

REPORT TO:	CROYDON AND LEWISHAM STREET LIGHTING JOINT COMMITTEE 25 MARCH 2014
AGENDA ITEM:	6
SUBJECT:	THE JOINT STREET LIGHTING PFI UPDATE
LEAD OFFICERS:	CROYDON: EXECUTIVE DIRECTOR OF PLANNING AND ENVIRONMENT LEWISHAM: EXECUTIVE DIRECTOR FOR RESOURCES AND REGENERATION
CABINET MEMBERS:	CROYDON: COUNCILLORS SIMON HOAR AND PHIL THOMAS LEWISHAM: COUNCILLORS ALAN SMITH AND PAUL MASLIN
WARDS:	ALL
Corporate Priority / Policy Context: Improving street lighting supports Croydon Council's corporate priorities of improving the environment and reducing crime and Lewisham Council's corporate priorities of clean, green and liveable, and safety, security and a visible presence.	
Financial Summary: Approving the recommendations in this report will reflect the agreement made by Croydon and Lewisham Council to the sums set out in the P.F.I contract agreement. Each authority has made plans as it considers appropriate for the financial implications of the project. No additional expenditure is proposed as a result of this report.	
Forward Plan Key Decision Reference Number: N/A	
Not for publication N/A	
1. Recommendations:	
The Committee is asked to note	
<ol style="list-style-type: none"> 1. the performance of Skanska Laing (SKL, the Service Provider) for August 2013 – January 2014 2. the Core Investment programme for both Croydon and Lewisham for the duration of the 5 year programme for which financial approvals are required. 	

2. Executive Summary

This report advises the Committee of the progress of the Core Investment Programme (CIP) and the overall performance of the Service Provider during August 2013 – January 2014.

3. Detail

Operational Performance Standards Overview

The Output Specification for this contract defines both councils' 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.

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

PS1 - Investment Programmes

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:

The project calendar has just reached Milestone 5 at 31st January 2014, which is highlighted below:

Milestone	Milestone Completion Date	Total Lighting Points removed
1	6 months after planned service commencement date	207
2	12 months after planned service commencement date	3,107
3	18 months after planned service commencement date	7,148
4	24 months after planned service commencement date	12,009
5	30 months after planned service commencement date	16,885
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	46,665

Appendix 1 provides a planned ward by ward breakdown of the CIP for each borough.

Below is the updated table of certified column removals to date on both Boroughs:

Month	August 2013	September 2013	October 2013	November 2013	December 2013	January 2014
Cumulative lighting points removed	8295	8684	9326	9724	10096	10490**
Additions (month by month).	513	389	642	398	372	788

** This is the number actually achieved by Milestone 5 (31st January 2014) therefore a shortfall of 6,395 lighting points removed based on the contractual Milestone.

To date the total number of new assets issued for construction is 17,580 of which 13,468 units installed.

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.

The Service Provider was charged with the development of an improvement plan focusing on recovering the slippage to the programme. The plan consists of both a best case and likely case scenario, the table below outlines the expected achievement dates of each Milestone going forward and reviewed on a monthly basis.

Milestone Number	Quantity	DUE	Expected Case	Base Case
M1	207	31/01/2012	0	0
M2	3,107	31/07/2012	3 months	3 months
M3	7,143	31/01/2013	5 months	5 months
M4	12,009	31/07/2013	8 months	8 months
M5	16,885	31/01/2014	5 months	6 months
M6	22,915	31/07/2014	4 months	5 months
M7	28,940	31/01/2015	2 months	5 months
M8	34,316	31/07/2015	0 month	4 months
M9	39,683	31/01/2016	0 month	8 months
M10	46,665	31/07/2016	0 month	18 months

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.

Under the Contract, should the Service Provider identify it has been unable to achieve a Milestone, it can submit a request for relief against achieving that Milestone in accordance with Clause 21 (Relief Events, Compensation Events and Excusing Causes) of the Contract. And, as such, the Service Provider has submitted relief against Milestone 5 which is currently being reviewed by the Authority and will be presented to the council's joint management board in due course.

As a result of the delays in the delivery of the Core Investment Programme and the associated complications arising from the "triple concentric main", the Service Provider has produced an improvement plan. This improvement plan outlines the steps being taken to recover the programme and is reviewed monthly. A number of steps have been taken, such as pulling the core investment programme forward for wards in years 4 & 5 for both boroughs and particularly where the triple concentric main is not present in Croydon, such as Coulsdon East and Coulsdon West.

The success of Skanska obtaining Independent Connections Provider "ICP" status, 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.

Frequent joint high level meetings continue to take place, which have included Skanska, SPV, UKPN, Authority Management Board and Key Stakeholders to discuss all on-going issues and how best to resolve these.

PS2 - Planned Maintenance, Inspection and Testing;

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 tables below illustrate that the overall performance over the last 6 months has achieved the required level, resulting in no adjustment being made and therefore the service provider has not been adjusted in line with the payment mechanism.

	November 2013	October 2013	September 2013	August 2013
(Y) # occasions not In Light	950	827	516	491
(T) # Lighting Points	104,396	103,616	51,808	51,808
A/B In Light **	99.090%	99.202%	99.004%	99.052%
In Light:	99.087%			

	January 2014	December 2013	November 2013	October 2013
(Y) # occasions not In Light	1,229	648	950	827
(T) # Lighting Points	103,616	104,396	104,396	103,616
A/B In Light **	98.814%	99.379%	99.090%	99.202%
In Light:	99.121%			

3.4. **PS3 - Operational Responsiveness and Reactive Maintenance;**

1. 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.
2. 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

Overall this performance has improved in this area.

1. **PS4 - Contract Management and Customer Interface;**

For the Service Period, the Service Provider shall 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).

The table overleaf 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

Due to the concerns raised by the authorities the Service Provider has taken the decision to bring this service in house. This transition is expected to take place week commencing 3rd March 2014

3.6 PS5 - Strategic Assistance and Reporting;

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:

- (1.1.a.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;
- (1.1.a.ii) allow the Councils to demonstrate that it is achieving its Best Value Duty and continuous improvement in the delivery of the Service; and
- (1.1.a.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.

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

3.7 PS6 - Working Practices;

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 overleaf:-

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: (1.1.a) _____ poses a material risk to life; or (1.1.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

Note: Routine service faults: This is taken from the schedule of service failures, where each item is given a point's score. The Authority and the Service Provider have agreed the table to appendix 21 of the Contract, of which any future failures with regards to working practices will be added accordingly.

3.8. PS7 - Reporting to the Authority;

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.

3.9 PS9 - Central Management System;

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.

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.

For this reporting period across both boroughs there are **10517** street lighting columns connected to the CMS.

4. Human Rights

4.1 There are no human rights impact considerations arising from this report.

5. Consultation

5.1 During the mobilisation phase and throughout the CIP, the Service Provider will liaise and consult with all relevant bodies, which includes the Councils, its officers, and all other stakeholders.

5.2 There is a mechanism built within the Output Specification to ensure that this consultation process takes place.

6. Financial and Risk Assessment Considerations: Croydon and Lewisham

~~6.1~~—The structure of the Payment Mechanism includes a payment in arrears for the service. Any under performance in a period will be reflected in a payment adjustment in the following period. A draft Monthly Payment Report is provided to the Councils within five business days of the month for which it is reporting. No later than the end of the month a final monthly payment report is issued to the authority and the authority has 20 business days to settle the account.

~~6.1~~—As per the Co-Operation Agreement the Joint Committee is required to submit final estimates for approval to the Constituent Authorities no later than November 30th. The Joint Committee is then to set its budget no later than March 15th each year.

~~6.2~~—The budget for running the Joint Committee itself is minimal and can be contained within the overall project budget or other existing budgets. The contract budget for the year is as set out in the PFI financial model. This budget includes provision for expenditure on the PFI contract itself, the contract monitoring costs and contributions into the sinking fund to even out PFI liabilities over the life of contract, with LBC acting as the lead authority on payments. The total contribution to the sinking fund for 13/14 is £9.1m and the expected contribution for 14/15 is £9.23m assuming an RPIx indexation rate of 2.5% in Jan 2014. Energy costs are paid directly to the respective energy suppliers by the individual authorities and are not part of the sinking fund payment process.

~~6.3~~—A review of the financial model sinking fund is underway to ensure that adequate resources are set aside for future liabilities. This will address any changes arising from contract inflation being higher than originally set in the model and also interest on the

sinking fund balance being less than originally forecast. These are offset in part by contract performance deductions.

(Approved by: Dianne Ellender, Head of Finance and Deputy S151 Officer, for London Borough of Croydon, Peter Allery Group Manager Resource Finance Lewisham)

7. Comments of the Councils' Solicitors

- 7.1. To align the constituent authorities, the legal teams created two agreements, the Governance Agreement and the Co-operation Agreement.
- 7.2. The Governance 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.
- 7.3. The 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..
- 7.4. 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.
- 7.5. The Core Investment Programme is set out in Schedule 5 to the Project Agreement.
This sets out the timing for replacement of the existing Apparatus during the first five years. It also sets out what needs to be included in the Core Investment Programme which must take into account significant transportation projects and other programmes or works. The Core Investment Programme is revised every three months or amended as necessary.
- 7.6. The Service Provider is obliged to complete its replacement of lighting columns and removal of existing lighting columns by Milestone Completion Dates (Projected). These are set out in a table in the Project Agreement . The Independent Certifier issues a Milestone Certificate on the date that the Service Provider completes each Milestone. If the Service Provider 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 Milestone Default Termination Points accrue at a rate of one every 180 days.
- 7.7. If three or more Milestone Default Termination Points accrue then the Authority may terminate the Project Contract. This point has not yet been reached.
- 7.8. The Service Provider is also entitled to claim relief in failing to achieve a Milestone Completion Date due to a failure by the Distribution Network Operator (UKPN). A waiver was given for Milestone 4 but not yet for Milestone 5 for which a claim has just been received.
- 7.9. Adjustments (i.e. deductions) can be made from the Unitary Charge for poor performance against contract standards. These are being made as set out in the body of the Report.
- 7.10. In addition to the contractual remedies, officers from both Councils have been working co-operatively with the SPV to help it develop an improvement plan and this has

resulted in some improvement to the core investment plan which is set out in the SPV's Improvement Plan.

(Approved by: Helen Glass, Principal Lawyer on behalf of the Head of Law, Lewisham, Sean Murphy, Principal Corporate Solicitor (Regeneration) on behalf of the Council Solicitor and Monitoring Officer for London Borough of Croydon)

8. Human Resources Impact

8.1. There are no Human Resources considerations arising from this report.

(Approved by: Adrian Prescod, HR Business Partner, on behalf of the Director, Human Resources & Organisational Effectiveness.)

9. Customer Impact

- 9.1 The core objective of the street lighting replacement programme, the replacement of the existing aged equipment with a new and well-maintained service, will have a positive impact on the residents.
- 9.2 It is possible that the roll out of a significant civil engineering project, such as this, affecting the entirety of both boroughs especially during the CIP may be perceived as an unwelcome disruption by some members of the public. However every effort will be made to keep residents informed of works taking place in their area.

10. Equalities Impact Assessment (EIA)

- 10.1 An Equalities Impact Assessment (EIA) has been undertaken, and there are no specific disadvantages associated with replacing the street lighting in the boroughs. Indeed, the enhanced lighting will be of benefits to all residents and businesses.

11. Environmental and Design Impact

- 11.1 In October 2010, Croydon also approved the Carbon Management Energy Efficiency Programme (CMEEP 2010-15) with a carbon reduction target of 25% (compared to 2009/10 baseline) to be delivered by 2015. Street lighting represents an approximate 12% share of the total carbon footprint of the council and carbon reduction and energy efficiency in street lighting will contribute significantly to the 25% reduction target. 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.
- 11.2 Reducing carbon dioxide emissions from the Council's own activity including street lighting can deliver financial savings through reduced energy/fuel costs; help achieve percentage CO₂ reduction (25% by 2015) from local authority operations and support the borough wider climate change mitigation target.
- 11.3 Croydon and Lewisham have both registered with the Environment Agency to participate in the mandatory Carbon Reduction Commitment energy efficiency scheme (CRCEES). Recent changes to this scheme mean that from 2012 organisations will have to pay carbon tax to the government to cover their carbon emissions/energy consumption. Initially these will cost £12 per tonne, but future price will be determined by the government as part of the budget process and could be as high as £16/tonne.
- 11.4 Currently the street lighting supply is an un-metered supply (UMS) and not included in the scope of the CRCEES but it has been proposed in the current consultation that

street lighting should be included in CRCEES. The CMS functionality will not only help achieve CMEEP target, but will also save money on energy consumption and help to reduce the extra cost of carbon tax once street lighting is included in CRCEES.
(Approved by; Bob Fiddik, Team Leader Sustainable Development & Energy team)

12. Crime and Disorder Reduction Impact

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

13. Freedom of Information/Data Protection Considerations

There are no data protection issues arising from the Project.

The Councils' Procurement Strategy and Tenders and Contracts Regulations are accessible under the Freedom of Information Act 2000 as part of the Councils' Publication Scheme. Information requested under the Act about the specific procurement exercise and contract which are the subject of this report, held internally or supplied by external organisations, will be accessible subject to legal advice as to its commercial confidentiality, or other applicable exemption, and whether or not it is in the public interest to do so.