

Scrutiny Committee 02 December 2014
Contract Monitoring - Monitoring Team
Croydon and Lewisham Street Lighting PFI

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This briefing provides the scrutiny committee with a summary of the monitoring and reporting processes in place in administering the Croydon & Lewisham Street Lighting PFI.

Authority Contract Governance

The councils have established a joint co-operation agreement and governance agreement to jointly manage the delivery of the Croydon & Lewisham Street Lighting PFI contract, the contract is a 25yr contract with an initial 5yr investment programme.

In exercise of their powers under section 101(5) of the Local Government Act 1972, sections 19 and 20 of the Local Government Act 2000 and all other enabling powers the Constituent Authorities (which for this purpose includes the Croydon's Executive and Lewisham's Mayor and Cabinet) established a joint committee to be known as the Croydon and Lewisham Street Lighting Joint Committee with effect from the Commencement Date September 2011.

1. Function of the Joint Committee

The Joint Committee shall be responsible for and shall have delegated to it the following functions of the Constituent Authorities in relation to the Services Agreement:

- those matters for which it, the Management Board and the Authority Project Representative are identified as responsible within the Services Agreement (if any).
- monitor operational performance of the Services Agreement and report to the Constituent Authorities on the Services Agreement
- recommend strategy proposals to the Constituent Authorities for consideration in relation to the Services Agreement
- recommend potential business development opportunities to the Constituent Authorities for consideration in relation to the Services Agreement
- to consider matters referred to it by the Management Board as Referred Decisions.
- to act as the decision making body in respect of any joint decision required to be taken by the Constituent Authorities under the Services Agreement other than those that are Reserved Decisions.

2. Function of the Management Board

The Management Board shall consist of two officer representatives nominated from each of the Constituent Authorities. Any Constituent Authority may change its representatives from time to time by written notice to the Project Administering Authority. Any officer nominated shall be a senior officer employed by that Constituent Authority.

Each of the Constituent Authorities shall appoint one officer (being a senior officer employed by that Constituent Authority) as a named substitute to their nominated officer representatives of the Management Board. The officer appointed as a named substitute shall have full voting rights when acting as a substitute.

The Management Board will meet at least every month and extra meetings may be convened by any officer on the Board.

3. Function of the Authority Representative

The Authority Project Representatives' role is to liaise with the Service Provider under the Services Agreement.

The Authority Project Representative shall be deemed to be working on behalf of both their employing Constituent Authority, and made available and working on behalf of the other Constituent Authority under section 113 of the Local Government Act 1972.

The Authority Project Representative will report directly to the Management Board.

4. Function of the Client Monitoring Team

The Joint Committee shall be supported by a Client Monitoring Team ("the Team") which shall operate independently but for the benefit of both of the Constituent Authorities and shall be accountable to each Constituent Authority.

The Team is supervised by the Authority Project Representative.

The Client Monitoring Team shall be deemed to be working on behalf of both their employing Constituent Authority, and made available and working on behalf of the other Constituent Authority under section 113 of the Local Government Act 1972.

Monitoring Team Function

In considering the most appropriate approach to the contract monitoring role the Authority considered each element of the project as defined by the Output Specification, i.e.:

- PS1 – Investment Programmes;
- PS2 – Planned Maintenance, Inspection and Testing
- PS3 – Operational Responsiveness and Reactive Maintenance;
- PS4 – Contract Management and Customer Interface;
- PS5 – Strategic Assistance and Reporting;
- PS6 – Working Practices;
- PS7 – Reporting to the Authority
- PS8 – NOT USED
- PS9 – Central Management System

Each of the above performance standards are complemented by a corresponding financial performance it is important that the monitoring team establish this link from the outset.

PS1 – Investment Programmes

The model form approach to monitoring performance against Performance Standard PS1 (Investment Programmes) is clearly defined within the contract documents. The approach normally taken is one of independent certification during the initial Core Investment Programme (CIP) and a Service Provider self-certification for any post CIP investment / life cycle replacement works.

The IC role as defined within the PFI Contract document is an audit role that in model form does not include for 100% inspection. The format adopted is normally 100% inspection for an initial period (normally 6-12 months) that drops, dependent on performance, to be 20% as the works progresses.

The contract facilitates the IC reverts back to 100% certification if the performance of the service provider drops below a threshold.

PS2 – Planned Maintenance, Inspection and Testing

The planned maintenance, inspection and testing regimes employed on the contract are set out by the Service Provider in the Method Statements submitted as part of the bidding process. These Method Statements which are considered contractual and provide the monitoring team with a measurable performance envelope which is linked to the Payment Mechanism via the Output Specification. Any failure on the Service Provider's part to carry out the planned activities identified in PS2 lead to adjustments to the unitary charge. These adjustments remain until the Service Provider rectifies the non-compliance.

The Service Provider's performance against PS2 is self-monitored and reported by the Service Provider to the monitoring team. The monitoring team have a mechanism in place that ensures the reporting is accurate and the work carried out is compliant with the requirements of the contract.

The most effective way to manage this process is for the monitoring team to carry out random spot checks / test witnessing when the Service Provider is on site. The results can then be fed back through the monthly monitoring meeting.

PS3 – Operational Responsiveness and Reactive Maintenance;

The operational response and reactive maintenance activities with the street lighting model are by nature more difficult to predict.

The Service Provider's performance against PS3 of the Output Specification is measured in response/rectification times that vary according to the nature of the fault or incident. On this project the project management team have selected a response time of 1 hour for emergency faults and response times of between 1 and 20 days for non-emergency faults. Any failure on the Service Provider's part to respond / rectify a fault in accord with the times specified in PS3 lead to adjustments to the monthly unitary charge. These adjustments are reviewed each month and in some cases remain until the Service Provider rectifies the non-compliance.

The performance of the Service Provider against the response / rectification times specified within the Output Specification are self monitored and reported by the Service Provider. The monitoring team have a mechanism in place which ensures the reporting is accurate, the works carried out is compliant with the requirements of the contract and that the works is carried out within the time periods specified.

PS4 – Contract Management and Customer Interface

The contract management and customer care requirements defined within PS4 place the following responsibility on the Service Provider:

- An obligation to maintain the inventory to a pre-determined level of accuracy;
- An obligation to update the street lighting inventory within a prescribed time period when the apparatus status changes;
- Deal with external requests within prescribed time periods including telephone and written response.

The performance of the Service Provider against the contract management and customer care performance requirements specified within the Output Specification are self monitored and reported by the Service Provider.

PS5 – Strategic Assistance and Reporting

The strategic assistance and reporting requirements within PS5 place a requirement on the Service Provider to report on delivery of the service. The service delivery requirements of this PS place are requirement on the Service Provider to deliver monthly and annual reports at specified times during the contract that address customer satisfaction, best duty value and audit and performance levels.

The production of these reports is relatively easy to monitor in that the delivery times are specified with the Output Specification so no delivery of the reports triggers the non-compliance. The most important issue for the Authority is that the report content is agreed with the Service Provider in advance.

PS6 – Working Practices

The working practices requirements within PS6 apply to all works carried out by the Service Provider in delivery of the service from service commencement. The working practices employed by the Service Provider are an inherent part of the service so the most effective way for this element of the works to be monitored is by the monitoring team when out on the network.

PS7 – Reporting to the Authority

In order for the Authority 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 Authority on how the Service Provider is complying with the requirements of this Output Specification.

Each Monitoring Report, Draft Monthly Payment Report and Actual Monthly Payment Report shall be accurate, complete in content and submitted to the Authority. The Authority monitoring team review the data provided and confirm accuracy.

PS8 – NOT USED

PS9 – Central Management System (CMS)

With effect from the Service Commencement Date, the Service Provider was required to procure that there is a Central Management System in the agreed form in place for use in relation to the Project which shall comply in all respects with the provisions of PS9 of the Output Specification.

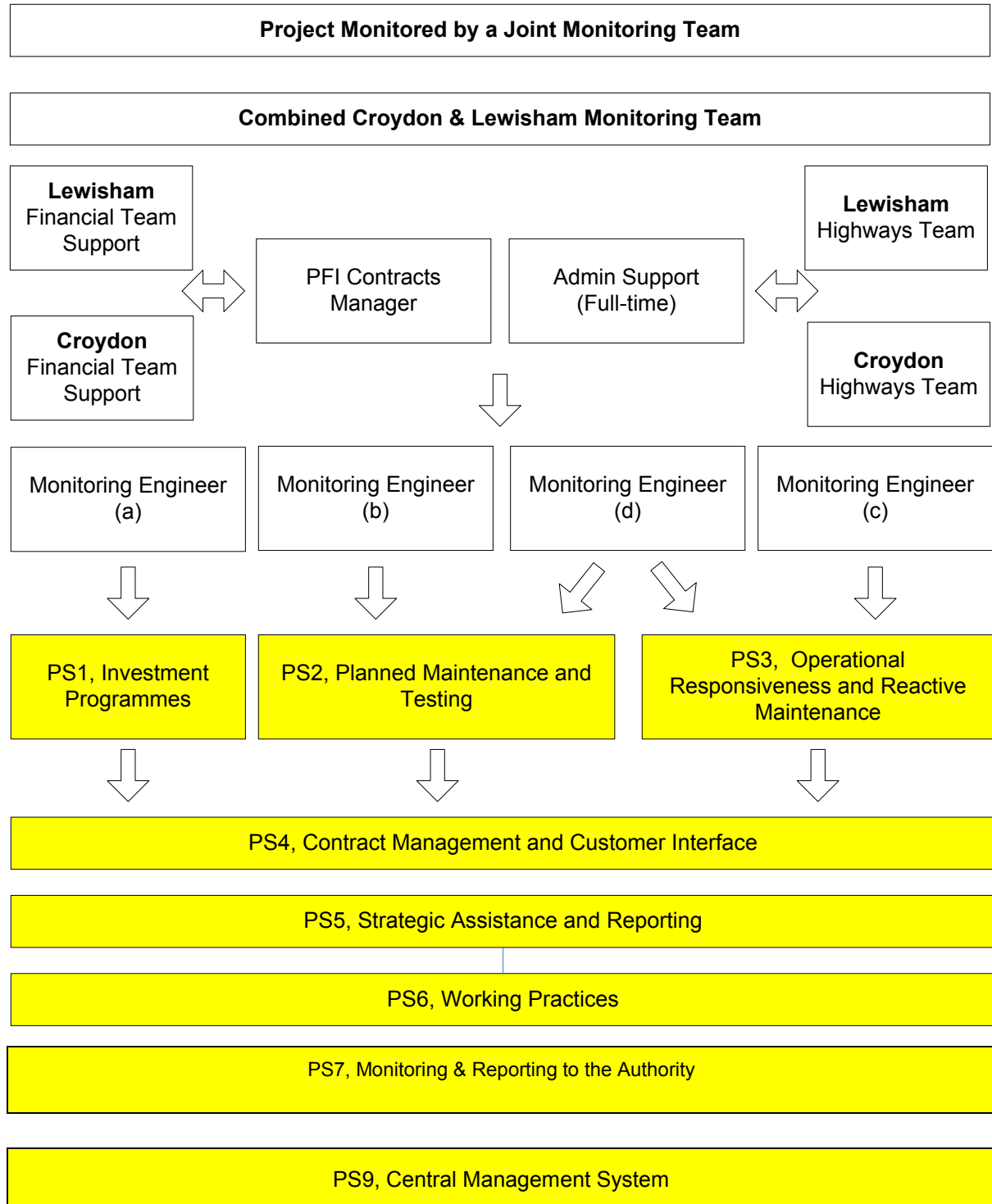
The CMS will provide a range of functionality options to the Authority that will ensure the installed Apparatus retain a high level of flexibility. The CMS provides:

- The ability to meter energy consumption, using an Equivalent Meter
- The ability to switch on/off and adjust lighting levels via dimming (up and down) or trimming
- The ability to remotely monitor lights In Light
- Allow third party “read only” access via computer or hand held device
- A suite of associated reports

The New lighting is connected to the CMS upon certification.

1 Monitoring Team Structure

The monitoring team structure outlined below was endorsed by the Joint Management Team and agreed by the Joint Street Lighting Committee in 2011.



The monitoring team was created to manage the first 5 years of the contract to ensure the Core Investment Programme is implemented. It is therefore anticipated that towards the end of year 5 the roles will be reviewed. This may result in a reduction of posts and/or some posts being deleted at a future date. Staff will be consulted on any future proposals at that time.

The monitoring team are co-located with the Service Provider at Bath House Road Depot

Performance Monitoring and reporting

The contract has a governance and co-operation agreement in place which sets out a clear reporting structure. It is important to note that the PFI contract is a self-reporting contract and the Service Provider is required to submit Monthly Monitoring / Payment Reports to the authority. The Monitoring report sets out the performance of the Service Provider during the reporting period. The Monthly Payment Report sets out the Monthly Unitary Charge payable to the Service Provider minus adjustments for poor performance.

Throughout the monitoring period (monthly) the monitoring team members undertake monitoring of the Performance Standards to ensure compliance by the Service Provider.

Weekly meetings are in place between the monitoring team and representatives of the Service Provider to discuss and operations and performance. The Monitoring team also attend site to ensure working practices are being adhered too.

Monthly Monitoring Meetings are undertaken; these meetings include representatives from the Service Provider, Independent Certifier, Service Providers “banks” technical advisor and the authority. The performance for the reporting month is discussed and the Monthly Unitary Charge payment is agreed minus adjustments for poor performance in line with the Payment Mechanism.

As a result of the challenges around the core investment programme the Service Provider has developed an improvement plan to recover the programme. This plan is reviewed at the monthly monitoring meetings.

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