

REPORT TO:	CROYDON AND LEWISHAM STREET LIGHTING JOINT COMMITTEE 16 OCTOBER 2013
AGENDA ITEM:	8
SUBJECT:	THE JOINT STREET LIGHTING PFI UPDATE
LEAD OFFICERS:	CROYDON: EXECUTIVE DIRECTOR OF PLANNING AND ENVIRONMENT LEWISHAM: EXECUTIVE DIRECTOR FOR RESOURCES AND REGENERATION
CABINET MEMBERS:	CROYDON: COUNCILLORS SIMON HOAR AND PHIL THOMAS LEWISHAM: COUNCILLORS ALAN SMITH AND PAUL MASLIN
WARDS:	ALL
Corporate Priority / Policy Context:	
Improving street lighting supports Croydon Council's corporate priorities of improving the environment and reducing crime and Lewisham Council's corporate priorities of clean, green and liveable, and safety, security and a visible presence.	
Financial Summary:	
Approving the recommendations in this report will reflect the agreement made by Croydon and Lewisham Council to the sums set out in the P.F.I contract agreement. Each authority has made plans as it considers appropriate for the financial implications of the project. No additional expenditure is proposed as a result of this report.	
Forward Plan Key Decision Reference Number: N/A	
Not for publication	
N/A	

1. Recommendations:

The Committee is asked to note

1. the performance of Skanska Laing (SKL, the Service Provider) for February 2013 – July 2013
2. the Core Investment programme for both Croydon and Lewisham for the duration of the 5 year programme for which financial approvals are required.

2. Executive Summary

- 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 2013 – July 2013.

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 relevant standards. The following table illustrates the milestones for achieving this:

The project calendar has just reached Milestone 4 at the end of July 2013, which is highlighted below:

Milestone	Milestone Completion Date	Total Lighting Points removed
1	6 months after planned service commencement date	207
2	12 months after planned service commencement date	3,107
3	18 months after planned service commencement date	7,148
4	24 months after planned service commencement date	12,009
5	30 months after planned service commencement date	16,885
6	36 months after planned service commencement date	22,915
7	42 months after planned service commencement date	28,940
8	48 months after planned service commencement date	34,316
9	54 months after planned service commencement date	39,683
10	60 months after planned service commencement date	46,665

Appendix 1 (A&B) 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	February 2013	March 2013	April 2013	May 2013	June 2013	July 2013
Cumulative lighting points removed	5312	5680	6380	6912	7254	7782
Additions (month by month).	333	368	700	532	342	528

To date the total number of new assets issued for construction is 13,717 of which 10,030 units installed.

As a result of the challenges faced by the Service Provider in delivering the Core Investment Programme, the council put in place an "All Parties" working group to focus on the challenges with the connections of the new assets. As a result the Service Provider was charged with the development of an improvement plan focusing on recovering the slippage to the programme.

The concern for all parties has been the time taken to connect the new street lights to the "Triple Concentric" UKPN cable, this cable has been identified in two thirds of the borough of Croydon. To work on this cable UKPN need to carry out a controlled shutdown which also affects household supplies. The shutdown period is limited to minimise the disruption to household supplies and therefore limits jointing works completed each day and also has a serious effect on the jointing output impacting on Skanska's ability to achieve the Milestone targets. UKPN and the Service Provider are looking into other avenues to improve performance of which the authority are closely monitoring the performance of both parties.

The Service Provider has dedicated site and administrative resources to survey all remaining schemes to identify the location of Triple Concentric Cable. In the short term this will allow Skanska to programme schemes that do not contain Triple Concentric Cable thus allowing cable jointers to be put to work without down time which is expected to increase productivity. In the long term this will allow Skanska to design away from triple concentric cable where possible. At present it is too early to say what effect this will have on jointing output. This survey is expected to be completed by the end of October 2013 and the findings will be incorporated in the programme. The overall impact will be clearer as designs are progressed throughout the Borough.

As a result under the terms of the contract the Service Provider is able to submit a claim for Relief against accruing a Milestone Default Termination Point (MDTP) and has done so for Milestone 4, the authorities are currently reviewing the submission and will respond to the Service Provider in due course.

As a result of the 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 such as pulling the core investment programme forward for wards in years 4 & 5 where the triple concentric main is not present such as Coulsdon East and Coulsdon West.

Skanska obtaining Independent Connections Provider "ICP" status, the success of this is fundamental to the Project being able to achieve our mitigation programme and reduce delays. Skanska are working with the Authority and UKPN in order to find a way of getting the Asset Owner Agreements signed to allow Skanska jointers to be able to carry out Contestable work.

There have been frequent joint high level meetings carried which have included Skanska, SPV, UKPN, Authority Executive Director and Key Stakeholders to discuss all on-going issues and how best to resolve these.

The service provider has continued to engage with UKPN at senior officer level of which written confirmation and agreements are now in place to reflect the following deployment of crews:

Lewisham - 5 crews are now deployed in Lewisham and this will give the maximum number of crews that can be accommodated within the current programmed area and in line with the Improvement Programme. The average number of crews on site for the period averaged 3.4 jointing gangs per day. 605 tasks completed in July 2013 with an average of 7.16 tasks completed per crew per day for this period. Skanska achieved 438 removals against a target (Improvement Plan) of 500 removals for the month.

Croydon - 10 Jointing crews are now deployed in Croydon this will give the maximum number of crews that can be accommodated within the current programmed area and in line with the Improvement Programme.

The average number of crews on site for the period averaged 6.6 jointing gangs per day.

473 tasks completed in July 2013 with an average of 2.86 tasks completed per crew per day for this period.

The Service Provider has committed to completing all roads in the outstanding Year 1 programme of which only then will the authority allow for the new front to be open.

During the replacement programme due to the nature of a number of the tree lined residential streets in both boroughs the project has received some negative comments around columns installed in close proximity to trees. To address these concerns Skanska and the authority monitoring team undertake a joint site visits and any columns found to be an issue have either been moved to a suitable position or some slight tree trimming is to be carried out. Some column locations where tree issues have been identified have led to the street being re-designed (see Appendix 2).

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 6 months has achieved the required level resulting in no adjustment being made and therefore the service provider has not been adjusted in line with the payment mechanism.

		July 2013	June 2013	May 2013
(Y)	# occasions not In Light	469	479	461
(T)	# Lighting Points	51,808	51,808	51,808
A/B	In Light **	99.095%	99.075%	99.110%
In Light:		99.093%		

		April 2013	March 2013	February 2013
(Y)	# occasions not In Light	489	589	735
(T)	# Lighting Points	59,808	103,616	103,616
A/B	In Light **	99.182%	99.432%	99.291%
In Light:		99.301%		

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 2013 – July 2013

Fault Type	Number of occasions					
	In time					
	Feb13	Mar 13	Apr 13	May 13	Jun 13	Jul 13
Emergency faults	128	141	121	124	102	105
Non-Emergency Faults	1710	1703	1481	1542	1266	1280

Fault Type	Number of occasions					
	Out of time					
	Feb13	Mar 13	Apr 13	May 13	Jun 13	Jul 13
Emergency faults	2	2	2	0	2	0
Non-Emergency Faults	35	17	9	61	58	54

Overall this performance has improved although recently figures have increased over the last few months due to snagging items not being completed within the 20 Day window, of which financial adjustments have been implemented.

3.5 PS4 - Contract Management and Customer Interface;

The Service Provider shall for the Service Period 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).

Below table shows telephone calls receive by call centre and emergency phone line between February 2013 and July 2013, of which the target is 95% of all calls being answered within 25 seconds.

Number of calls						
Feb 13	Mar 13	Apr 13	May 13	Jun 13	Jul 13	Prescribed response period
1137	1111	985	932	833	1121	= # calls received by call centre / emergency phone line
1033	919	912	841	762	963	= # answered by a trained call agent within 25 seconds
90.85%	82.72%	92.59%	90.24%	91.48%	85.91%	= % 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		Number of faults Feb 13	Number of faults Mar 13	Number of faults Apr 13	Number of faults May 13	Number of faults Jun 13	Number of faults Jul 13
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	5	0	0	0
Serious service faults	Any Service Failure that is such that it may develop into an Urgent Service Failure if not rectified or attended to in accordance with Good Industry Practice.	0	0	0	1	0	0

Fault Type		Number of faults Feb 13	Number of faults Mar 13	Number of faults Apr 13	Number of faults May 13	Number of faults Apr 13	Number of faults May 13
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.	30	25	15	65	5	80

N.B Routine service faults : This is taken from the schedule of service failures, where each item is given a points score. The authority and the service provider have agreed the table to appendix 21, of which any future failures with regards to working practices will be added accordingly.

3.8. PS7 - Reporting to the Authority;

In order for the Councils to monitor the performance of the Service Provider and to ensure appropriate Monthly Payments are made under the Contract, the Service Provider shall provide accurate and complete reporting to the Councils on how the Service Provider is complying with the requirements of the Output Specification.

3.9 PS9 - Central Management System;

When this contract was awarded both councils opted for a Central Management System (CMS) to be installed to all street lights as part of a “mandatory variant solution”. In technical terms the key difference between the mandatory variant solutions and standard Solutions is that the mandatory variant solution enables lights to be dimmed, or brightened, flexibly, whereas in the standard solution lights will only come on and off at fixed ambient light levels. The advantage of the mandatory variant solutions is its flexibility, and the opportunity that it affords to cut energy consumption and therefore costs or otherwise to respond to policy considerations.

Once the Independent Certifier issues the Certificate of Compliance for the new street lighting on a street by street basis the Service Provider shall ensure that all Replacement CIP Apparatus is connected to and operating on the Central Management System.

For this reporting period across both boroughs there are **6129** street lighting columns connected to the CMS.

A street lighting policy has been developed of which waiting for adoption by each authority.

4. Human Rights

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

5. Consultation

- 5.1 During the mobilisation phase and throughout the CIP, the Service Provider will liaise and consult with all relevant bodies, which includes the Councils, its officers, and all other stakeholders.
- 5.2 There is a mechanism built within the Output Specification to ensure that this consultation process takes place.

6. Financial and Risk Assessment Considerations: Croydon and Lewisham

- 6.1 The structure of the Payment Mechanism includes a payment in arrears for the service. Any under performance in a period will be reflected in a payment adjustment in the following period. A draft Monthly Payment Report is provided to the Councils within five business days of the month for which it is reporting. No later than the end of the month a final monthly payment report is issued to the authority and the authority has 20 business days to settle the account.
- 6.2 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 clienting costs and contributions into the sinking fund to even out PFI liabilities over the life of contract, with LBC acting as the lead authority on payments. The total contribution to the sinking fund for 13/14 is £9.15m and the expected contribution for 14/15 is £9.37m assuming an RPIx indexation rate of ~2.5% in Jan 2014. Energy costs are paid directly to the respective energy suppliers by the individual authorities and are not part of the sinking fund payment process.
- 6.4 A review of the financial model sinking fund is underway to ensure that adequate resources are set aside for future liabilities. This will address any changes arising from contract inflation being higher than originally set in the model and also interest on the sinking fund balance being less than originally forecast. These are offset in part by contract performance deductions.

(Approved by: Tim Flood Finance Manager Corporate Resources and Customer Services 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 There are no legal implications arising from this report.

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

8. Human Resources Impact

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

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

9. Customer Impact

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

10. Equalities Impact Assessment (EIA)

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

11. Environmental and Design Impact

- 11.1 In October 2010 Croydon also approved the Carbon Management Energy Efficiency Programme (CMEEP 2010-15) with a carbon reduction target of 25% (compared to 2009/10 baseline) to be delivered by 2015. Street lighting represents an approximate 12% share of the total carbon footprint of the council and carbon reduction and energy efficiency in street lighting will contribute significantly to the 25% reduction target. Lewisham Council has a target of a 50% reduction in corporate carbon emissions by 2015/16 from a baseline of 2007/08. This target is supported by a detailed Carbon Management Programme, which incorporates an expectation of reduced emissions from street lighting.
- 11.2 Reducing carbon dioxide emissions from the Council's own activity including street lighting can deliver financial savings through reduced energy/fuel costs; help achieve percentage CO₂ reduction (25% by 2015) from local authority operations and support the borough wider climate change mitigation target.
- 11.3 Croydon and Lewisham have both registered with the Environment Agency to participate in the mandatory Carbon Reduction Commitment energy efficiency scheme (CRCEES). Recent changes to this scheme mean that from 2012 organisations will

have to pay carbon tax to the government to cover their carbon emissions/energy consumption. Initially these will cost £12 per tonne, but future price will be determined by the government as part of the budget process and could be as high as £16/tonne.

- 11.4 Currently the street lighting supply is an un-metered supply (UMS) and not included in the scope of the CRCEES but it has been proposed in the current consultation that street lighting should be included in CRCEES. The CMS functionality will not only help achieve CMEEP target, but will also save money on energy consumption and help to reduce the extra cost of carbon tax once street lighting is included in CRCEES.

(Approved by; Muhammad Ali, Carbon Reduction Officer, on behalf of 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 (A&B): Core Investment Programme Croydon and Core Investment Programme Lewisham
- Appendix 2 : Tree Issues in Lewisham
- Appendix 3 : CMS Connection Points