

<b>REPORT TO:</b>	<b>CROYDON AND LEWISHAM STREET LIGHTING JOINT COMMITTEE</b> <b>11 NOVEMBER 2014</b>
<b>AGENDA ITEM:</b>	<b>7</b>
<b>SUBJECT:</b>	<b>THE JOINT STREET LIGHTING PFI UPDATE</b>
<b>LEAD OFFICERS:</b>	<b>CROYDON: EXECUTIVE DIRECTOR OF DEVELOPMENT AND ENVIRONMENT</b> <b>LEWISHAM: EXECUTIVE DIRECTOR FOR RESOURCES AND REGENERATION</b>
<b>CABINET MEMBERS:</b>	<b>CROYDON: COUNCILLORS KATHY BEE AND STUART COLLINS</b> <b>LEWISHAM: COUNCILLORS ALAN SMITH AND KEVIN BONAVIA</b>
<b>WARDS:</b>	<b>ALL</b>
<b>Corporate Priority / Policy Context:</b>	
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.	
<b>Financial Summary:</b>	
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.	
<b>Forward Plan Key Decision Reference Number: N/A</b>	
<b>Not for publication</b>	
N/A	

<b>1. Recommendations:</b>
<b>The Committee is asked to note</b>
<ol style="list-style-type: none"> <li>1. the performance of Skanska Laing (SKL, the Service Provider) for April 2014 – September 2014</li> <li>2. the Core Investment programme for both Croydon and Lewisham for the duration of the 5 year programme for which financial approvals are required.</li> </ol>

## 2. Executive Summary

2.1. This report advises the Committee of the progress of the Core Investment Programme (CIP) and the overall performance of the Service Provider during April 2014 – September 2014.

## 3. Detail

### 3.1. Operational Performance Standards Overview

3.1.1. 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.

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

### 3.2. PS1 – Investment Programmes

The Service Provider shall design and install new apparatus during the five year CIP across both councils to the current British Standards and contract specification. The following table illustrates the contractual Milestones for achieving this:

The project calendar reached Milestone 6 on 31<sup>st</sup> July 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
<b>6</b>	<b>36 months after planned service commencement date</b>	<b>22,915</b>
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	April 2014	May 2014	June 2014	July 2014	Aug 2014	Sept 2014
Cumulative lighting points removed	12,418	13,326	14,218	15,421**	16,060	17,004
Additions (month by month).	1084	908	892	1,203	639	944

\*\* This is the number actually achieved at Milestone 6 (31<sup>st</sup> July 2014) therefore a shortfall of 7,494 lighting points removed based on the contractual Milestone.

To date the total number of new apparatus issued for construction is 23,900 of which 20,538 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. UKPN and the Service Provider have now entered into "Asset Owner Agreement", this will enable Skanska to deploy more of their jointers on this project and this is expected to improve performance but at this stage the level of improvement is not expecting to recover the current projection..

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. In light of the Asset Owner Agreement being approved Skanska have been asked to review the improvement plan and provide an update.

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	7 months
M7	28,940	31/01/2015	2 months	6 months
M8	34,316	31/07/2015	0 month	6 months
M9	39,683	31/01/2016	0 month	5 months
M10	46,665	31/07/2016	0 month	6 months

Under the terms of the Contract, “Clause 21 (Relief Events, Compensation Events and Excusing Causes)” failure to achieve a Milestone on time attracts an automatic accrue of a Milestone Default Termination Point (MDTP). The clause provides the Service Provider with the right to seek relief against accrue of a MDTP but only as a result of a failure of the Distribution Network Operator (DNO) (UK PowerNetworks) to carry out any Contestable Works. Contestable works are those works that can only be undertaken by the DNO.

The Service Provider has sort relief from a MDTP for Milestone 5 and this has been reviewed and declined by the authorities.

The Service Provider has also submitted a claim for relief against Milestone 6, this claim is currently being reviewed.

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 with the Asset owner Agreement, is fundamental to the Project being able to achieve our mitigation programme and reduce delays.

### 3.3. 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 8 months. Since April 2014 the service provider has failed to achieve the required level of 99% lights in light resulting in an adjustment being made for each subsequent month in line with the payment mechanism.

		September 2014	August 2014	July 2014	June 2014
(Y)	# occasions not In Light	395	416	580	696
(T)	# Lighting Points	52,686	52,929	52,721	53,169
<sup>A</sup> / <sub>B</sub>	In Light **	99.250%	99.214%	98.900%	98.691%
In Light:		99.014%			

		May 2014	April 2014	March 2014	February 2014
(Y)	# occasions not In Light	582	802	1,141	949
(T)	# Lighting Points	53,383	53,593	107,576	107,966
<sup>A</sup> / <sub>B</sub>	In Light **	98.910%	98.504%	98.939%	99.121%
In Light:		98.868%			

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

3.4.1. 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.

3.4.2. The tables below illustrate the performance for emergency and non – emergency faults in and out of time for the period of April 2014 – September 2014

Fault Type	Number of occasions					
	In time					
	Apr 2014	May 2014	June 2014	July 2014	Aug 2014	Sept 2014
Emergency faults	121	104	100	97	151	66
Non-Emergency Faults	1578	2442	2097	2490	2121	1946

Fault Type	Number of occasions					
	Out of time					
	Apr 2014	May 2014	June 2014	July 2014	Aug 2014	Sept 2014
Emergency faults	0	0	0	0	0	0
Non-Emergency Faults	97	37	15	4	4	1

All emergency call outs for this period were attended in time of which no financial adjustments were awarded.

However the service provider failed to rectify the non-emergency faults in time of which financial adjustments were awarded in line with the payment mechanism.

The performance has continued to improve in this area although the authority are still monitoring on a daily basis.

### 3.5 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 below shows telephone calls receive by call centre and emergency phone line between April 2014 and September 2014, of which the target is 95% of all calls being answered within 25 seconds.

Apr 2014	May 2014	Jun 2014	Jul 2014	Aug 2014	Sept 2014	Prescribed response period
879	893	927	887	876	1110	= # calls received by call centre / emergency phone line
874	884	920	874	859	1074	= # answered by a trained call agent within 25 seconds
99.43%	98.99%	99.24%	98.53%	98.06%	96.76%	= % answered by a trained call agent within 25 seconds

During this period the service provider were answering all calls ( in hours) of which Direct Response were answering all calls ( out of hours)

### 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:

- (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.

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.

During this period the annual service report that was to be submitted to the authority at the end of May 2014 was not submitted in time of which a financial adjustment was awarded for the month of June 2014 in line with the payment mechanism. The report has now been submitted and currently being reviewed by the authority.

### 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 below:

Fault Type		No. of faults Apr 2014	No. of faults May 2014	No. of faults Jun 2014	No. of faults Jul 2014	No. of faults Aug 2014	No. of faults Sept 2014
Urgent service faults	Any Service Failure that:  (a) poses a material risk to life; or  (a) 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	1	0	2	0	4
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	0	1	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.	25	40	40	30	70	145

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.

Over this six month period the Service Provider failed on this performance standard of which financial adjustments were awarded in line with the payment mechanism. The only month where no adjustments were awarded was in April 2014 where 25 Routine points were identified, of which only when the total exceeds 25 points that adjustments start to apply.

### **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.

Over this period all reports were submitted on time.

### **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 14,090 street lighting columns connected to the CMS to date.

## **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.
- 5.3 Notification's to residents are being distributed in advance of works commencing on site, the requirements is to deliver a leaflet to each property 8 weeks prior to works commencement and a further letter 4 weeks prior to works commencing.

## **6. Financial and Risk Assessment Considerations: Croydon and Lewisham**

- 6.2 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.



- 6.3 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 30<sup>th</sup>. The Joint Committee is then to set its budget no later than March 15<sup>th</sup> each year.
- 6.4 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 14/15 is £9.3m. Energy costs are paid directly to the respective energy suppliers by the individual authorities and are not part of the sinking fund payment process.
- 6.5 The financial model sinking fund is periodically reviewed to ensure that adequate resources are set aside for future liabilities. The contributions for 14/15 have been adjusted accordingly. 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 for Milestone 5 for which a claim has just been received reviewed and declined
- 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, for and on behalf of Director of Human Resources, Chief Executive department..)

## **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 CO<sub>2</sub> 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

- 13.1. There are no data protection issues arising from the Project.
- 13.2. 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.

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### Background Documents

Appendix 1:      Core Investment Programme Croydon and Core Investment Programme Lewisham