

CABINET

20 APRIL 2010

GATEWAY 1 OPTIONS APPRAISAL: PUBLIC LIGHTING MAINTENANCE WORKS

Portfolio Holder: Councillor Phil Filmer, Front Line Services

Report from: Robin Cooper, Director of Regeneration, Community and Culture

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Summary

To consider the options appraisal for the procurement options for the Occupational Health Service.

1. BUDGET AND POLICY FRAMEWORK

- 1.1 The Public Lighting Maintenance Contract is to enable the Council to meet its duty of care obligations in respect of public lighting and facilitates the installation of new lighting and the maintenance and upgrading of existing stock. The contract will also enable effective response to legitimate customer requests for service and complaints.
- 1.2 To ensure business continuity from expiry of existing contract (31 March 2011) we are requesting authority to commence the procurement of a new contract for a period of 5 years plus extension, subject to performance and market suitability, for a period of 2 years. The decision falls within the policy and budget framework.

2. BACKGROUND/INTRODUCTION

- 2.1 The current lighting maintenance contract was awarded to PDW Primafox Ltd in April 2004 as a four-year contract from with an option to extend subject to satisfactory performance for a further 36 months to 1st April 2011.
- 2.2 The contract covers all aspects of highway electrical work including the repair of faults, lamp changing, and electrical testing and post replacement, both individual posts and new lighting schemes. It includes works to all electrical highway and car park equipment including traffic bollards, signs and

streetlights. This contract also includes the installation of Festive lighting. This contract does not include traffic signals or ticket machines. The contract includes both planned and reactive maintenance and the provision of an emergency response service. Works orders are placed by the Authorised Officer.

- 2.3 Following an options appraisal, this report adopts a preferred option of external contractor because there is a mature external market of competitive providers.

3. BUSINESS CASE

3.1 Business Case Summary

- 3.1.1 The contract fulfils the council's statutory duty of care relating to highway electrical equipment and other public lighting and to deal with legitimate customer requests for service and complaints in line with the Council's Highway Maintenance Plan.

- 3.1.2 Street lighting and electrical systems must comply with the following general legislation and more specific lighting industry standards:

Health and Safety at Work Act 1974.

Electricity-at-Work Regulations 1989.

BS 7671: Regulations for Electrical Installations.

BS EN 60598: Luminaires - Specification for luminaires for road and street lighting.

BS 5489: Code of Practice for the Design of Road Lighting.

PrEN 13201-1 European Standard for the Design of Street Lighting on the Public Highway.

BS EN 60590: Specification for Clarification of Degrees of Protection provided by Enclosures.

EN40: Lighting Columns.

DTLR Department for Transport, Local Government and the Regions.

BD 26/--- The current DTLR Bridge Design Standard 26/--.

ILE Technical Report 23 - Lighting of Cycle Tracks.

Traffic Signs Regulations and General Directions 1994.

Disabled Persons Act 1981.

Road Hump Regulations 1990.

3.2 Strategic Context

- 3.2.1 This contract is designed to enable Medway Council to fulfil its responsibility to maintain its lighting stock in a safe condition and facilitate the completion of work to deal with legitimate customer requests for service and complaints.

- 3.2.2 In addition the contract will address some of the strategic objectives of the following initiatives, plans, strategies and policies:

Core Value – “Putting the Customer at the Heart of everything we do”.

Core Value – “Giving Value for Money”
 Strategic Priority - “A Clean and Green Environment”
 Strategic Priority – “People Travelling Easily and Safely in Medway”
 Energy Saving strategy (currently being written).

3.2.3 The contract is designed to be adaptable to new technologies such as LED lanterns and CMS (central management systems) that are designed to assist in the reduction of energy costs and CO2 emissions.

Whole Life Costing/Budgets

3.3 Expenditure

3.3.1 The predicted costs which are subject to tender return, are set out in the exempt appendix. This is based upon the total potential contract value over 5 years together with the maximum contract extension period of 2 years. This needs to be weighed against the fact that many of the items included will be optional extras to be used only when there is budget provision for them.

3.4 Funding

3.4.1 Funding under the contract will fall into two main areas, programmed work and additional/un-programmed work, details of which are set out in the exempt appendix.

3.5 Inflation provision

3.5.1 No Inflation provision will be included for the term of the contract. Although it is accepted that the contractor may submit higher contract rates in anticipation that costs will rise during the term of the contract, the Council will be able to provide accurate forecasting for budgets in future years.

4. RISK MANAGEMENT

4.1 The RAT analysis rates the risk of this contract as 49 and Medium. The RAT and Risk Register are appended to this Gateway 1 Report (Appendix 1).

| Risk | Probability (P) (score 1-4) | Impact (I) (score1-4) | Overall Score P x I | Action to avoid or mitigate risk |
|---|--|----------------------------------|--------------------------------|---|
| Tender costs exceed budget provision | 1 | 2 | 2 | Procurement timetable aligned with Budget Build Framework. |
| Failure to monitor activities and benefits of the new service | 1 | 2 | 2 | Monitoring of service through reporting and management procedures |

5. MARKET TESTING

5.1 Lessons Learnt

5.1.1 There is an existing market for street lighting maintenance services. This has been tested through previous renewals of the contract. Informal benchmarking through CSS (County surveyors Society) and TAG (Technical Advisors Group) shows that most authorities procure this work as stand-alone contracts due to the specialist nature of the works.

5.1.2 An in-house option has been discounted on the basis of set up costs and available depot and office facilities and service continuity.

5.2 Bench Marking

5.2.1 Contracted completion times for each category of work was analysed from thirteen Lighting authorities in order to ensure that Medway specify an acceptable Performance level:

| Work Type | Bench marked authorities, average response times (days/hours) | Medway's Proposed response times (days/hours) |
|---|---|---|
| Repair Street light fault | 3.9 | 5 |
| Repair Traffic sign / bollard fault | 3.4 | 5 |
| Repair Belisha Beacon fault | 2.6 | 5 |
| Erect lighting column | 16.1 | 14 |
| Install Traffic sign / Bollard | 15.0 | 10 |
| Scouting Frequency summer | 18.1 | 21 |
| Scouting Frequency winter | 13.4 | 10 |
| To fit Replacement Lantern | 7.4 | 10 |
| Emergency call out (within working hours) | 1.2hrs | 1hrs |
| Emergency call out (Outside of working hours) | 1.5hrs | 2hrs |

5.2.2 Lighting fault repair times are one of the most customer sensitive issues highways deal with on a day-to-day basis. Although the average of other authorities is slightly lower we are not looking to change the existing specified fault response time of 5 days. This target is seen as reasonable and achievable for the successful contractor and fits in well with the night scouting intervals of 2 weeks in winter and 3 weeks in summer. Reducing the required response times will undoubtedly increase costs as additional labour would be required and such a measure would increase vehicle mileage and our carbon footprint. Alternatively extending the fault response time is unlikely to result in an on going cost reduction as labour and replacement material will remain almost unaltered, but the contractor would be able to programme works more easily.

5.3 Stakeholders Consultation

- 5.3.1 The key internal stakeholder is Highways and Parking Services. Initial contact has been made with potential stakeholders to assess the demand for buy-in of the service provided under the contract. A favourable response has been received from Greenspaces, which is being pursued.

5.4 Other Issues

IT

- 5.4.1 The existing "Confirm" software system networked to the successful contractors administrative base will be retained for the new contract. There are no additional IT implications over the existing contract.

6. PROCUREMENT IMPACT ASSESSMENT (PRIMAS)

- 6.1 The proposed procurement is not considered to have any negative impact in relation to equalities (i.e. age, disability, ethnicity, sexual orientation, gender and religion/ belief) or local community.
- 6.2 There are no issues identified in relation to environmental or health & safety since these issues will be addressed in relation to existing legislative requirements as part of the ITT.
- 6.3 Opportunities to tender for the works will be promoted in accordance with the adopted procurement policy of the Council.

7. PERMISSIONS / CONSENTS

- 7.1 No permissions or consents have been identified at this stage of the procurement process although any hosting or shared service opportunities identified would need to be subject to a lock out agreement that, dependant on the nature of the agreement, may require the approval of Cabinet.

8. OPTIONS APPRAISAL

8.1 Success Criteria/Key Drivers/Indicators

- 8.1.1 A key indicator of success would be to procure a new contract with a clean and swift changeover to a new provider while continuing to maintain the Councils lighting assets and fulfil its duty of care in respect of vehicle and pedestrian safety and responses.

8.2 Options

- 8.2.1 Five main options have been considered for renewing this contract. These are do nothing, renewing as a stand-alone contract, renewing as an integrated contract, private finance initiative (PFI) and in-house option.

Option 1- Do Nothing

- 8.2.2 There is no statutory requirement for Medway to provide public lighting, however where it is installed it must be maintained in a safe condition both structurally and electrically. In contrast there is an expectation both in terms of highway safety and community safety that lighting is there and is properly maintained. Medway must have a contract in place that fulfils this obligation.

Option 2 – Stand Alone Contract

- 8.2.3 A contract with a single supplier that has expertise and experience in providing a public lighting maintenance service.

Advantages: There is an established market. Contract value and work volume should encourage sufficient interest to secure competitive bids. The proposed contract incorporates its own performance monitoring system, which provides incentives for good performance and deductions for poor response. Generally single supply contracts avoid the management problems associated with sub-contractors and will encourage specialist qualified contractors.

Disadvantages: Disadvantages are mainly set against small providers who may have limited resources in respect of finance and manpower to deal with fluctuating demand.

Option 3 - In-House Model:

- 8.2.4 Advantages: Close working arrangements (could also be disadvantageous) managed through effective contract management and monitoring.

Disadvantages: Direct (In-House) option has been discounted on the basis of set-up costs including staffing, supervision, depot facilities and achieving this in a way that ensures service continuity.

Option 4 - Integrated Contract:

- 8.2.5 Contract with a supplier that has broader expertise or is providing a similar service for an adjacent local authority. There is a possibility that the public lighting service could have been integrated with the more general highway maintenance contract or the service could be “bought” from KCC’s supplier

Advantages: Potential economies of scale.

Disadvantages: The existing Highways TMC with Volker Highways does not allow for this integration although the contract term suggested 5 yrs plus 2 will allow for integration later.

Option 5 – Private Finance Initiative

- 8.2.6 It is unlikely that Medway would be eligible for a PFI on its own, but could be included with a neighbouring authority. KCC have investigated the feasibility of a PFI but I am advised that they are not currently pursuing the option. The time required to procure a PFI is extensive, expensive and could not be established before the end of the existing contract.

8.3 Preferred Option

- 8.3.1 Option 2 (Stand Alone Contract) has been identified as the preferred option on the basis that there is a mature external market of providers. Contract package is broadly similar to the current contract strengthened and with identified weaknesses removed.
- 8.3.2 Past experience suggests the preferred option will give value for money, but this will be demonstrated through the evaluation criteria for contract award. VFM could also be achieved through offering the service to other departments on a full-cost recovery basis including management fee.
- 8.3.3 The existing IT and client administration have delivered a responsive, effective service to carry out public lighting maintenance.
- 8.3.4 Measurable benefits will be qualified in the ITT at Gateway Stage 2, but examples include:

The high quality of works completed.
Response times in dealing with problems on sites.
Value for money from a specialist contractor with experience of running street lighting contracts.

9. PREPARATION OF THE NEXT STAGE OF PROCUREMENT

9.1 EU Implications

- 9.1.1 Due to forecast tender value this contract will need to comply OJEU procurement regulations as the value is above the current EU procurement threshold for services of £156,442. An indicative timetable is attached at appendix 2 which will be finalised as part of the Gateway 2 QA by Strategic Procurement.

9.2. Resources and Project Management

- 9.2.1 A project-working group led by the Head of Highways & Parking Services is established to manage delivery of the new Public Lighting Contract in line with the procurement stages. Performance management will be undertaken through Covalent as part of the Highways & Parking Services Service Plan.

9.3 Contract Documents

- 9.3.1 The form of contract will be based on the existing contract updated to reflect any legislative changes and prevailing best practice for lighting works contracts. The existing contract prior to letting went thorough a benchmarking exercise via TAG (Technical Advisory Group) and is recognised as reflecting industry standard for lighting maintenance contracts.
- 9.3.2 In relation to deliverables and impacts these will be addressed through existing monitoring procedures. A lighting policy for Medway is being written and this contract intends to fulfil the requirements of the policy.

9.3.3 The main risk identified at Gateway 1 stage is in relation to tender value exceeding budget allocation. As detailed in item 4.3 and 4.4 approximately 77% of the total contract value is carried out only when funds are available on a call-off basis. Approximately 23% of the contract value is core work and is a fixed cost to the revenue budget.

9.4 Contract Management

9.4.1 The contract will be managed through a combination of performance checks, joint site visits and formal contract review meetings. Performance will also be monitored through targets within the contract; performance meetings are scheduled on a monthly and quarterly cycle.

10. COMMENTS OF THE PORTFOLIO HOLDER FOR FRONT LINE SERVICES

10.1 To ensure business continuity and alignment with the budget setting process, I am happy for the Head of Highways and Parking services to commence procurement for a new Public Lighting maintenance Contract to commence from 1 April 2011, subject to Cabinet approval.

11. PROCUREMENT BOARD – 30 MARCH 2010

11.1 The Procurement Board considered this report on 30 March 2010 and supported the recommendations as set out in paragraph 13 of this report.

12. FINANCIAL, PROCUREMENT AND LEGAL COMMENTS

12.1 Comments from Chief Finance Officer

The works covered by the contract are funded from revenue, capital (LTP) and rechargeable works. The proposed procurement option will ensure VFM from a mature external market. In order to measure efficiency 'savings', it will be necessary to analyse the outcome of the procurement process in terms of unit costs and the number of units deliverable from available revenue and capital budgets.

12.2 Comments from Head of Procurement

Strategic Procurement will provide quality assurance throughout the procurement process, including a comprehensive review of procurement documentation at Gateway 2. The client department will need to advertise requirements via the Strategic Procurement team in the Official Journal of the European Union (OJEU). This is because the value of the contract exceeds the EU services threshold of £156, 442 and therefore will be subject to the full application of the EU Procurement Regulations. In light with the new Remedies Directive, to ensure compliance and to mitigate risk, Strategic Procurement will continue to provide support throughout the process hereon until post contract award.

12.3 Comments from Deputy Monitoring Officer

These are Part A services for the purposes of the Public Contracts Regulations 2006 (as amended) and the estimated value of the contract is well in excess of the relevant threshold. This procurement will be subject to

the new rules implemented by virtue of the Remedies Directive which provides more effective solutions for companies which suffer as a result of breaches of the rules on public procurement. The consequences of breaches of the Regulations are now potentially more serious than ever before. If grounds exist, a Court must render any contract which has been awarded ineffective, and must also impose a fine. Given these new changes both legal services and strategic procurement should be closely involved in this procurement to facilitate and review its implementation.

13. RECOMMENDATION

- 13.1 Cabinet is recommended to approve the commencement of the procurement project for the public lighting maintenance contract for the award of a new contract from 1 April 2011.

14. SUGGESTED REASONS FOR DECISION

- 14.1 By commencing procurement of the lighting maintenance contract now, service continuity can be adequately planned and financial award decisions made through the 2011 budget setting process.

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Background papers

The following documents have been relied upon in the preparation of this report:

| Description of document | Location | Date |
|--|-----------|-----------|
| Directorate Management Team Contract Procurement Approval Report | Gun Wharf | 3/12/2009 |

Appendix 1 – Risk Management RAT

| Risk Management RAT | Raw score | Weighting | Weighted Score |
|--|-----------|-----------|----------------|
| Business Impact | | | |
| Project Costs | 4 | 3 | 12 |
| Project Impact | 1 | 2 | 2 |
| Number of staff affected | 2 | 2 | 4 |
| Impact upon Business services | 1 | 2 | 2 |
| Impact upon the public | 2 | 3 | 6 |
| Technical contract impact | | | |
| Synergy with other projects | 2 | 2 | 4 |
| Extent of Innovation | 1 | 2 | 2 |
| Impact on established processes | 2 | 2 | 4 |
| Scope of IT supply | 1 | 1 | 1 |
| Scope of Construction Work | 0 | 1 | 0 |
| Scope of Services Involved in project | 1 | 1 | 1 |
| Client and Supplier side organisation | | | |
| Complexity of client side arrangements | 1 | 3 | 3 |
| Complexity of supply side arrangements | 2 | 2 | 4 |
| Extent of existing market | 2 | 2 | 4 |
| Total Project Score | | | 49 |
| Risk assessed as | | | Medium |

Appendix 2 – Lighting Maintenance Contract Procurement Timetable

| Stage | Task | Description | Timescale | |
|-----------------|---|--|--|------------|
| Gateway 1 Stage | Procurement Report | | March 2010 | |
| | Prepare contract bundle (including evaluation criteria) | | March/April 2010 | |
| | Cabinet approval | | 20 April 2010 | |
| | OJEC Notice | | May 2010 | |
| Gateway 2 Stage | Pre-qualification questionnaire | | June 2010 | |
| | Invitation to tender | | June 2010 | |
| | | Tender assessment | June 2010 | |
| | | Clarification meetings | June 2010 | |
| | | Preferred contractor status, prepare reports with recommendations to meet reporting process in item 2. | June 2010 | |
| | Tender Award | | Budget Setting, DMT & CMT | July 2010 |
| | | | Overview and Scrutiny (Regeneration Community and Culture) | July 2010 |
| | | | Cabinet | July 2010 |
| | Exit strategy | Prepare a strategy to manage the wind-down of the existing contract. This will ensure that the existing contractor complies with the contract terms, conditions and specifications; and that effective and timely measures can be used to ensure compliance. | September 2010 | |
| | Award of contract | The corporate procurement section will carry out this process, and ensure that clarification bulletins are incorporated to enable a revised contract document to be issued. | October 2010 | |
| | SLA | Confirm and revise as required any service level agreements between internal clients. | October 2010 | |
| | Mobilisation | Prepare mobilisation strategy for new contract to ensure effective and efficient transition, and to establish productive working relationship with new contractor, including pre start meetings. | November 2010 | |
| | Gateway 3 Stage | Live contract | New contractor takes possession and new arrangements become effective. | April 2011 |