Infrastructure 3 Ltd.

2.2. The initial five year Core Investment Programme (CIP) to replace the stock of street lighting equipment is complete, which means the project is now viewed as lower risk by the financial markets. In addition, financial market conditions are more favourable than when the original PFI deal was concluded. Both of these factors mean the County Council can reasonably anticipate a financial gain from refinancing now.

2.3. The contract sets out the basis on which either party can request a refinancing of the PFI debt. The County Council has been actively pursuing a refinancing with Equitix since they acquired the debt in November 2014 and Equitix has now formally confirmed to the County Council its intention to seek a refinancing. Equitix has considerable expertise and experience in this area and a joint approach is likely to secure an optimum outcome for both parties.

2.4. In January 2011 the Government issued draft guidance on Operational PFI Savings for all contracts (not just street lighting) and announced it would carry out four pilot reviews. In July 2011 following conclusion of those pilots the Government announced its commitment to deliver at least £1.5 billion in savings from operational PFIs in England.

2.5. The requirement for operational savings has been issued to all PFI Authorities by the Treasury along with a code of conduct that both the Authority and the Service Provider is to operate within. A working group was established with representation from each of the South Coast PFI Authorities and the Service Provider to analyse areas for potential savings and make recommendations accordingly.

3. Finance

3.1. A formula within the PFI contract determines how the refinancing gain is shared between Tay Valley Lighting (Hampshire) Ltd, owned by Equitix, and the County Council. The size of the potential financial gain will only be known after market soundings have been conducted.

3.2. It is estimated that refinancing the street lighting PFI will yield year-on-year savings of up to £150,000 per annum for the County Council. This saving forms part of the Economy, Transport and Environment Department's Transformation to 2017 savings plan, approved by the Executive Member for Environment and Transport in September 2015.

3.3. The costs of refinancing for both Hampshire County Council and Equitix are taken out of the refinancing gain. Should the refinancing not be concluded successfully for any reason each party is responsible for their own costs.

4. Timing

4.1. It is anticipated that the refinancing will be concluded by 31 March 2017.

4.2. To achieve this programme it will be necessary for the County Council to confirm decisions when requested to do so by Equitix. Delegated authority to make the necessary decisions is sought to allow the authority to respond quickly to maximise the benefit of current market conditions.

5. Recommendations

5.1 That the Executive Member for Environment and Transport endorses the approach to refinancing the Hampshire street lighting Private Finance Initiative (PFI) debt in order to generate revenue savings to the County Council.

5.2 That the Executive Member for Environment and Transport delegates authority to the Director of Economy, Transport and Environment, in consultation with the Head of Legal Services and the Director of Corporate

Resources, to approve the terms of: the refinancing, the Deed of Variation, and any ancillary documentation, and to enter into all necessary contractual arrangements to conclude the refinancing, subject to the above being financially advantageous to the County Council.

CORPORATE OR LEGAL INFORMATION:

Links to the Corporate Strategy

Hampshire safer and more secure for all:	yes
Corporate Improvement plan link number (if appropriate):	
Maximising well-being:	yes
Corporate Improvement plan link number (if appropriate):	
Enhancing our quality of place:	yes
Corporate Improvement plan link number (if appropriate):	

Other Significant Links

Links to previous Member decisions:		
Title	Reference	Date
Transformation to 2017 Revenue Savings Proposals	6888	15.09.2015
Direct links to specific legislation or Government Directives		
Title		Date

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document	Location
None	

IMPACT ASSESSMENTS:

1. Equality Duty

1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

a) The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;

b) Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;

c) Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionally low.

1.2. **Equalities Impact Assessment:**

It is consider that the project will have no impact on groups with protected characteristics in so far as the scope of the project is limited to the refinancing of the street lighting Private Finance Initiative (PFI). The services provided under the contract are for supply and installation of new street lighting and illuminated equipment, and the maintenance of faulty equipment. The equipment itself may have an impact on specific groups e.g., the level of lighting for visually impaired pedestrians, and any implications of individual projects requiring the use of street lighting equipment procured through this contract will be reported in the associated project appraisal.

2. Impact on Crime and Disorder:

2.1 The provisions of the Crime and Disorder Act 1998 have no implications for this proposal.

3. Climate Change:

3.1. How does what is being proposed impact on our carbon footprint / energy consumption?

The proposal has no impact on climate change.

3.2. How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

The need to adapt to climate change and be resilient to its longer term impacts have no implications for the proposals in so far as the scope of the project is limited to the refinancing of the street lighting PFI. There may be implications arising from individual projects requiring the use of street lighting equipment procured through this contract, and these will be reported in the associated project appraisal.