

## **Cabinet – 18 October 2023**

### **Future provision of street lighting services**

**Portfolio:** Councillor A. Andrew – Deputy Leader & Regeneration

**Related portfolios:** Councillor K. Murphy – Street Pride

**Service:** Street Lighting - Highways, Transport & Operations

**Wards:** All

**Key decision:** Yes

**Forward plan:** Yes

#### **1. Aim**

- 1.1. The council has a statutory obligation to maintain the highway in a safe condition. This includes the maintenance and management of highway lighting to provide a safe environment in which road users can navigate the road network efficiently and effectively.

#### **2. Summary**

- 2.1. The council maintain 30,098 lit highway assets, comprising street lights, lit signs, lit bollards and other ancillary lighting.
- 2.2. The street lighting service is provided through a contract with Walsall Public Lighting (WPL) Ltd under private finance initiative (PFI) arrangements. The 26 year PFI arrangement commenced on 28 March 2002 and expires on 30 April 2028.
- 2.3. WPL and their subcontractor Amey are fully responsible for the maintenance and operation of the borough's adopted highway lighting assets for the period of the contract and are required to manage them appropriately to deliver the lighting standards detailed in the contract. On expiry of the PFI, this responsibility will fall back to the council and therefore appropriate service delivery arrangements will need to be in place.
- 2.4. This report compares the future service delivery options and seeks resolution to proceed with the recommended procurement route.

#### **3. Recommendations**

- 3.1. That cabinet approve the commencement of preparations for a procurement exercise for a combined highway infrastructure services contract.
- 3.2. That cabinet delegate authority to the to the Executive Director for Economy, Environment and Communities, in consultation with the Cabinet Member for Regeneration, to enter into negotiations with Walsall Public Lighting with a view to extending the Public Lighting PFI contract by 11 months [Option 3].

#### **4. Report detail - *know***

##### ***Context***

##### Background

- 4.1. The council has a statutory duty to maintain around 528 miles of highway network across the borough, excluding the M6 motorway and the A5 trunk road. This network has a gross replacement value in excess of £1.5bn, including street lighting assets to the value of £50m, making it the most valuable asset owned, managed and maintained by the authority.
- 4.2. The council's highway infrastructure includes 30,098 lit highway assets, comprising street lights, lit signs, lit bollards and other ancillary lighting. Although the council has no obligation to light the adopted highway, there is a statutory obligation to maintain existing lit highway assets in a safe condition.
- 4.3. Over the next decade, the landscape of local authority highway services in the UK is poised for significant transformation. The foremost trend anticipated to shape the industry's approach to delivery is a growing emphasis on sustainability and technological advancement. In respect to street lighting, eco-friendly and smart lighting solutions will contribute to enhancing both safety and environmental goals.
- 4.4. With constrained budgets, councils will also need to create partnerships that can facilitate the delivery of high-quality services while remaining cost-effective. Collaboration with a commercial partner organisation can empower local authorities to optimise resources, reduce costs, accelerate timelines and benefit from a breadth of expertise, experience and creative solutions.

##### Current arrangements

- 4.5. The street lighting service is currently provided through a contract with Walsall Public Lighting (WPL) under private finance initiative (PFI) arrangements. The 26 year PFI arrangement was completed on 28 March 2002 and expires on 30 April 2028. The duration of the contract is based on the capital loan repayment period. The service is delivered on a day to day basis by Amey as a subcontractor to WPL.
- 4.6. Contract performance over the duration has been good. Over the past three years, 99.2% of emergencies, faults and repairs have been completed on time

and implementation of the LED lantern conversion is currently ahead of programme.

- 4.7. The operational relationship between the council and WPL has matured well over the duration of the PFI. A culture of mutual trust and cooperation has been developed and refined leading to efficiencies both within the council and the contractor. Partnership workshops have been used to develop the service, plan for the future and progress projects such as the LED lantern conversion which will deliver a 70% reduction in energy consumption.
- 4.8. Social value benefits have been delivered throughout the duration of the contract. Most recently these have included Amey's Journey to Work events that promote local job vacancies, provide careers advice and top tips on CV writing and interview techniques. In 2023, 127 people attended events in Walsall with 35 engaging in CV skills support and 29 receiving one to one interview preparation. Additionally, support has been provided to local community initiatives including in respect to Remembrance Day, the King's coronation and the provision of Christmas lights.

#### Market Position

- 4.9. Across the UK, there are just over 200 local authority street lighting services including 36 PFIs. Nationally, over a third of services are directly delivered by local authorities and around half are delivered via a form of partnership with a contractor who has a strong national presence and a turnover in excess of £100m.
- 4.10. Up to 32 lighting contracts are expected to expire between 2028 and 2030, of these, 12 are PFI contracts. Additionally, between 2023 and 2030, as many as 65 broader highway service contracts are expected to be coming to the market. The investment, both in terms of time and money, required to bid for contracts means that the best suppliers will be selective about the contracts they pursue.
- 4.11. Contractors will generally consider various factors when deciding whether to bid for an infrastructure services contract of this nature:
  - **Scope and requirements** including the specific services, tasks, and deliverables required. They consider whether their expertise, resources, and capabilities align with the project's needs.
  - **Contract duration** to evaluate their own capacity and the fit with business strategy.
  - **Financial viability** including budget, payment terms and whether the opportunity offers a reasonable return on investment.
  - **Geographical location** and how that fits with existing operational areas.
  - **Contract terms and conditions** to ensure that they are fair, manageable and provide opportunities to deliver effective partnerships, innovation and the strategic outcomes required by both parties.
  - **Market trends and future opportunities** will be evaluated to determine whether the contract could lead to additional work or open doors to new markets.

- **Client reputation** is also a key concern as contractors will consider their existing relationship with the client and the likelihood of a positive working relationship and successful collaboration.
- 4.12. Ultimately, the decision-making process will involve a thorough analysis of both the potential benefits and the risks associated with the opportunity. To secure a delivery partner who can offer sustainability, innovation and value for money, the council needs to create an opportunity that appeals to those providers.

#### Options Appraisal

- 4.13. In assessing the options available for future service delivery, the council engaged with neighbouring authorities. This provided a high-level understanding of existing street lighting service arrangements in the West Midlands and lessons learned from the recent work carried out by Staffordshire County Council in respect to their future service delivery model. A discussion item on the April 2023 agenda of the ADEPT Engineering Board, which includes representation from the ADEPT Street Lighting Group, also gave a broader insight into current plans and perspective with respect to term maintenance contract procurement.
- 4.14. Although market engagement will form part of the future procurement process, an insight into provider perspective was sought to inform the options appraisal. To date, discussions have taken place with Tarmac, the council's incumbent term maintenance contractor; Amey, the street lighting PFI sub contractor; and Colas, the National Highways Area 9 maintenance and response contractor. Tarmac do not generally directly deliver street lighting, Amey has a dedicated street lighting division and Colas' parent company Bouygues deliver lighting services in London, Kent and Cheshire. It is recognised that all three organisations are large national contractors however, their wider involvement in the industry and engagement with a breadth of smaller subcontractors offered helpful information about lessons learned, best practice and opportunities to consider.
- 4.15. In agreement with the portfolio holders, the following service priorities were identified for consideration as part of the options appraisal:
- |                                 |                            |
|---------------------------------|----------------------------|
| ▪ Service resilience            | ▪ Customer experience      |
| ▪ Scale of economy              | ▪ Community based approach |
| ▪ Commercial buying power       | ▪ Complexity               |
| ▪ Intelligent client capability | ▪ Affordability            |
| ▪ Innovation                    | ▪ Authority readiness      |
| ▪ Flexibility                   | ▪ Sector success           |
- 4.16. The options that have been considered further are:
- Option 1: In house service delivery;
  - Option 2: A procured standalone service;
  - Option 3: A procured combined highway infrastructure service; and
  - Option 4: A shared service with other authorities.

- 4.17. The options appraisal is summarised at Appendix A and set out in greater detail at section 5.

### ***Council Plan priorities***

- 4.18. Well-maintained highway lighting advances the council's corporate plan priorities by contributing to safety, sustainability, and community well-being.
- Effective lighting provision enhances road visibility, reducing accidents and promoting safe travel for residents and visitors alike, aligning with the council's commitment to public safety.
  - An approach that embraces innovation and promotes energy-efficient lighting options. lower electricity consumption and align with the council's sustainability goals, reducing environmental impact, and cutting costs.
  - Intelligently lit streets create a sense of security and encourage positive night time activities, fostering vibrant and connected communities.

### ***Risk management***

- 4.19. An effective approach to managing the condition, inspection and maintenance of highway lighting affects the potential exposure of the council to insurance and compensation claims. If the council does not undertake its statutory maintenance functions, including those in respect to highway lighting, in a reasonable manner, then it can clearly be held accountable for third party loss, damage or injury as a result.
- 4.20. The majority of lit highway assets are managed under license by WPL along with the responsibility for maintenance, replacement and all the associated risks. They are responsible to inventory management and accrue new assets to the contract on completion of adoptable developer works.
- 4.21. At the end of the PFI, the assets and associated responsibilities and risks will be returned to the council. The council will therefore need to make appropriate provision for the management of highway lighting.
- 4.22. The PFI project agreement empowers the council to procure an independent survey of both physical apparatus and asset information to assess whether they have been managed in accordance with the contract. Additionally, the agreement sets out requirements in respect to the rectification and/or maintenance to be completed before handback to the council. These contract provisions will be used to ensure that the borough's lighting infrastructure is returned to the council in the anticipated condition and with the necessary information to support future asset management.

### ***Financial implications***

- 4.23. The annual spend on street lighting service delivery, excluding energy costs, is £3.673m. This includes PFI credits which are fixed at £1.595m for the life of the PFI and partially offset the service element of unitary payments. The balance, £2.077m is funded from the PFI reserve.
- 4.24. The earmarked PFI reserve is forecast to be fully utilised by the end of the current PFI term.
- 4.25. There is an electricity budget of £1.150m. Volatile contractual inflation remains a high financial risk.
- 4.26. The net controllable revenue budget for post PFI street lighting services, excluding electricity, is £2.281m. The interim arrangement will be met from the existing cash limit for the service.
- 4.27. External capital grants may be available for specific works but will be subject to strict conditions restricting their use and requiring the authority to demonstrate that they have not been used to replace existing budgets.

### ***Legal implications***

- 4.28. The legal implication of not maintaining street lighting is a complex and context-dependent issue. However, some general principles are:
- A highway authority may provide and maintain street lighting for any highway or proposed highway for which they are responsible.
  - A highway authority may alter or remove any works constructed by them or vested in them for street lighting purposes.
  - A highway authority shall pay compensation to any person who sustains damage by reason of the execution of works for street lighting.
  - A highway authority has a duty of care with respect to maintaining street lighting in a safe condition.
- 4.29. Clause 39 of the PFI project agreement sets out the legal obligations of all parties in respect to expiry. Whatever the future service delivery arrangements, the requirements of the PFI project agreement will need to be applied as the PFI draws to a conclusion.
- 4.30. The council will need to liaise with Amey and any new contractors in relation to the TUPE transfer of staff. In particular, if any element of the service provision was to be provided directly by the council, then there may be some staff who are entitled to have their contract of employment transferred to the council.
- 4.31. The council needs to consider The Public Contract Regulations 2015 and the Procurement Bill when setting the strategy for any procurement activities.

### ***Procurement Implications/Social Value***

- 4.32. The recommended approach, namely a combined service procurement, would necessitate an arrangement to address the 11-month period between the expiry of the PFI and the start of the integrated contract. A number of potential procurement options have been considered in preparing this report:

#### Dedicated procurement exercise

- 4.33. An open tender procurement exercise could result in a new contractor delivering the service for the 11 month interim period. The need to mobilise a new delivery arrangement and potentially demobilise again 11 months later would be disproportionately disruptive given the value and duration of the contract. This could have a significantly detrimental impact on customer experience and the council's ability to deliver statutory obligations.
- 4.34. It is considered unlikely that this approach would deliver value for money. The estimated cost to bid for a contract of this nature is as much as £150,000. The cost of mobilising the contract and then demobilising at the end of the term is circa £300,000. It is anticipated that most, if not all, suppliers would build these costs into their prices for service delivery over the 11 month period, elevating the price to the authority.
- 4.35. It is also not expected that the bidder market would consider such an opportunity to be particularly attractive, particularly in the context of many more, higher value, longer term opportunities in, or approaching, procurement.

#### Commission the service via an existing framework contract

- 4.36. Amey, in their capacity as a street lighting contractor, are not currently on any of the frameworks used by the council. This may change between now and the expiry of the PFI and would provide a suitable procurement route. However, if this position remained unchanged, the introduction of a new contractor would create the same issues as a dedicated procurement exercise.

#### Conclude the HISC earlier than planned

- 4.37. The council could conclude the HISC with Tarmac after the first extension period in 2027 or, seek to negotiate a reduction in the second extension term to conclude the contract in line with the expiry of the PFI. However it is recognised that reduction in the second extension term is highly unlikely to be something that would be readily supported by Tarmac as it is not in their commercial interest.
- 4.38. The impact of inflation means that new infrastructure maintenance contracts are expected to be more costly than current arrangements. Discussions with industry colleagues have indicated that a significant proportion of highway authorities are extending contracts where they can in order to mitigate the impact of price increases.

- 4.39. Additionally, reducing the timescales for procurement would place additional pressure on the council's own subject matter experts and necessitate investment in additional professional services to support the process.

Vary the scope of the HISC to include street lighting services

- 4.40. The scope of the HISC could be changed by deed of variation to include street lighting. However this would be a substantial change to the contract and may be subject to challenge for the same reasons as a direct award. Moreover, the council would ultimately have to bear the cost of mobilising the service or, if the service were to be subcontracted to mitigate the mobilisation costs, an ongoing contractor's management fee.

Direct award to the current service sub-contractor

- 4.41. Under The Public Contracts Regulations 2015 a local authority can direct award a contract in exceptional circumstances. However, PFI project agreement is with WPL and not Amey, who undertake the day to day service delivery. A direct award to Amey does not fit well within any of the options which are set out in regulation 32(2) to (10) inclusive and could therefore be subject to a legal challenge.

Extend the PFI

- 4.42. Under regulation 72(1) (e) of The Public Contract Regulations 2015 Regulations, the council can extend the term of the PFI. This is something that representatives from Equitix (on behalf of WPL) and Amey have indicated that they would be open to exploring and would mitigate the risk of legal challenge.
- 4.43. As part of the extension, the authority could agree amendments to the contract terms or structure, provided that they don't change the overall nature of the contract or materially change its scope, or change the commercial balance of the contract in the contractor's favour.
- 4.44. The extension would be subject to a deed of variation. WPL are under no obligation to enter into any deeds of variation to the project agreement and therefore, to persuade them to do so, the council would be required to play their legal fees in respect to the process. Based on the current terms of the project agreement, it is highly likely that there would also be an ongoing management fee over and above the cost of service delivery. Although this will be subject to negotiation, it is likely to be considerably less than the combined cost of bidding, mobilisation and demobilisation that a new contractor would be expected to build into their prices.
- 4.45. Although it would be preferable to avoid the fees involved, this approach will negate the costs and service disruption associated with introducing a new provider for an 11-month period.
- 4.46. For the reasons set out above, extending the PFI is considered to be the most appropriate approach to procure the service arrangement to address the 11-



month period between the expiry of the PFI and the start of the integrated contract. However, early negotiations, well in advance of expiry and prior to the commencement of the combined services procurement exercise will present an opportunity to take a different approach if negotiations are unsuccessful.

- 4.47. The council have commissioned Bird & Bird, a law firm who advise both the public and private sectors on all aspects of procurement law, to draft a procurement strategy for the 2029 Highway Infrastructure Services Contract. Subject to cabinet approval, street lighting will be included in the scope of this strategy. The strategy will be presented to Cabinet for final approval in 2024 and will set out the procurement process and implications, including the approach in respect to social value.

#### ***Property implications***

- 4.48. Amey is currently in the process of agreeing a lease to become co located with the wider Highways, Transport and Operations service at the council's environmental depot. To mitigate the risk of duplicated legal fees the lease will be drafted with a mutual break clause in 2028 in the event that the council do not negotiate a contract extension to the end of March 2029. delegated
- 4.49. The replacement highway and infrastructure services contract will include arrangements for leasing the highway depot at Apex Road for the duration of the contract. The terms of the lease will be subject to approval in accordance with the council's scheme of delegations and included in the information to bidders.

#### ***Health and wellbeing implications***

- 4.50. A well-maintained highway network, including well-lit assets, significantly bolsters health and wellbeing. Adequate lighting enhances road safety, reducing accidents and anxiety-inducing driving conditions. Improved visibility lowers stress levels and fosters a sense of security, positively impacting mental health. Well-lit highways facilitate smoother traffic flow, curbing congestion-related air pollution and promoting cleaner air quality. Accessible and well-lit roadways enable faster emergency responses, potentially saving lives and minimising trauma. Additionally, illuminated highways encourage night time mobility, promoting active lifestyles and social engagement.

#### ***Reducing Inequalities***

- 4.51. A well-maintained highway network, including well managed highway lighting, plays a pivotal role in reducing inequalities by enhancing accessibility and connectivity. It supports equal opportunities for economic growth, social development, and improved quality of life. In remote or marginalized areas, a reliable highway network connects residents to essential services, education, healthcare, and employment opportunities in urban centres. This access enables people from all backgrounds to participate in the economy and access resources previously out of reach.

- 4.52. A functional highway network facilitates the efficient movement of goods and services, fostering trade and market integration for both rural and urban areas. This, in turn, promotes equitable economic development and reduces regional disparities. By levelling the playing field and enabling efficient interactions, a well-maintained highway system stands as a tangible catalyst for reducing inequalities and fostering a more balanced, inclusive society.

### ***Staffing implications***

- 4.53. On expiry of the PFI, responsibility for the maintenance and management of adopted highway lighting will fall back to the council. An additional lighting engineer over and above the current structure [one G12 service manager] may be required to absorb the workload being returned to the council. This will be reviewed and considered as part of a service wide structure review in readiness for the implementation of the future delivery model for the highway service from April 2029. Taking a holistic approach will ensure consistency across all service areas and ensure adherence to the council's organisation design principles.
- 4.54. TUPE (Transfer of Undertakings (Protection of Employment) regulations ensure that employees retain their rights and terms when a business or service transfers to a new employer. TUPE arrangements for the staff currently employed by Amey will be managed as part of the PFI demobilisation and subsequent mobilisation of future contracts

### ***Climate Impact***

- 4.55. The provision of highway lighting has a significant impact on the council's energy consumption. A project to convert 23,000 of Walsall's street lights to energy efficient LED technology is nearing completion and will dramatically reduce consumption.
- 4.56. By securing a long-term delivery partner who can drive innovation, the council will be best placed to implement further measures to mitigate the climate impact of the highway infrastructure they maintain.

### ***Consultation***

- 4.57. Post PFI options were initially appraised in March 2023 at a partnership day. A workshop led by an independent facilitator involved council officers, Equitix [the investors owning Walsall Public Lighting], Amey [the contractor] and a representative from the Infrastructure and Projects Authority [IPA]. The session saw all parties consider the options for post PFI service delivery and the associated opportunities and risks.
- 4.58. As set out above, following the partnership day, discussions with a small number of national contractors, local authorities and peers on the ADEPT Engineering Board were used to better understand the market position and best practice. This provided helpful context and the benefit of lessons learned.

- 4.59. In May 2023 the cabinet members for regeneration and street pride were consulted in respect to priorities, outcomes and the options being considered by the council.
- 4.60. A consultant working on behalf of the IPA has also supported with this reporting process and acted as “a critical friend”.
- 4.61. The principles of the proposed approach have been discussed with Bird & Bird who, as noted above, have been appointed to draft the procurement strategy for the replacement Highways Infrastructure Services Contract.
- 4.62. The preferred option was reviewed and supported by the council’s Third Party Spend Board on 18 July 2023.

## **5. Decide**

### ***Option 1: Create an in-house provision by in-sourcing the street lighting service***

- 5.1. The council could bring street lighting service provision into the authority aligning with the other operational services already delivered by highways, transport and operations from the environmental depot in Brownhills.
- 5.2. Advantages:
- Establish direct control of the street lighting function.
  - Ability to re-define what is contracted out and revisit the scope and specification of those aspects of the service to ensure customer focus and explore a community based approach.
  - The council has established infrastructure and processes that could be used to facilitate routine elements of the service.
- 5.3. Disadvantages:
- Service disruption whilst establishing an entirely new way of working.
  - Up to 16 staff would need to be transferred into the council on their existing terms and conditions and with associated pension liabilities.
  - Duplication of functions such as administration, contract management, health and safety and fleet would likely necessitate some redundancies.
  - The size and specialist nature of the service may result in limited capacity to respond in a timely and cost effective manner to peaks and troughs in service demand.
  - The size of the service means that the council is unlikely to be able to deliver maximum benefit in respect to commercial buying power and innovation. This in turn may impact on affordability.
  - Streetlighting service delivery is more complex than the environmental services currently delivered by the council.

### ***Option 2: Procure a standalone street lighting service***

5.4. The council could procure a standalone street lighting service taking a similar operational format to the existing provision but without the capital funding from central government and private sector investment.

5.5. Advantages:

- Opens up the tendering to smaller contractors who may not have the capacity or resources to participate in lengthy, costly bidding processes.
- Opportunity to incorporate flexibility into the contract to accommodate for changing budgetary arrangements and regional procurement initiatives.
- Staff transfer would be from one contractor to another rather than into the council.
- Longer contract terms would provide certainty and an ability to develop mutual relationships ultimately improving quality and efficiency.
- Opportunity to embed social value and community benefit in the procurement process ensuring that our local residents benefit from the arrangement.

5.6. Disadvantages:

- The procurement process requirements could become cumbersome relative to the size of the service.
- There is a danger that ensuring a seamless, integrated highways service is made more labour intensive by having multiple delivery partners, necessitating additional client resource to administer the service.
- Less opportunity to benefit from economies of scale and efficiencies derived by integrating functions and the workforce.
- Opportunities for innovation will be reliant on the successful contractor having the capability and capacity to promote and implement them.

***Option 3 [Recommended Option]: Procure a combined highway services contract comprising the scope of the current highway infrastructure services contract and street lighting***

5.7. In December 2018, Cabinet approved the contract award for the provision of Highway and Infrastructure Services to Tarmac Trading Limited. The contract started on 1 April 2019 for a period of six years initially, with option to extend for a further two periods of two years. At that time the indicative contract value was up to £15m per year and has averaged between £11m and £12m per annum to date. If the council were to apply the full contract extension period, the Highway and Infrastructure Service Contract [HISC] would conclude in March 2029.

5.8. The council could choose to include street lighting in the scope of the contract which replaces the HISC in April 2029. To ensure service continuity, this approach would necessitate an interim arrangement to bridge the 11-month period between the expiry of the PFI and the commencement of the combined highway services contract. As the incumbent street lighting contractor, Amey have confirmed that they would open to negotiating a short-term arrangement

mitigating the costs and disruption associated multiple changes in provider over a short period of time.

5.9. Advantages:

- The inclusion of street lighting would increase the value and scope of the combined service contract, creating a more appealing opportunity to the market.
- Potential for economies of scale, joint efficiencies such as combined service delivery teams and sharing of resources and equipment.
- Greater ability to incorporate flexibility into the contract to accommodate for changing budgetary arrangements and regional procurement initiatives.
- Potential to attract larger providers who bring opportunities for innovation, efficiency and reach back to a greater breadth of knowledge, experience and best practice.
- Potential to attract providers with multiple highway services contracts and greater commercial buying power due to their market position.
- Ability to utilise and build on the existing client knowledge and experience developed by operating large, combined service term maintenance contracts for over 10 years and build on process improvements already delivered.
- Longer contract terms would provide certainty and an ability to develop mutual relationships ultimately improving quality and efficiency.
- Opportunity to embed social value and community benefit in the procurement process ensuring that our local residents benefit from the arrangement.

5.10. Disadvantages:

- A lengthy, costly and demanding procurement process.
- Some smaller contractors may be precluded from tendering by incorporation of large scale and technically complex works such as resurfacing and structures maintenance.
- An interim arrangement (circa 11 months) would also have to be put in place.

5.11. The approach taken to procuring the interim arrangement is set out at paragraph **Error! Reference source not found.** to 4.47 of this report.

5.12. All three of the contractors consulted confirmed that a combined services contract is something that they would be very interested in pursuing as a future opportunity.

***Option 4: Establish a shared street lighting service with neighbouring authorities***

5.13. The council currently delivers the maintenance and management of traffic signals through a shared service with Wolverhampton City Council. Subject to neighbouring authorities being amenable to such an arrangement being

established, a similar approach could be taken for the delivery of street lighting services.

#### 5.14. Advantages:

- Shared services can lead to economies of scale, as resources are pooled and duplicated efforts are reduced.
- A larger service may benefit from increased commercial buying power and efficiencies through streamlined and consistent operations.
- Shared services can allow for the consolidation of specialized skills and expertise.
- By pooling resources, participating local authorities may be better able to afford to invest in innovation that they might not have been able to implement individually.
- Longer contract terms would provide certainty and an ability to develop mutual relationships ultimately improving quality and efficiency.
- Opportunity to embed social value and community benefit in the procurement process ensuring that our local residents benefit from the arrangement.

#### 5.15. Disadvantages:

- Even as the lead authority, there may be some loss of control due to the requirement to accommodate the service needs of all partners.
- Different local authority cultures, ways of working and political leadership may make establishing shared goal challenging.
- Implementing shared services can be complex and time consuming and the council structure, in its current form does, not provide capacity for implementation.
- While the primary goal of shared services is to achieve cost savings and efficiency, there could be unintended consequences, such as reduced responsiveness to local needs, increased bureaucracy, or reduced innovation.

## 6. Respond

6.1. The draft procurement strategy for the combined services contract will be presented to cabinet for approval in 2024.

6.2. Subject to approval, the Executive Director for Economy, Environment & Communities, in consultation with the Portfolio Holder for Regeneration, will enter into in principle negotiations with WPL Lid in respect to an 11 month extension to the PFI.

6.3. If negotiations are successful, a report regarding the contract extension, will be provided to Cabinet.

## 7. Review

- 7.1. Progress will be monitored against the key milestones and high-level project plan appended to this report. Highlight reports are provided to the portfolio holders and Walsall Network Board on a quarterly basis.
- 7.2. The council have accepted an offer from the IPA to do a PFI expiry “health check” in early 2024.
- 7.3. Details of plans for the expiry of the Street Lighting PFI and the procurement strategy for the combined highway services contract will be presented to Cabinet in spring 2024.

## 8. Appendices

- 8.1. Options Appraisal Summary
- 8.2. Scope of Services
- 8.3. PFI expiry high level plan

## 9. Background papers

None

## 10. Author

Kathryn Moreton  
Interim Director – Place & Environment  
✉ Kathryn.Moreton@walsall.gov.uk  
☎ 658031

Signed



Kathryn Moreton  
Interim Director

6 October 2023

Signed



Councillor Andrew [Deputy Leader]  
Portfolio holder - Regeneration

6 October 2023

## Appendix A – Options Appraisal Summary

Required Outcomes:	Value + Quality + Customer Experience												
Contributing Factors:	Resilience	Scale of economy	Commercial buying power	Intelligent Client Capability	Innovation	Flexibility	Customer Experience	Community based approach	Complexity	Affordability	Authority readiness	Sector success stories	Total weight adjusted score
Weighting:	100	100	100	100	100	100	100	100	100	100	75	75	NA
In house service	33	66	33	66	33	66	100	100	33	33	66	33	<b>63.7</b>
Procured stand alone service	66	66	66	66	66	66	66	66	66	66	66	33	<b>73.4</b>
Combined highway infrastructure service	100	100	100	66	100	100	66	66	66	66	66	66	<b>92.9</b>
Shared service with other authorities	100	100	66	66	100	66	33	33	33	33	66	33	<b>70.4</b>

**Scoring:** 0 = Critical issue/ barrier to implementation; 33 = Poorer than current performance; 66 = Unknown/ Parity of performance [at best]; 100 = Improved performance.



## Appendix B – Scope of Service

A brief description of the scope of service is outlined below:

Activity	Current responsibility	Post PFI responsibility
<b>Inspections and testing</b> - routine visual inspections, cyclic testing for electrical safety, and structural assessments to ensure that the lighting assets are in good condition and pose no safety risks.	Walsall Public Lighting	Term street lighting contractor on behalf of Walsall Council
<b>Reactive repair work</b> – repair and maintenance of lit highway infrastructure in response to routine inspections, testing and fault reports.	Walsall Public Lighting	Term street lighting contractor on behalf of Walsall Council
<b>Planned maintenance</b> – routine repair and maintenance of all lit assets including planned maintenance activities such as cleaning and painting.	Walsall Public Lighting	Term street lighting contractor on behalf of Walsall Council
<b>Emergency response</b> – Provision of a 24 hour emergency call out service. Duties are varied and include attending road traffic collisions, providing assistance to the police and fire services and responding to safety critical faults and damage.	Walsall Public Lighting	Term street lighting contractor on behalf of Walsall Council
<b>Major and minor highway lighting installations</b> – capital and developer funded works including asset installations and replacement programmes of varying sizes.	Individually commissioned, delivered by Amey	Term street lighting contractor on behalf of Walsall Council
<b>Management of customer enquiries</b> – response to routine customer enquiries and fault reports	Walsall Public Lighting	Walsall Council
<b>CMS provision and inventory management</b> – management and maintenance of a central management system and detailed asset inventory for all lit highway infrastructure	Walsall Public Lighting	Term street lighting contractor on behalf of Walsall Council
<b>Attachment installation</b> – installation of attachments on street lighting assets including advertising banners and festive lighting	Individually commissioned, delivered by Amey	Term street lighting contractor on behalf of Walsall Council
<b>Lighting design</b> – provision of design capacity for highway lighting projects	Individually commissioned, delivered by Amey	Walsall Council supplemented by the term street lighting contractor

<b>Scheme development support</b> – supporting the client team with scheme development activities including cost estimation and works programming.	Individually commissioned, delivered by Amey	Term street lighting contractor on behalf of WMBC
<b>Contestable electrical connections</b> – installation of electrical connections.	Individually commissioned, delivered by Amey	Term street lighting contractor on behalf of WMBC

