

REPORT TO:	CROYDON AND LEWISHAM STREET LIGHTING JOINT COMMITTEE 15 October 2015
AGENDA ITEM:	7
SUBJECT:	THE JOINT STREET LIGHTING PFI UPDATE
LEAD OFFICERS:	CROYDON: EXECUTIVE DIRECTOR OF DEVELOPMENT AND ENVIRONMENT LEWISHAM: EXECUTIVE DIRECTOR FOR RESOURCES AND REGENERATION
CABINET MEMBERS:	CROYDON: COUNCILLORS KATHY BEE AND STUART COLLINS LEWISHAM: COUNCILLORS ALAN SMITH AND KEVIN BONA VIA
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:

Noting 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Not for publication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

1. the performance of Service Provider in respect of the street lighting PFI for February 2015 – August 2015
2. the Core Investment programme for both Croydon and Lewisham for the duration of the 5 year programme.

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 February 2015 – August 2015.

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 Milestones for achieving this:

The project calendar has reached Milestone 8 at 31st July 2015, 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

Upon the last Monthly Monitoring / Payment Report meeting the certification figure was 29,961. A significant amount of work has been undertaken by the Service Provider and the councils monitoring team to implement continuous improvements in this area of the project. As a result of this the core investment programme delay has recovered and now running at approximately 5 months behind.

Below is the percentage of completed roads in both Croydon and Lewisham. The reason why the early wards are not completed are due to Public Realm schemes and Conservation roads that require Heritage kit installed.

North Croydon	Not Certified	Certified	% Not Certified	% Certified
Ashburton Y1	219	1,256	15%	85%
Shirley Y1	46	1,326	3%	97%
Selhurst Y3	483	555	47%	53%
Addiscombe Y3	241	585	29%	71%
Woodside Y3	320	682	32%	68%
Upper Norwood Y2	611	717	46%	54%
South Norwood Y2	797	691	54%	46%
West Thornton Y2	259	676	28%	72%
Waddon Y2	531	965	35%	65%
Norbury Y2	400	634	39%	61%
Thornton Heath Y2	360	591	38%	62%
Bensham Manor Y3	67	744	8%	92%
Broad Green Y2	950	703	57%	43%
Fairfield Y3	1,665	414	80%	20%
North Croydon Total	6,949	10,539	40%	60%
South Croydon				
New Addington Y1	88	934	9%	91%
Fieldway Y1	6	908	1%	99%
Coulsdon West Y5	509	1,124	31%	69%
Croham Y4	294	935	24%	76%
Selsdon Y4	279	700	28%	72%
Coulsdon East Y5	542	844	39%	61%
Heathfield Y4	1,096	377	74%	26%
Kenley Y5	1,228	29	98%	2%
Sanderstead Y5	1,269	-	100%	0%
Purley Y4	1,643	-	100%	0%
South Croydon Total	6,954	5,851	54%	46%
Croydon Total	13,903	16,390	46%	54%

Lewisham	Not Certified	Certified	% Not Certified	% Certified
Bellingham Y1	8	1583	1%	99%
Catford South Y1	4	841	0%	100%
Perry Vale Y1	21	857	2%	98%
Blackheath Y2	216	1058	17%	83%
Sydenham Y2	1	919	0%	100%
Forest Hill Y2	234	670	26%	74%
Grove Park Y2	27	723	4%	96%
Crofton Park Y2	114	797	13%	87%
Ladywell Y3	47	731	6%	94%
Lee Green Y3	33	813	4%	96%
Lewisham Central Y3	223	826	21%	79%
Brockley Y3	37	875	4%	96%
Rushey Green Y3	233	358	39%	61%
New Cross Y4	305	878	26%	74%
Downham Y4	20	967	2%	98%
Evelyn Y4	499	864	37%	63%
Telegraph Hill Y4	312	379	45%	55%
Whitefoot Y4	3	629	0%	100%
Lewisham Total	2337	14768	14%	86%

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	Feb 2015	Mar 2015	Apr 2015	May 2015	Jun 2015	Jul 2015	Aug 2015
Cumulative lighting points removed	22,080	23,351	24,455	25,551	26,965	28,396	29,961
Additions (month by month).	1131	1271	1104	1096	1414	1431	1565

Milestone 8 (31 July 2015) should have seen a figure of 34,316 therefore a shortfall of 5,920 lighting points to be removed based on the contractual Milestone. However this figure is reducing on a month for month basis in line with the Service Providers improvement plan. To date the total number of new apparatus designed and issued for construction is 40,631 units of which 31,978 units have been installed.

The ongoing 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" which has enabled the Service Provider to deploy more of their jointers on this project of which the latest figures confirm there is a significant improvement in this area over the last few months.

The CIP milestone programme is currently in delay by 5 months and 27 days. (Based on the total certified units by the IC and including the August IC Submission against the Milestone Programme)

Month	Delay Months	Delay Part Months - Days
January 2015	8 Months	0 Days
February 2015	7 Months	25 Days
March 2015	7 Months	19 Days
April 2015	7 Months	16 Days
May 2015	7 Months	12 Days
June 2015	7 Months	1 Day
July 2015	6 Months	18 Days
August 2015	5 Months	27 Days

The C.I.P for Lewisham is likely to be completed in January 2016 of which the majority of the borough will be completed by December 2015

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 Power Networks) to carry out any Non Contestable Works. Non 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, Milestone 6 and subsequently for Milestone 7 through to 10 the authority stance on this remains the same If the Service Provider does not accept this decision, then it has a right to refer the matter as a dispute to an independent expert under the terms of the Project Agreement.

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 the Service Provider obtaining Independent Connections Provider “ICP” status with the Asset owner Agreement, is fundamental to the Project being able to achieve the mitigation programme and reduce delays, which over the last few months has seen a vast improvement of tasks being completed.

The northern two thirds of Croydon’s old street lighting is connected to a dedicated street lighting cable known as the “Croydon Central System” (CCS), this cable network is owned and maintained by UK Power Networks. The cable is being abandoned as part of this replacement programme. The CCS is extremely complex and needs to be disconnected section by section to ensure the integrity of the remaining network can be maintained. As a result there is a need to leave in place temporary feeder pillars, it is expected that these are removed at the earliest opportunity. The Service Provider continue to work closely with UK Power Networks to actively remove these as soon as possible.

The stump programme is rigorously being monitored by the client monitoring team of which to date 583 stumps have been removed. We are continuously pushing the Service Provider and UKPN to communicate on a weekly basis to ensure these stumps are removed swiftly.

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 table below illustrates the overall performance over the last 7 months of which up until August 2015 the Service Provider has achieved the required level of 99% lights throughout this period, therefore no financial adjustment has occurred.

	May 2015	April 2015	March 2015	February 2015
# occasions not In Light	372	348	525	501
# Lighting Points	50,760	50,853	103,178	103,888
In Light **	99,267%	99,316%	99,491%	99,518%
In Light:	99.398%			

	August 2015	July 2015	June 2015	May 2015
# occasions not In Light	309	298	401	372
# Lighting Points	52,476	52,434	51,775	50,760
In Light **	99,411%	99,432%	99,225%	99,267%
In Light:	99.334%			

The client monitoring are carrying out their own individual shadow night scouts to verify the quality of the night scouts as well as reviewing the vehicle tracker reports to verify the routes carried out by the operatives and the time to carry out these scouts. There have been a few minor differences on outages found, but when reviewed these are mainly lamps that are cycling on and off.

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 February 2015 – August 2015. Since the introduction of more daytime scouting this has helped reduce the total number of faults reported. There has been a big improvement in the time taken to repair the four day faults of which the adjustments now are mainly due to new C.I.P columns that have been left day burning to long that the client monitoring team have identified. The process for the columns to be connected to the CMS after connection to the L.V Main is 5 working days before any adjustments are implemented.

Fault Type	Number of occasions : In Time							
	Feb 2015	Mar 2015	Apr 2015	May 2015	Jun 2015	Jul 2015	Aug 2015	
Emergency faults	117	138	132	164	103	71	83	
Non-Emergency Faults	1892	1784	1563	1791	1859	1632	1309	

Fault Type	Number of occasions : Out of Time							
	Feb 2015	Mar 2015	Apr 2015	May 2015	Jun 2015	Jul 2015	Aug 2015	
Emergency faults	0	0	0	0	0	1	0	
Non-Emergency Faults	2	2	0	1	0	2	12	

Not all non emergency faults and emergency call outs for this period were attended in time for which a financial adjustments has been awarded in line with the Payment Mechanism.

The Service Provider have improved in rectifying the snagging items identified by the Independent Certifier of which are now being completed within the 20 day rectification period.

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 October 2014 and January 2015, of which the target is 95% of all calls being answered within 25 seconds. Over this period the performance target has been met apart from June 2015 of which financial adjustments were applied for this month.

Feb 2015	Mar 2015	Apr 2015	May 2015	Jun 2015	Jul 2015	Aug 2015	Prescribed response period
806	985	989	1008	1145	1007	851	= # calls received by call centre / emergency phone line
806	984	984	1002	946	1006	851	= # answered by a trained call agent within 25 seconds
100%	99.90%	99.49%	99.40%	82.62%	99.90%	100%	= % answered by a trained call agent within 25 seconds

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.

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 Feb 2015	No. of faults Mar 2015	No. of faults Apr 2015	No. of faults May 2015	No. of faults Jun 2015	No. of faults Jul 2015	No. of faults Aug 2015		
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	1	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.	1	1	1	1	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.	50	60	55	25	125	180	60		

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.

Due to the ramping up of the amount of roads open at one time in Croydon the client monitoring team have identified a number of permitting issues in line with the LoPS requirements that the Service Provider is failing to meet. Joint monthly meetings are being carried out to address these issues of which most non performance issues are coming from the Service Providers sub-contractors. Over this period the Service Provider has not achieved the minimum requirements as set out in the Performance Standard and therefore financial adjustments were awarded in line with the Payment Mechanism.

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 29,961 street lighting columns connected to the CMS to date and that have been certified.

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 is required to 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

6.1 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.

- 6.2 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.
- 6.3 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 15/16 is £9.4m. Energy costs are paid directly to the respective energy suppliers by the individual authorities and are not part of the sinking fund payment process.

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- 6.4 The financial model sinking fund is periodically reviewed to ensure that adequate resources are set aside for future liabilities. The contributions for 15/16 have been adjusted accordingly. These are offset in part by contract performance deductions.

(Approved by: Dianne Ellander, Head of Finance and Deputy Section 151 for London Borough of Croydon)

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, Gabriel MacGregor, Head of Corporate Law 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, Resources 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 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

- 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 best interest to do so.

Contact Officers

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Background Documents

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