

Sustainable Development Select Committee		
Title	PFI ~ Street lighting contract	
Contributor	Ian Ransom (Transport Service Group Manager)	Item. 8
Class	Part 1 (open)	12 March 2014

1. Summary

The purpose of this report is to present the Select Committee with an update on the progress of the Street Lighting PFI Contract. It advises the Committee of the progress of the Core Investment Programme (CIP) and the overall performance of the Service Provider from August 2011 (service commencement) up to January 2014.

2. Recommendations

The Committee is recommended to:

- note the content of the report.
- direct questions to officers at the meeting on 12 March.

3. Policy context

- 3.1 *Shaping our future*, Lewisham's Sustainable Community Strategy for 2008-2020, sets out a vision for Lewisham;-
 'Together, we will make Lewisham the best place in London to live, work and learn'

Shaping our future includes the priority outcomes:-

Safer – where people feel safe and live free from crime, antisocial behaviour and abuse

Clean, green and liveable – where people live in high quality housing and can care for and enjoy their environment.

- 3.2 In addition, the Council has ten corporate priorities which support delivery of the Sustainable Community Strategy. The partnership with Croydon Council through a private finance initiative (PFI) to replace the majority of lamp columns within the two borough and provide a response repair service, contributes to the achievement of three of the Council's corporate priorities:-
- **Clean, green and liveable** – environmental management, cleanliness and care for roads, pavements and a sustainable environment.
 - **Safety, security and a visible presence** – partnership working with the police and others to further reduce crime levels, and using Council powers to combat anti-social behaviour.
 - **Inspiring efficiency, effectiveness and equity** – ensuring efficiency, effectiveness and equity in the delivery of excellent services to meet the needs of the community.

4. Background

4.1 The Output Specification for this contract defines both councils' (Lewisham and Croydon) requirements for the Service that the Service Provider shall provide pursuant to this Contract. The Performance Standards within specify the required outcome, service delivery, performance requirements and measurement criteria in respect of each part of the Service.

4.2 The Service Provider shall perform the service in accordance with the following Performance Standards:

Investment Programmes

4.3 The Service Provider shall design and install new apparatus during the five year CIP across both councils to the current relevant standards. The following table illustrates the Milestones for achieving this and progress to date.

Milestone	Milestone Completion Date	Total Lighting Points removed (target)	Total Lighting Points removed (actual)
1	6 months after planned service commencement date (Jan 12)	207	306
2	12 months after planned service commencement date (July 12)	3,107	1865
3	18 months after planned service commencement date (Jan 13)	7,148	4977
4	24 months after planned service commencement date (July 13)	12,009	8769
5	30 months after planned service commencement date (January 2014)	16,885	10884
6	36 months after planned service commencement date	22,915	
7	42 months after planned service commencement date	28,940	
8	48 months after planned service commencement date	34,316	
9	54 months after planned service commencement date	39,683	
10	60 months after planned service commencement date (July 2016)	46,665	

- 4.4 The Service Provider has failed to achieve Milestones, 2, 3 4 and 5. Should the Service Provider identify they would be unable to achieve a Milestone they can submit a request for relief against achieving said Milestone in accordance with Clause 21(Relief Events, Compensation Events and Excusing Causes). A Relief Event was submitted for each of the failed Milestones by the Service Provider and following an internal review, was granted for Milestone 2 and 4, but was not granted for Milestone 3. Milestone 5 is still being considered. The Service Providers failure to meet its obligations under PS1 with respect to Milestone 3 completion and therefore a Milestone Default Termination Point has been issued. This has subsequently fallen away as the Milestone was achieved in June 2013.
- 4.5 To date the total number of new assets issued for construction is 17,580 of which 13,468 units installed.
- 4.6 As a result of the challenges faced by the Service Provider in delivering the Core Investment Programme, the council put in place an "All Parties" working group to focus on the challenges with the connections of the new assets. As a result the Service Provider was charged with the development of an improvement plan focusing on recovering the slippage to the programme.
- 4.7 The concern for all parties has been the time taken to connect the new street lights to the "Triple Concentric" UKPN cable, this cable has been identified in two thirds of the borough of Croydon. To work on this cable UKPN need to carry out a controlled shutdown which also affects household supplies. The shutdown period is limited to minimise the disruption to household supplies and therefore limits jointing works completed each day and also has a serious effect on the jointing output impacting on Skanska's ability to achieve the Milestone targets. UKPN and the Service Provider are looking into other avenues to improve performance of which the Authority is closely monitoring the performance of both parties.
- 4.8 The improvement plan has been operational for nine months, however the Service Provider is struggling to achieve their recovery target and as of 31 January have under achieved by 1970 lighting point removals. The improvement plan now suggests that the CIP will be achieved nine months late, April 2017 as opposed to July 2016, however this does assume that the remainder of the programme is delivered as to the improvement plan.
- 4.9 The improvement plan outlines the steps being taken to recover the programme and is reviewed monthly. A number of steps such as pulling the core investment programme forward within Croydon for wards in years 4 & 5 where the triple concentric main is not present such as Coulsdon East and Coulsdon West. Skanska obtaining Independent Connections Provider "ICP" status, the success of this is fundamental to the Project being able to achieve our mitigation programme and reduce delays. Skanska are working with the Authority and UKPN in order to find a way of getting the Asset Owner Agreements signed to allow Skanska jointers to be able to carry out Contestable work.
- 4.10 There have been frequent joint high level meetings carried which have included Skanska, SPV, UKPN, Authority Executive Director and Key Stakeholders to discuss all on-going issues and how best to resolve these.

4.11 The service provider has continued to engage with UKPN at senior officer level of which written confirmation and agreements are now in place to reflect the deployment of crews:

4.12 In terms of the contract monitoring progress is measured across both Authorities and there is a significant slippage in the investment programme. However, when the two boroughs are separated the current position within Lewisham is better than that of Croydon, 36% of the investment programme is within Lewisham, therefore prorata at the end of January Lewisham should have expected to have seen 6079 lamp columns removed, the removal currently stands at 5547, which indicates that the programme is slightly behind by 532 columns, or three months in terms of current productivity, which suggests that Lewisham programme will be delivered by October 2015, as opposed to August 2015, but within the overall time frame for both authorities

4.13 The Service Provider is now in year three of the programme progress on a ward by ward basis is detailed below.

	Ward	Completed
LEWISHAM Year 1	Bellingham :	94%
	Catford South :	98%
	Perry Vale	96%
Year 1 Combined		96%
LEWISHAM Year 2	Forest Hill	72%
	Blackheath	37%
	Grove Park	84%
	Sydenham	76%
	Crofton Park	67%
Year 2 Combined		67%
Lewisham Year 3	Ladywell	14%
	Lee Green	10%
	Rushey Green	7%
	Lewisham Central	1%
	Brockley	27%
Year 3 Combined		12%

Planned Maintenance, Inspection and Testing

- 4.14 This Performance Standard covers planned maintenance, inspection and testing of street lighting equipment. Routine scouting of street lights is undertaken and the performance is measured over a four-month period. The current performance target for “lights in light” is 99% which is calculated over a four month period, the Service Provider has performed well over the last 16 months to achieve the accumulative target, which currently stand at 99.12%.

Operational Responsiveness and Reactive Maintenance:

- 4.15 This Performance Standard covers the operational responsiveness of the Service Provider to attend to faults within the relevant rectification period as illustrated in the tables below.
- 4.16 The tables below illustrate the performance for emergency and non – emergency faults in and out of time for the period of August 2013 – January 2014

Fault Type	Number of occasions					
	In time					
	Aug 2013	Sept 2013	Oct 2013	Nov 2013	Dec 2013	Jan 2014
Emergency faults	96	123	165	172	168	185
Non-Emergency Faults	1192	1492	1618	1918	1754	2960

Fault Type	Number of occasions					
	Out of time					
	Aug 2013	Sept 2013	Oct 2013	Nov 2013	Dec 2013	Jan 2014
Emergency faults	0	0	0	4	2	0
Non-Emergency Faults	24	12	56	20	84	61

- 4.17 Overall this performance has improved although recent figures have increased over the last few months due to snagging items not being completed within the 20 Day window, for which financial adjustments have been implemented.

Contract Management and Customer Interface:

- 4.18 The Service Provider shall for the Service Period provide a customer care and contract management service in accordance with this Performance Standard that includes the development, operation and maintenance of a Management

Information System (MIS) and Customer Care System (CCS).

4.19 Below table shows telephone calls receive by call centre and emergency phone line between August 2013 and January 2014, of which the target is 95% of all calls being answered within 25 seconds.

Aug 2013	Sept 2013	Oct 2013	Nov 2013	Dec 2013	Jan 2014	Prescribed response period
1172	1224	2437	1469	1266	1724	= # calls received by call centre / emergency phone line
1006	1052	2271	1251	943	1494	= # answered by a trained call agent within 25 seconds
85.84%	85.95%	88.45%	85.16%	74.49%	86.66%	= % answered by a trained call agent within 25 seconds

4.20 This performance measurement had been poor. As a result the Service Provider customer contact centre has moved from an external provider to an internal provider, this change occurred last week of February so an improvement is expected in March figures.

Strategic Assistance and Reporting;

4.21 The Service Provider shall provide relevant, accurate and timely information to the Councils on its performance in relation to the services in Monthly Service Reports and Annual Service Reports to ensure that the strategic assistance and reporting procedures adopted for delivery of the Service:

- (i) enable the Councils to properly monitor the Service and have sufficient data and information to assess accurately what Adjustments, (if any) to the Unitary Charge should be made;
- (ii) allow the Councils to demonstrate that it is achieving its Best Value Duty and continuous improvement in the delivery of the Service; and
- (iii) allow the Councils to regularly review the Service to determine whether it meets current and future needs, consult with users and other stakeholders and benchmark performance against other service providers.

4.22 Monthly monitoring and monthly payment reports are combined to reduce the administration burden for the councils and are provided by the fifth business day of the month following the month for which the report relates.

Working Practices

- 4.23 Performance Standard 6 requires the Service Provider to ensure it operates the day-to-day working practices correctly and safely. Categories of the faults relating to these practices are detailed below:

Fault Type		No. of faults Aug 13	No. of faults Sept 13	No. of faults Oct 13	No. of faults Nov 13	No. of faults Dec 13	No. of faults Jan 13
Urgent service faults	Any Service Failure that: (a) poses a material risk to life; or (b) poses a material risk of damage to person and/or property; or poses a material risk of significant financial loss and/or disruption to the Authority.	0	0	0	0	0	0
Serious service faults	Any Service Failure that is such that it may develop into an Urgent Service Failure if not rectified or attended to in accordance with Good Industry Practice.	0	1	0	1	0	0
Routine service faults	Any Service Failure that is not immediately detrimental or likely to lead to a Serious Service Failure or an Urgent Service Failure, but that, if not rectified or attended to in accordance with Good Industry Practice, may adversely impact on the Service and / or the Authority's reputation and / or the Service Provider's reputation.	215	315	55	80	25	45

N.B Routine service faults: This is taken from the schedule of service failures, where each item is given a points score. For example, work being undertaken without a permit (LoPS) is given 5 points.

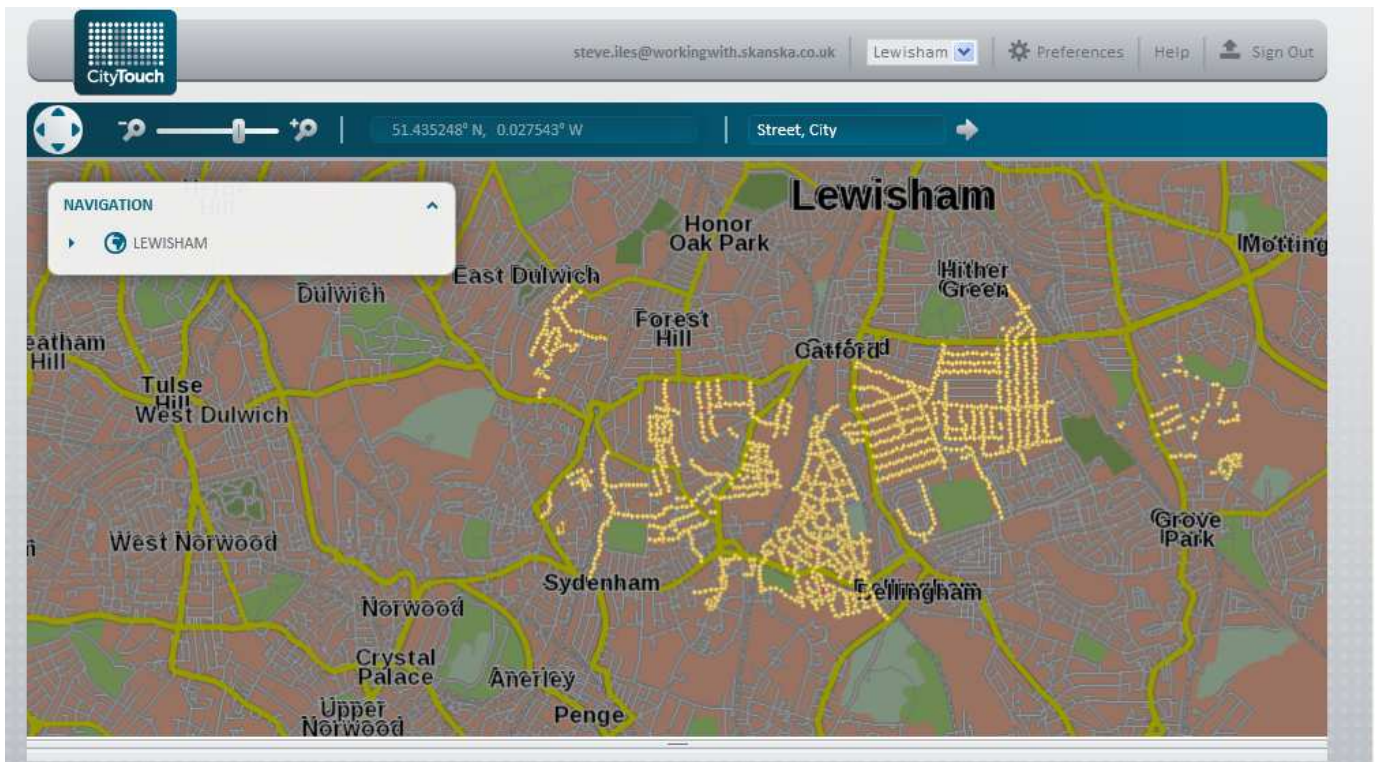
- 4.24 The authority and the service provider have agreed the table to appendix 21, of which any future failures with regards to working practices will be added accordingly.

Reporting to the Authority:

- 4.25 In order for the Councils to monitor the performance of the Service Provider and to ensure appropriate Monthly Payments are made under the Contract, the Service Provider shall provide accurate and complete reporting to the Councils on how the Service Provider is complying with the requirements of the Output Specification

Central Management System

- 4.26 When this contract was awarded both councils opted for a Central Management System (CMS) to be installed to all street lights as part of a “mandatory variant solution”. In technical terms the key difference between the mandatory variant solutions and standard Solutions is that the mandatory variant solution enables lights to be dimmed, or brightened, flexibly, whereas in the standard solution lights will only come on and off at fixed ambient light levels. The advantage of the mandatory variant solutions is its flexibility, and the opportunity that it affords to cut energy consumption and therefore costs or otherwise to respond to policy considerations.
- 4.27 Once the Independent Certifier issues the Certificate of Compliance for the new street lighting on a street by street basis the Service Provider shall ensure that all Replacement CIP Apparatus is connected to and operating on the Central Management System.
- 4.28 At the present time across both boroughs there are 10571 street lighting columns connected to the CMS.
- 4.29 Both authorities have requested to see the dimming of the street lights to see the difference in lighting levels and to assess the potential energy savings if carried out in the near future. A street lighting policy has been developed of which waiting for adoption by each authority



5. Financial implications

5.1 There are no specific financial implications arising from this report. The overall PFI contract is in the region of £10.2m for 13/14. This figure includes the unitary charge, electrical costs and clienting. Of this sum approx £7.7m relates to the unitary charge. These figures are subject to some adjustment for indexation. The £10.2m is funded by £5.6m from the Councils and £6m PFI grant. The excess of funding over the costs is held in a sinking fund. This is mainly because PFI grant is received on a straight line basis each year (i.e. same amount each year) so some needs to be set aside in earlier years to counter the effects of the inflation that will be applied to the contract over its duration.

5.2 The £5.6m funded by the Councils is split between Lewisham (36%) and Croydon (64%). The budget to pay Lewisham's share for street lighting is within the Transport service of the Regeneration & Asset Management Division and amounts to £2.041m net. The budget covers the unitary charge, the electric costs of the street lights and is offset by income from Lewisham Homes and other registered social landlords. The contract contains a number of performance measures as set out in the report with any poor performance arising subject to financial deductions. These feed into an annual reconciliation of the amounts held in the sinking fund and affect contributions into the fund.

6. Legal Implications

6.1 The Streetlighting Project Agreement was entered into between the London Boroughs of Croydon and Lewisham and Croydon and Lewisham Lighting Services Limited which was the special purpose vehicle set up by Skanska Construction UK Ltd and John Laing Limited. This Agreement which is in

standard form approved by the Department of Transport seeks to pass the risk of the construction works leading to the installation of the new columns and all other apparatus relating to streetlighting and the maintenance of the columns to the contractor for a period of 25 years.

- 6.2 The Contract details the investment programme for the construction phase and milestone completion dates setting out the total number of columns and apparatus which have to be installed over a 60 month period.
- 6.3 As with all PFI Project Agreements, there is a performance regime and a payment mechanism relating to this performance which enables the Councils to deduct monies for the failure by the contractor to deliver the services to time or standard.
- 6.4 During the Core Investment Programme Period the contractor has to undertake maintenance works to the existing stock which is not being replaced and to monitor the lighting in both boroughs. The payment mechanism provides for a fixed annual payment table in monthly instalments to cover these services. There is an uplift to reflect the progress of the Core Investment Programme and the new apparatus which is installed.
- 6.5 An independent certifier issues a milestone certificate on the date that the contractor completes each milestone. If it fails to achieve a milestone then a Milestone Default Termination Point accrues which is cancelled once that milestone is achieved. If the final milestone remains uncompleted then further milestones default determination points accrue at a rate of 1 every 180 days. If 3 or more of these termination points accrue then the Authority may terminate the Project Agreement.
- 6.6 The Project Agreement sets out the standard of service which must comply with Good Industry Practice, the provisions of the specification and the method statements. Each month, the contractor must submit an invoice with back-up information and this together with the monitoring information by the Authorities monitoring officers will determine what deductions should be made each month.
- 6.7 The contractor has to comply with all health and safety and highways legislation and guidance and deductions apply where it has breached legislation.
- 6.8 As is indicated in the report, the contractor is entitled to relief from deductions where it is unable to comply with its obligations under the contract through no fault of its own. It can also receive compensation if it can prove that it has incurred costs or loss of revenue. If the contractor is given relief for an event outside its control such as a failure by a network operator, it can be given an extension of time to continue the works/services.
 - a. The Agreement also provides for how electricity costs are treated. The contractor takes the consumption risk and the Authority pricing risk.
 - b. The Project Agreement also contains provisions relating to change. If the Councils make changes to the Investment Programme then it is the Council proposing the change which pays for the contractors costs in implementing it.

- c. The Councils can terminate the Agreement where the contractor is in material breach or is in persistent breach, has become insolvent, accrued 3 or more service default termination points as set out above or where the service level is less or equal to the target level set out in the Agreement.
 - d. As this is a PFI and there is a senior lender from whom the contractor has borrowed money to underwrite the initial cost of the work, termination of the Project Agreement is subject to the rights of the senior lender to find a replacement contractor unless this cannot be achieved through payment of any debt outstanding.
- 6.9 Agreement was put in place to set out the joint arrangements for the management of the joint street lighting PFI Project . It details the functions of the Joint Committee, its constitution and decision making powers.
- 6.10 They also entered into a Co-operation Agreement sets out the detailed arrangements relating to operation matters including how any disputes between the constituent authorities are to be settled and budget provisions to cover the management costs of the Project.
- 6.11 It is the function of the Joint Committee to monitor the operational performance of the Service Provider and to receive reports from the Management Board consisting of two representatives of each constituent authority as to the Service Provider's performance over the last quarter.

7. Equalities Implications

- 7.1 The Council's Comprehensive Equality Scheme for 2012-16 provides an overarching framework and focus for the Council's work on equalities and helps ensure compliance with the Equality Act 2010.
- 7.2 The outcomes of the PFI designed to improve access to services and create better, safer streets will have broadly positive impacts on the local community. More specifically, the proposed improvements will reduce hazards for visually impaired people, older people and those with impaired mobility.

8. Sustainability Implications

- 8.1 Lewisham Council has a target of a 50% reduction in corporate carbon emissions by 2015/16 from a baseline of 2007/08. This target is supported by a detailed Carbon Management Programme, which incorporates an expectation of reduced emissions from street lighting.

9. Crime and disorder implications

- 9.1 The general improvement of the street lighting is expected to have a positive impact on the levels of crime and disorder.

If you have any queries relating to this report please contact **Ian Ransom, Service Group Manager Transport** (020 831 42270)