

Report To:	Croydon & Lewisham Joint Street Lighting Committee 20 October 2016
Report Author :	John Algar : PFI Contract Manager
Agenda Item :	6
Subject :	The Joint Street Lighting PFI Update
Lead Officers:	Croydon: Executive Director of Place and Streets Lewisham: Executive Director for Resources and Regeneration
Cabinet Members:	Croydon : Councillors Stuart King and Pat Ryan Lewisham : Councillors Alan Smith and Kevin Bonavia
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Not for publication	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	
Recommendations:	
The Committee is asked to note	
<ul style="list-style-type: none"> . The performance of Service Provider in respect of the street lighting PFI for February 2016 – July 2016 . The Core Investment Programme (CIP) for both Croydon and Lewisham for the duration of the 5 year programme. 	

1. 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 February 2016 – July 2016.

2. Detail

Operational Performance Standards Overview

- 2.1 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. The performance is reviewed on a monthly basis as part of the "Monthly Monitoring Report" and this is linked directly to any financial adjustments for failing to meet the minimum requirements set out each performance standard. Details of the level of adjustments applied to this contract to date are shown in the Part B agenda of this committee.
- 2.2 The Service Provider shall perform the service in accordance with the following Performance Standards:

PS1 - Investment Programmes

- 2.3 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 10 at 31st July 2016, 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

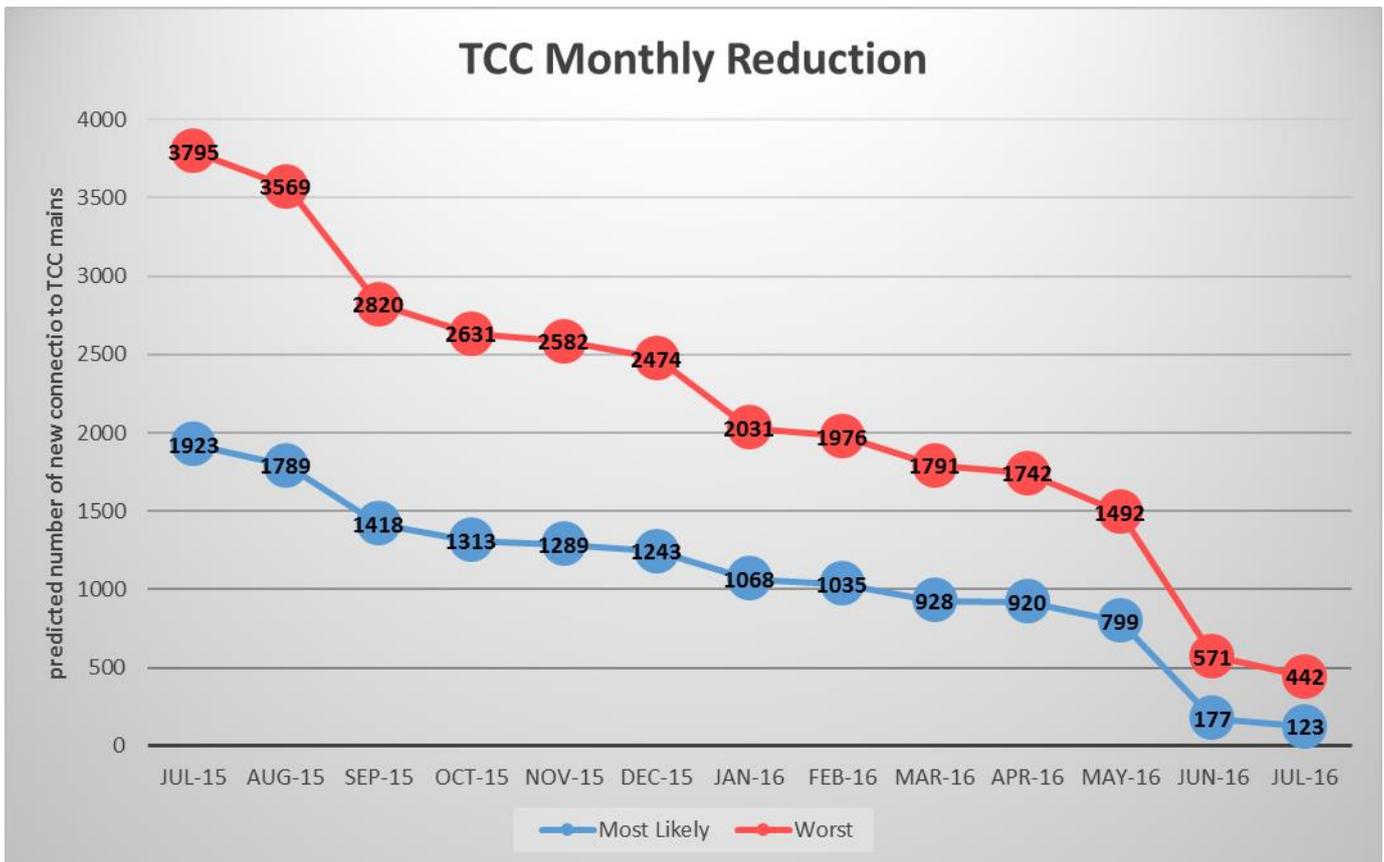
- 2.4 Upon the last Monthly Monitoring / Payment Report for July 2016 the certification figure was 42,412 columns removed. This includes the Y1 (column removals), Y2 (signs and bollard removals) and Y4 (Unlit Streets) totals. A significant amount of work continues to be undertaken by the Service Provider and the councils monitoring team to implement continuous improvements in this area of the project. As a result of this the CIP delay has recovered and now running at approximately 3 months late compared to over 6 months behind at this same stage in July 2015 (see table overleaf):

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
September 2015	5 Months	13 Days
October 2015	5 Months	0 Days
November 2015	4 Months	17 Days
December 2015	4 Months	12 Days
January 2016	4 Months	4 Days
February 2016	3 Months	25 Days
March 2016	3 Months	24 Days
April 2016	3 Months	23 Days
May 2016	3 Months	22 Days
June 2016	3 Months	20 Days
July 2016	3 Months	22 Days

Under the terms of the contract Milestone 10 was due to be completed at end of July 2016, this has not been achieved and therefore an automatic Milestone Default Termination Point has been accrued.

As set out in the previous report put before this committee The Service Provider remains confident that the C.I.P will be completed at by the end of December 2016

- 2.5 The committee will recall the main contributory factor for the delays has been the time taken to disconnect / connect the new street lights to the "Triple Concentric" (TCC) UKPN cable, this cable has been identified in two thirds of the borough of Croydon. The designs of the remaining streets have continued to improve with less TCC needing jointing works as these are now being designed to be jointed on the Low Voltage Mains cable. As per below table the required predicted number of new connections was 3795 for worse case scenario, this is now reduced to just 442. If the designs had avoided the TCC network at the beginning of the contract then there would have been a high possibility that the C.I.P would have been completed on time.



2.6 The committee will recall as a result of the delays in the delivery of the CIP and the associated complications arising from the TCC, the Service Provider has produced an improvement plan. This improvement plan outlines the steps which continue to be taken to recover the programme and is reviewed monthly at the monthly performance meetings with the Service Provider.

Legacy Stumps (Feeder Points)

2.7 There continues to be a focus on removing legacy temporary feeder pillars (stumps) in Croydon. These are all labelled and have better clarity as to what they are and a contact number should members of the public want to call in.

The historic Stump programme has seen 2974 removals across the borough. At the end of July 2016 there are still 629 to remove. The Service Provider have acknowledged the Authorities concerns regarding any remaining stumps and all stumps are programmed to be removed as part of the completion of the CIP programme.2016.

2.8 It is important to note all lighting columns in Lewisham are connected to the DNO network and therefore are not affected by this issue.

PS2 - Planned Maintenance, Inspection and Testing;

2.9 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.

2.10 The table overleaf illustrates the overall performance over the last 6 months, the Service Provider has achieved the required level of 99% lights throughout this period, and therefore no financial adjustment has occurred.

	July 2016	June 2016	May 2016	April 2016
# occasions not In Light	280	278	296	328
# Lighting Points	51,620	51,585	51,675	51,578
In Light **	99.458%	99.461%	99.427%	99.364%
In Light:	99.427%			

	May 2016	April 2016	March 2016	February 2016
# occasions not In Light	296	328	325	412
# Lighting Points	51,675	51,578	103,236	103,186
In Light **	99.427%	99.364%	99.685%	99.601%
In Light:	99.519%			

2.11 The Client Monitoring Team continue to carry out their own shadow night scouts to verify the quality of the night scouts the Service Provider undertake as well as reviewing the vehicle tracker reports to verify the streets visited. Joint night scouts with the Service Provider are also carried out on a monthly basis.

As part of the commissioning of the night lighting there is a period of time where street lights will be on 24hrs a day until the two way communication with the central management system is made.

PS3 - Operational Responsiveness and Reactive Maintenance;

2.12 This Performance Standard covers the operational responsiveness of the Service Provider to attend to faults within the relevant rectification period.

2.13 The tables below illustrate the performance for emergency and non – emergency faults in and out of time for the period of February 2016 – July 2016. Over this period all Emergency Call Outs have been attended within the 1 hour time frame. The majority of non-routine jobs not completed on time are in relation to day burning columns not being rectified in time.

Fault Type	Number of occasions : In Time					
	February 2016	March 2016	April 2016	May 2016	June 2016	July 2016
Emergency faults	77	91	80	44	53	39
Non-Emergency Faults	1404	1174	930	815	477	718

Fault Type	Number of occasions : Out of Time					
	February 2016	March 2016	April 2016	May 2016	June 2016	July 2016
Emergency faults	0	0	0	0	0	0
Non-Emergency Faults	2	0	8	7	9	16

2.14 During this reporting period not all non-emergency faults were attended in time and therefore a financial adjustment has been applied in line with the Payment Mechanism.

PS4 - Contract Management and Customer Interface;

2.15 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).

2.16 The table below shows telephone calls receive by call centre and emergency phone line between February 2016 and July 2016, the target is 95% of all calls being answered within 25 seconds. Over this period the Service Provider continues to perform well above the performance target.

February 2016	March 2016	April 2016	May 2016	June 2016	July 2016	Prescribed response period
681	673	572	496	535	455	= # calls received by call centre / emergency phone line
673	669	572	496	532	444	= # answered by a trained call agent within 25 seconds
98.83%	99.41%	100%	100%	99.44%	99.78%	= % answered by a trained call agent within 25 seconds

PS5 - Strategic Assistance and Reporting;

2.17 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.

For this period all reports were received on time.

PS6 - Working Practices;

2.18 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:

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.

Fault Type		February 2016	March 2016	April 2016	May 2016	June 2016	July 2016
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 (c) 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.	2	2	2	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.	0	105	105	65	115	55

The Client Monitoring team are liaising with the boroughs Permitting teams on a daily basis to ensure permits are in place and any overruns are being addressed.

Daily site checks are being carried out of which any failures are being financially adjusted in accordance with the Payment Mechanism of the contract.

PS7 - Reporting to the Authority;

2.19 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 the committee are asked to note all reports were submitted on time.

PS9 - Central Management System;

2.20 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. This is something both boroughs are exploring under a Variable Lighting Policy.

2.21. 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.

The client team are monitoring the current re-commissioning of the CMS as there have been a few issues with regards to over loading of the ward by ward branch nodes.

2.22 For the reporting period of July 2016, across both boroughs there are 39,326 street lighting columns connected to the CMS and that have been certified.

2.23. Lewisham have submitted their Variant Lighting Level Policy which has been approved by Mayor and Cabinet

3. Human Rights

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

4. Consultation

4.1 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.

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

4.3 Notifications 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.

5. Financial and Risk Assessment Considerations: Croydon and Lewisham

- 5.1 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.
- 5.2 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.
- 5.3 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 estimated total Unitary Charge paid through the sinking fund for 17/18 is £10.3m. Energy costs are paid directly to the respective energy suppliers by the individual authorities and are not part of the sinking fund payment process.
- 5.4 The financial model sinking fund is periodically reviewed to ensure that adequate resources are set aside for future liabilities. The contributions for 17/18 have been adjusted accordingly. These are offset in part by contract performance deductions.

(Approved by: Zulfiqar Darr, Interim Head of Finance, Place and Resources, for London Borough of Croydon, John Johnstone, Group Manager Resource Finance Lewisham)

6 Comments of the Councils' Solicitors

- 6.1 To align the constituent authorities, the legal teams created two agreements, the Governance Agreement and the Co-operation Agreement.
- 6.2 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.
- 6.3 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.
- 6.4 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.
- 6.5 The CIP is set out in Schedule 5 to the Project Agreement.
- 6.6 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 CIP which must take into account significant transportation projects and other programmes or works. The CIP is revised every three months or amended as necessary.

- 6.7 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.

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)

7. Human Resources Impact

- 7.1 There are no Human Resources considerations arising from this report.

Approved by Adrian Prescod, HR Business Partner, for and on behalf of Director of HR, Resources department.

8. Customer Impact

- 8.1 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.
- 8.2 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.

9. Equalities Impact Assessment (EIA)

- 9.1 An updated 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.

10. Environmental and Design Impact

- 10.1 Croydon's carbon management programme was approved in October 2010 and originally set a target to reduce carbon emissions by 25% by 2015 (from a baseline 2009/10). The scope of the emissions covered included corporate buildings, schools and electricity use by street lighting - which represents around 12% of the total emissions. 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.
- 10.2 Carbon emissions from Croydon's street lighting are shown in the table below. It should be highlighted that the 2015/16 figure is based on an earlier inventory of assets which will not reflect the effect of more energy efficient equipment delivered through the CIP. This will be corrected with the most up to date inventory being sent to the council's nominated Meter Administrator.

year	Consumption kWh	CO ₂ tonne	Grid emission factor
2015/16	10,126,987	5,027	0.49636
2014/15	10,185,810	5,430	0.5331
2013/14	9,647,256	5,219	0.541

10.3 Croydon and Lewisham are both mandatory participants in the government CRC Energy Efficiency Scheme (CRCEES). This requires authorities to submit an annual report on CO₂ emissions associated with operational energy use and to purchase 'Allowances' to cover these emissions. The cost of Allowances for 2015/16 CO₂ emissions was £16.90 per tonne. Unmetered electricity suppliers are within the scope of the CRCEES and the cost of CO₂ emissions relating to Croydon's street lighting in 2015/16 was just under £85k.

10.4 Following a review of business energy taxation in 2015, the government has announced that the CRCEES will be abolished in 2019. However, tax revenues from CO₂ emissions will be maintained by increasing the rates of the Climate Change Levy (CCL). The CCL is charged on all non-domestic supplies of electricity and gas.

10.5 The CMS functionality will help reduce street lighting electricity consumption, this will therefore help minimise electricity costs and associated CO₂ emissions along with minimising the costs for CO₂ under the CRCEES.

Approved by; Bob Fiddik, Team Leader Sustainable Development & Energy team

11. Crime and Disorder Reduction Impact

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

12. Freedom of Information/Data Protection Considerations

12.1 There are no data protection issues arising from the Project.

12.2 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

Steve Iles Authorised Person and Director of Streets, Croydon Council Telephone: 02087266000
ext.:52821 Email: steve.iles@croydon.gov.uk

Katharine Nidd, Service Group Manager, Commercial and Investment Delivery, Lewisham Council
Telephone: 02083147000 Email: Katharine.Nidd@lewisham.gov.uk

John Algar: PFI Contract Manager, Croydon Council Telephone 02083944717
Email: john.algar@croydon.gov.uk

Background Documents: None