



Purpose: For Decision

Committee report

OWING TO THE URGENCY OF THIS DECISION CALL-IN HAS BEEN DISAPPLIED

Committee	CABINET
Date	TUESDAY, 21 AUGUST 2012
Title	APPOINTMENT OF HIGHWAYS PFI SERVICE PROVIDER
Report of	THE LEADER OF THE COUNCIL AND CABINET MEMBER FOR RESOURCES AND CABINET MEMBER FOR HIGHWAYS, TRANSPORT AND WASTE

EXECUTIVE SUMMARY

1. This report asks the Cabinet to:
 - Authorise the entry into the 25 year Contract for the delivery of the Isle of Wight Council Highways PFI Project;
 - Authorise the execution of Project Documents to which the Isle of Wight Council is a party;
 - Approve the Isle of Wight Council’s funding commitment to the 25 year Highways PFI Contract;
 - Delegate the authority to the Highways PFI Programme Director to finalise the Contract Documentation, where applicable in consultation with the Project Sponsor and the Cabinet Member for Highways, Transport & Waste;
 - Delegate the authority to the Highways PFI Programme Director to execute the “swap rate” call at Financial Close on behalf of the Council; and
 - Disapply call-in due to the urgency of entering into the Contract by the end of August as set out in paragraph 56 of this report.
2. This report also asks the Cabinet to seek an endorsement from Full Council for this decision, given its significance to the future of the Island and the requirement to commit the Council to 25 years of funding.
3. Furthermore, this report provides a progress update since the Cabinet’s approval of the appointment of the Preferred Bidder and the Final Business Case (FBC) in May 2012 and sets out the process for reaching Financial Close and Contract signature.

CONFIDENTIAL / EXEMPT ITEMS

4. The Final Business Case (FBC) and its associated appendices, approved by the Cabinet in May 2012, contained commercially confidential information. A version of the FBC with those commercial in confidence items redacted was published with the Cabinet report in May 2012.

BACKGROUND

5. The May 2012 report provided detailed background to the historical development of this Project. The Project will be funded by a Department for Transport (DfT) grant to the Council (this is not a loan and therefore does not have to be repaid) and the Council's own contributions. The PFI grant will be new and additional money to the Council and represents a five to six fold increase over the current Highways Capital Maintenance grant arrangements. In addition, the Council will continue to receive the Integrated Transport (IT) grant annually, to address future safety schemes.
6. The DfT grant of £260m Net Present Value or NPV (equivalent to £487m in cash terms) will be paid in accordance with the following profile:
 - £15.3m (2013/14);
 - £17.2m (2014/15);
 - £19.0m (2015/16);
 - £19.85m per annum (2016/17 up to 2038).

The above contribution is subject to the final agreed financial model at Financial Close. The grant will be revised to reflect any movements in the rate used to convert a flexible borrowing rate to a fixed borrowing rate (known as the "swap" rate) from that approved at the Outline Business Case (OBC) stage. This rate is obtained from the "swap markets" on the day of the Financial Close; the DfT will take the entire benefit from any swap rate reduction in the financial markets and the grant will be adjusted accordingly; however, should the swap rates increase beyond the OBC approval figures, then grant support will be limited to the grant profile set out above. This will result in the Council funding the gap resulting from any swap rate increases.

7. The Council agreed in principle to make an annual contribution towards the Project, equivalent to the revenue cost of carrying out routine maintenance and operations. The Council currently carries out these duties as the Highway Authority and would still need to continue to deliver these services, either internally or through a service provider regardless of the Highways PFI Contract. However, the inclusion of the maintenance and operations along with the capital renewal of the highway network offers significant operational, contractual and cost efficiencies leading to a much more cost effective contract.
8. Based on Vinci Concessions' bid, the Council's contribution is now expected to be £7.3m per annum at 2013 prices (taking account of potential impact of swap rate benefit adjustments), index linked annually by the Retail Price Index excluding mortgages (RPIx). The final contribution from the Council will be determined at Financial Close, when the rate for fixing long term "swap" rates will be determined (see paragraph 6 above). An update will be provided to the Cabinet at the meeting.
9. The scope of the Project was outlined in the May 2012 Cabinet report (paragraphs 17 to 19) and has broadly remained unchanged since the OBC submission in December 2009.

THE NEED FOR THE HIGHWAYS PFI PROJECT

10. The Island's highway network has suffered from years of less than required levels of investment and, as a consequence, the condition of the roads and footways has reached a

level where weight and width restrictions are now becoming a regular feature. The Island-wide customer survey indicates that the state of the roads is now the biggest concern for the residents and visitors. The need to refurbish the Island's highway network is therefore overwhelming and this can only be successfully achieved through the significant investment provided by the Project. This need was also highlighted in a recent survey by the GMB public services union which suggested that the Island's roads were the worst in the country.

11. The poor condition of the Island's highways, footways, street lighting and traffic signs has a negative impact on residents, visitors, and the local economy. Journey times are increased, emergency repair works cause congestion, ride quality is impaired, inward investment is discouraged, and the street scene and general ambience affects perceptions of the Island as a holiday destination.

STRATEGIC CONTEXT

12. The drivers for change for this Project stem from overarching national transport policies which are then interpreted at a local level. Local drivers for change are influenced by a range of plans and policies including the Isle of Wight Community Strategy, the Isle of Wight Economic Strategy, Island Plan Core Strategy, Local Transport Plan, AONB Management Plan and Shoreline Management Plan.
13. This Project is one of the Council's strategic priorities and forms part of the strategic reforms to increase the capability and capacity of the Island and improve its attractiveness for inward investment. The Island Transport Plan (i.e. the Local Transport Plan or LTP3) adopted in June 2011 clearly recognises the importance of maintaining and improving the highway network, and the Project is recognised as the most effective way to bring about much needed improvements to our highway network.
14. The Project is seen as the significant catalyst not just for improving the condition of the highway network, but also for creating a road construction and maintenance industry on the Island using local, natural and physical resources. These aims are fully embedded in Vinci Concessions' solutions, providing benefit to the Island economy both directly and indirectly through the supply chain.
15. Vinci Concessions have developed a Project that takes a holistic approach to the Island's sensitive environment by the re-use of materials, careful choice of public realm materials in Conservation Areas and specially designated rural areas such as Areas of Outstanding Natural Beauty (AONB). Vinci Concessions will build on the Council's own Strategic Environmental Assessment (SEA) and associated Habitat Regulations Assessments (HRA) to ensure that all Service Provider solutions meet environmental requirements.

CORE SERVICES

16. The Core Services included in the Vinci Concessions' Contract covers:
 - All assets on the highway between the fence lines on either side of the road,
 - The renewal of these assets to required standards within the first 7 years (known as the Core Investment Period (CIP));
 - Maintenance of the upgraded assets for the remaining 18 years (known as the Lifecycle maintenance);
 - Routine maintenance of the highway network (e.g. inspections and maintenance of bridges, retaining walls, carriageways and footpaths; grass cutting; hedge trimming;

gully cleansing; street furniture; traffic signals; CCTV; street cleansing; on and off-street car parking; monitoring of geotechnical instrumentation, street nameplates; road markings; highway trees); and

- Operation of the highway network (e.g. CCTV monitoring; operations of traffic signals; enforcement of action against highway infringements; allocation of road space to utilities; management of road space; operating street lighting ; operating Yar Bridge; winter gritting; snow clearance; dealing with road traffic accidents; highway development control; abandoned vehicles and graffiti removal; car parking ticketing machines; payments for energy; dealing with highway emergencies such as flooding; removal of animal carcasses from highway; assisting the Authority in managing special events; providing strategic assistance).

The details of the Core Services were fully described in the May 2012 Cabinet report. These services form part of the Service Provider delivery obligations set out in the Contract and are rewarded through a Unitary Charge payment mechanism defined within it.

NON CORE SERVICES

17. The Contract allows the Council to call off a range of services that are not covered by the Unitary Charge payment. They include design services, assistance during civil emergencies and the possibility of providing services outside the highway network, subject to such extensions not detracting from the primary purpose of this Project.

PROCUREMENT STRATEGY

18. The Council's procurement of the Project is governed by the Public Contracts Regulations 2006, under the Public Procurement Directive (2004/18/EC) and is defined as a "particularly complex contract". Hence the Competitive Dialogue (CD) process has been adopted. In line with the CD procurement process, the Preferred Bidder was appointed on 29 May 2012. The "standstill period" letters (commonly known as the Alcatel letters – please see paragraph 28 below) were issued to all bidders involved in this procurement and the standstill period ended on 30 July 2012. Therefore all of the procurement processes required to enter into this Contract have been completed.

THE SERVICE PROVIDER

19. Vinci Concessions were appointed as the Preferred Bidder in May 2012. During the Preferred Bidder stage, they sought approval to bring in Meridiam as their 50% equity partner. Following due diligence by the Project Team supported by our financial advisor PricewaterhouseCoopers (PwC), Meridiam have been approved as the equity partner to Vinci Concessions.
20. Vinci-Meridiam will now form a Special Purpose Vehicle (a company formed especially for the purposes of delivering this Project) which will be known as the Project Company. The registered name of the Project Company is Island Roads Services Limited. Subject to the approval of this report, the Council will enter into a Contract with Island Roads Services Limited, as the Service Provider to deliver the Isle of Wight Highways PFI Project.
21. The Service Provider, Island Roads Services Limited, will deliver the services through an Operating Company, sometimes known as the OpCo. The registered name of the OpCo is Ringway Island Roads Ltd, who will enter into a single subcontract with the Service Provider. Ringway Island Roads Ltd will be based on the Island delivering day to day services and will be known locally as "Island Roads".

DELEGATED DECISIONS

22. At the August 2009 and May 2012 Cabinet meetings, it was agreed that certain matters pertaining to the Project be delegated to the Highways PFI Project Board, the Project Sponsor (the Director of Economy & Environment) and the PFI Programme Director in consultation, where applicable, with the relevant Cabinet Member. Those matters that were delegated were set out in paragraphs 75 to 79 of the report to Cabinet in August 2009 (please see Appendix 1 to this report) and paragraphs 55 to 58 of the report to Cabinet in May 2012 (please see Appendix 2 to this report).
23. The Project Sponsor and the PFI Programme Director have consulted with the Cabinet Member for Highways, Transport, & Waste, the Chief Executive, the Statutory Monitoring Officer and the Director of Resources (the Statutory Section 151 officer) and confirm the readiness to execute this Contract, subject to finalising the Contract Documents. The Project Board and the Member Review Board support the decision to enter into contract with the nominated Service Provider.
24. It is recommended that the Cabinet agrees to delegate authority to the Highways PFI Programme Director to:
 - a) finalise the Contract Documentation, where applicable in consultation with the Project Sponsor and the Cabinet Member for Highways, Transport & Waste; and
 - b) execute the “swap rate” call at Financial Close on behalf of the Council.
25. In accordance with Article 15, paragraph 5, of the Council’s Constitution version 5.9 dated June 2012, the Deputy Director of Resources (Corporate Governance) and Monitoring Officer have authorised the following three named officers to execute this Contract under seal (and any other Project Documents which the Isle of Wight Council is a party to):
 - a. Steve Beynon – the Chief Executive;
 - b. Stuart Love – Strategic Director of Economy & Environment;
 - c. Jay Jayasundara – PFI Programme Director,

CONDITIONS FOR ENTERING INTO THE CONTRACT

26. The Cabinet approved the appointment of Vinci Concessions as the Preferred Bidder and during the Preferred Bidder stage, Meridiam have joined Vinci Concessions as an equity partner to become Vinci-Meridiam.
27. The Final Business Case (FBC) was submitted to the DfT and HM Treasury following the Cabinet approval on 29 May 2012. The FBC has now been approved by the DfT and HM Treasury and a draft copy of the letter of approval is attached at Appendix 3 to this report. The approval, in the form of promissory note will be formally issued once the Cabinet has approved this report and authorised entering into the Isle of Wight Highways PFI Contract with the Service Provider, Island Roads Services Limited.
28. The Council has an obligation to observe a mandated “standstill” period of 10 calendar days following the notification of an award decision for a contract tendered via the Official Journal of the European Union (OJEU) before the Contract can be signed. The “standstill” period is sometimes known as the “Alcatel” period following a judgement of the European Court of Justice (ECJ) in the “Alcatel case” when the ECJ decided that contracting authorities should allow a period of time to elapse between decision and signing in order to give unsuccessful

bidders a chance to seek remedies if they were dissatisfied with the procurement process. Accordingly, Alcatel letters were issued to the three bidders involved in the procurement of this contract and the standstill period expired on 30 July 2012. No claims have been made against the Council in relation to the Highways PFI procurement during the standstill period.

29. The Director of Resources and Section 151 Officer has considered the Council contribution over the 25 years and the impact of inflation over that period. This was reported in the May 2012 Cabinet report, paragraph 76. The Section 151 Officer has confirmed that the Project is affordable and due allowances will be made to take account of potential inflation in the Council's future year budgets. The Section 151 Officer's confirmation of Council funding formed part of the FBC submission to the DfT and HM Treasury.
30. The Council has fulfilled all required procedures and is now finalising the Contract Documents (please see paragraph 24) ready to enter into the Contract with the Island Roads Services Limited.

LEGAL IMPLICATIONS - THE CONTRACT

31. The Council, as Highway and Street Lighting Authority for the Island, has numerous powers and duties under the Highways Act 1980 to carry out maintenance, improvement and repair work. None of the arrangements with the Island Roads Services Limited would relieve the Council of those powers and duties.
32. Subject to approval of the recommendations set out in paragraph 54 of this report, the Council will enter into the Contract with the Island Roads Services Limited under the Local Government (Contracts) Act 1997, for a term of 25 years. The Council is able to delegate the majority of its statutory functions under this Act. Those functions that cannot be delegated will be contracted out under the Deregulation and Contracting Out Act 1994. The Council's functions and responsibilities as the Traffic Management Authority under the Traffic Management Act 2004, including the operation of permit and lane rental schemes and the linked functions and responsibilities under the New Roads and Street Works Act 1991 of co-ordination of works in the highway, will remain with the Council, with appropriate delegation to the Service Provider to undertake duties defined within the Project scope.
33. Any claims against the Council as the Highway or the Street Lighting Authority, even if they relate to matters within the proposed Contract, will still remain the ultimate responsibility of the Council. The Service Provider will, however, provide an indemnity to the Council against such claims in so far as they relate to the services to be delivered under the Contract.
34. In addition to the main Contract, a number of other contractual arrangements will be put into place, including direct agreements with lenders and sub-contractors, pensions agreements and property transfer agreements. The Council intends the Contract and the funders' direct agreement to be certified contracts for the purposes of section 3 of the Local Government (Contracts) Act 1997.

EQUALITY AND DIVERSITY

35. The Council must have due regard to the Equality Duty as part of the decision-making process. This means that the Council must try to eliminate unlawful discrimination, advance equality of opportunity and foster good relations between those with and those without protected characteristics for example age, disability or race. The Council is therefore required to consider the impact of their services, policies / strategies and decisions with regard to the nine protected characteristics cited in the Equality Act 2010.

36. The Highways PFI Contract procurement followed these procedures and assessed these against the Council's diversity policies. The procurement procedures took account of the requirements of the Equality Act Public Sector Duties and all aspects of these requirements formed part of the selection processes. The planned service delivery requirements promote equality and diversity, not only to ensure that the decisions we take and the service we provide meet legal compliance, but also meet and enhance the needs of our diverse local community.
37. As part of the procurement process, we have paid particular attention to ensuring community involvement. The Project Team held a number of public "road shows" including at schools and colleges, creating awareness of the Project. The procurement process also encouraged training opportunities for residents and has focused on ensuring that benefits can be attained by this Contract for the whole community. One of the many strands of this is a graduate sponsorship / bursary programme that has already been implemented.
38. The Equality Impact Assessment (EIA) has now been refreshed (see Appendix 5 to this report) to reflect all conscious decisions taken during procurement to ensure equality and diversity at all stages of the procurement process. The evidence from the procurement process provides the Council with a high degree of confidence that it is meeting the Equality Act statutory duties. In addition, the EIA confirms the obligations placed on the Service Provider to report on their compliance with the Equality Act 2010.

HUMAN RESOURCE IMPLICATIONS

39. It is estimated that some 65 staff, predominantly from the Council's Highways and Transport department, will transfer to the Operating Company in accordance with the Transfer of Undertaking (Protection of Employment) Regulations 2006 (TUPE). The TUPE consultation with the Trade Union, staff representatives and staff commenced immediately after the appointment of the Preferred Bidder, who has held a series of one to one meetings with affected staff. Consultation will continue throughout the mobilisation period until the date of transfer.

SECTION 17 CRIME AND DISORDER ACT 1998

40. Under Section 17 of the Crime and Disorder Act 1998, the Council must exercise its various functions with due regard to the likely effect on, and the need to do all that it reasonably can to prevent, crime and disorder in its area (including anti-social and other behaviour adversely affecting the local environment).
41. A well-maintained street scene including the upgrading of street lighting will help to make everyone feel safer, particularly the elderly and the vulnerable. It will also give residents a clear signal that the area in which they live is important and well cared for, giving a message of reassurance and dispelling feelings of social exclusion. The upgrading of the street lighting to a LED based solution will be completed within the first three years of the Contract.

PROPERTY IMPLICATIONS

42. The Council will transfer the depots at Stag Lane and Smallbrook to the Service Provider, and the necessary lease transfers will be executed at the same time as the main Contract. The depot leases will be terminated at the end of the Contract and the depots returned to the Council.

43. The Service Provider will procure a main depot at Daish Way, Newport that is of adequate size to deliver this Contract. The depot will also accommodate the Service Provider, the Council's Contract Management Team for the Highways PFI (along with that required for the Waste Project), a Visitor Centre for Highway PFI Project (to deal with related enquiries from members of the public) and the Central Control Room. The operational part of this depot which contains the above operations (approximately one hectare) will revert back to the Council at the end of the Contract.

OPTIONS

44. The Project considered eight different scheme options and the Contract has been developed around the preferred option described in Section 3 of the FBC. The Vinci Concessions solution has been assessed in line with the DfT's Economic Assessment guidance and found to offer 6.7 times more benefit than the original investment and is 12.5% more cost advantageous (value for money) in comparison to the Council delivering this Project using a non-PFI, traditional procurement route.

FINANCIAL / BUDGET IMPLICATIONS

45. The Council's contribution, combined with the DfT grant, will be used to make the Unitary Charge (UC) payments to the Service Provider. The UC will start at 70% of the full UC in year one and step up in a series of 14 steps during the CIP to the full 100% at the end of year seven of the Contract. Following approval from HM Treasury, the Council will also be making additional capital contributions during the CIP against achieving specific project milestones. The capital contributions will be made from the early reserves created from the DfT grant and the Council's annual contribution; this has the effect of lowering the Service Provider's borrowing requirements and hence further improving the value for money of the Contract.
46. The Council contribution will be fixed for the duration of the Contract, except for indexation by RPIx to take account of annual inflation, provided the scope remains unaltered and the Project Network remains the same for the 25 years. Where changes to the Project Network take place during the Contract, mechanisms have been built in to the Contract to revise the UC to reflect the new scope/Project Network
47. Annual inflation has a much wider potential impact on the Council's budgets and affects all parts of Council services. However, the pricing of the Highways PFI Contract is fixed for 25 years and the Project Team have carried out a number of inflation scenarios and discussed the impact with the Director of Resources, the Section 151 Officer. As set out in paragraph 29, the Section 151 Officer has confirmed that the Project is affordable and due allowances will be made to take account of potential inflation in the Council's future year budgets.

THE FINAL BUSINESS CASE (FBC) APPROVAL

48. The Council submitted a series of business cases to the DfT and HM Treasury for approval. These are detailed documents with a large number of technical, legal and financial annexures to provide a detailed and robust case for investment, including the affordability of the Project. The final stage of the approval process was submitted in the form of the Final Business Case (FBC) on 29 May 2012.
49. The FBC has now been approved by both the DfT and HM Treasury. In addition, HM Treasury's Infrastructure UK (IUK) division has approved all of the specific approvals required for this Project including the benefit share arrangements following any share sales by the Service Provider.

50. A copy of the draft FBC approval letter from the DfT is attached at Appendix 3 to this report; the final letter from the DfT will be issued once this decision is made.

RISK MANAGEMENT

51. A risk management methodology was agreed for the Project based on the Council's Risk Management Policy; this methodology is detailed in Section 6 of the FBC. A number of risk workshops were held throughout the procurement phase of the Project which identified and assessed all the key risks for which risk mitigation plans needed to be in place. The Risk Register is reviewed regularly at Project Team, Project Board and Member Review Board meetings. The full Risk Register is included in Section 6 of the FBC.
52. The Project Team developed a Shadow Bid model, which was used to benchmark bidders' pricing. This provided the Project Team with necessary insight and helped to negotiate a fair contract with the Preferred Bidder with appropriate levels of risk transfer.
53. The Project Team have identified a number of longer term risks that would need to be managed during the life of the Contract.
 - a. Inflation Risk: the financial modelling for this Project is based on the HM Treasury requirement for inflation to be modelled at 2.5% per annum, as an average rate of inflation for the period of the Contract. The impact of inflation rising above this baseline position by 1% would be an additional contribution of approximately £168,000 in year eight, at the end of the CIP. However, the Council will need to find this additional resource, regardless of this Project, as inflation is a global risk and not a Project-based risk. The more prudent approach to managing future inflation risk for the Council is to ensure that inflation costs are provided for in the in-year budgets and not allowed to have a cumulative impact towards the end of the Project.
 - b. Additions to the Contract: The Highways PFI Contract is a fixed price contract, subject only to inflation indexation, provided the Project scope and quantum remain the same throughout the contract period. However, it is likely that any future increase in the network resulting from adoptions of private developer schemes will increase the Service Provider's maintenance liability. The cost of adding a typical 1 km length of carriageway to the network is approximately £17,000 to £20,000 per annum at current costs, depending on the type and density of various assets (e.g. lighting, drainage gullies, bus stops, benches, street cleansing, footways etc). The Council needs to make adequate provision for this cost, either through developer contributions or from its own resources, before future adoptions are accepted to form part of the Project Network. The Project Team have tried to mitigate this risk by including all known potential schemes that are likely to be adopted up to 2015; hence, the costs of accruing these developer schemes are already included in the Contract costs.
 - c. Changes to the scope of the Contract: The Contract has provisions that would allow the Council to vary the scope of the Project in the future. However, this will carry significant risk to the Council; any reduction to the scope will result in loss of income to the Service Provider, who has already borrowed monies to provide the services defined in the Contract. The Council is therefore unlikely to realise the full benefit of cost reduction resulting from such changes to scope.
 - d. Material Damage to the Project Network: The Council currently does not insure the Project Network against material damage; most of the damage that has happened historically is due to third party incidents and these are recovered from third party

insurance. However, if a major incident occurs either now, or during this Contract, that is not caused by a third party, then the Council would need to either fund the cost of rectification, seek an additional one-off special grant from the DfT or de-accrue (remove and stop-off) that section from the Project Network. Typical events would be damage to the highway network from coastal erosion or major geotechnical or geological events outside the highway that affect the integrity of the highway. Under this Contract, the status quo is maintained, except for a small benefit to the Council, where the SP will contribute £25,000 towards the rectification cost, for each and every incident.

- e. Latent Defects: The Council has carried out a series of surveys to produce a comprehensive asset inventory and current condition record. The Preferred Bidder has carried out his own due-diligence to validate the quantum and quality of assets. However, for bridges and retaining walls, any built-in defects or any unknown phenomena (i.e. potential internal chemical reaction, not known in the construction industry so far) could potentially result in a defect in the future. This is known as “latent defect” and all defects that are visible or expected because of industry knowledge are defined as “patent defects”. At present any defect resulting in the condition of the structure, whether it is patent or latent, is a Council liability. However, under this Contract, the Service Provider will be liable for the first £1.25m of damage (cumulative cap for the entire duration) caused by latent defects and the Council will need to find any additional costs resulting from any latent defect.
- f. Future changes to Highway Standards and/or legislation: Any future changes in legislation and Highway Standards will have an impact on this Contract. The Council will have some ability to manage this risk by only implementing those changes that are mandated. Where the changes are discretionary or subject to a risk assessment, alternative risk management approaches could be implemented without incurring any additional costs (e.g. by reducing speed). The Service Provider’s bid includes acceptance of limited risk towards future changes in legislation. The Service Provider has also accepted a risk cap of £0.5m for the entire Contract period.
- g. Contract Management Risk: The Contract Management Team appointments have been made from the Project’s Procurement Team to ensure the knowledge of the Contract is retained for the contract management phase. The Council has now appointed the “Contract Manager” and the Programme Director will now be able to build the Contract Management Team as part of the transition from procurement to contract management phase.

RECOMMENDATION

54. It is recommended that the Cabinet:

- Authorise the entry into the 25 year Contract for the delivery of the Isle of Wight Council Highways PFI Project;
- Authorise the execution of Project Documents to which the Isle of Wight Council is a party;
- Approve the Isle of Wight Council's funding commitment to the 25 year Highways PFI Contract;
- Delegate the authority to the Highways PFI Programme Director to finalise the Contract Documentation, where applicable in consultation with the Project Sponsor and the Cabinet Member for Highways, Transport & Waste;
- Delegate the authority to the Highways PFI Programme Director to execute the "swap rate" call at Financial Close on behalf of the Council; and
- Disapply call-in due to the urgency of entering into the Contract by the end of August as set out in paragraph 56 of this report.

55. This report also asks the Cabinet to seek an endorsement from Full Council for this decision, given its significance to the future of the Island and the requirement to commit to 25 years of funding

CALL-IN

56. Call-in for these decisions will be disappplied, as highlighted at the beginning of this report. This is due to the urgency of entering into the Contract before the end of August until when the financial terms offered by the Preferred Bidder are held. Any delay in signing the Contract will result in the need to refresh the lending terms offered by the Preferred Bidder which could result in increasing the cost of the Project. This approach has been endorsed by the Chair of the Overview and Scrutiny Panel, Cllr Vanessa Churchman.

APPENDICES ATTACHED

[Appendix 1](#) – Cabinet Report August 2009

[Appendix 2](#) – Cabinet Report May 2012

[Appendix 3](#) – Draft Final Business Case approval letter

[Appendix 4](#) – Glossary of Terms

[Appendix 5](#) – PFI Equality Impact Assessment - July 2012

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