

CABINET

7 APRIL 2020

GATEWAY 3 CONTRACT AWARD: STREET LIGHTING LED AND COLUMN REPLACEMENT PROGRAMME

Portfolio Holder: Councillor Phil Filmer, Portfolio Holder for Front Line Services

Report from: Richard Hicks, Director of Place and Deputy Chief Executive

Author: Louise Browne, Acting Head of Highways and Parking
Nigel Ford, Category Manager

SUMMARY:

This report provides details of the LED (Light Emitting Diode) and Column Replacement Programme and procurement exercise following consideration at the Procurement Board on 18 March 2020.

The procurement exercise was undertaken via the Crown Commercial Services Framework (RM1089). The incumbent term contractor from the Council's pre-existing Highways Infrastructure Contract was also invited to tender alongside those Contractors on the Framework, under the same Terms and Conditions.

At the Gateway 1 stage, this project was approved as a Category B, medium risk procurement activity. In accordance with the Council's Contract Procedure Rules, medium risk reports are reviewed and approved by the Chief Legal Officer in consultation with the Procurement Board.

The political or service sensitivities are:

- Paragraph 12.10 of the Capital and Revenue Budgets 2020/21 Report presented to Full Council on 22 February 2020 noted that a business case and gateway 3 report for the LED street lighting programme, will be presented to Cabinet and will seek approval for between £11million and £12million to fund the replacement of 23,000 lamps and around 4,000 columns.

- In October 2018, Medway Council's corporate energy contract was re-tendered and energy for highway street lighting increased 32% on the previous contract price. This led to an in year pressure in 2018/19. That pressure remained for 2019/20 with a further increase of 10%, from October 2019, meaning the total in year pressure is forecast at £431,831 above budget. Full Council agreed to fund this pressure, from 1 April 2020, but further year on year increases, above any retail price index, are almost certain.

1. BACKGROUND INFORMATION

1.1 Background Information

- 1.1.1 The street lighting network comprises 25,667 street lights and in 2018, Medway Council secured borrowing, via the Prudential Borrowing route, of £2.72m for a column replacement scheme, across financial years 2018/19 and 2019/20. As part of this scheme, those columns, which did not already have LED lanterns, would be converted to LED. This would increase the number of LED lanterns, on the network, to approximately 4,526. With additional lanterns being replaced over the past 2 years, the total now stands at over 5000. Having said that, some of the older LED lanterns have been in place up to 10 years and therefore could not support future proofing "Smart City" ambitions, so some of these would need to be replaced under a full LED scheme. In total it is anticipated that approximately 23,100 lanterns will need conversion.
- 1.1.2 In addition to the LED scheme, a subset of essential column replacements is required. These columns require replacing, irrespective of whether the LED scheme goes ahead or not, but as part of the LED scheme, have attracted more competitive financial rates, due to economies of scale.
- 1.1.3 The current situation, where column replacements are prioritised within an inadequate funding envelope is unsustainable. Most columns are already beyond their original design life and even focussing on columns that are deemed structurally unsafe, there is insufficient funding, in annual budgets to meet the needs of the service. As such a total of 4,668 column replacements form part of this scheme. Of these, 3,656 are of concrete design and could not support an LED lantern due to weighting and design issues.
- 1.1.4 As part of budget setting for this financial year, the Capital and Revenue Budgets 2020/21 Report presented to full Council on 22 February 2020 noted that a business case and gateway 3 report for the LED street lighting programme would be presented to the Cabinet. The business case for the conversion of the highway street lighting network to LED (light emitting diode) sets out how the Council would realise financial and environmental benefits, through reduction in energy use and which would also support Medway Council's "Smart City" ambitions. It was accepted that a subset of column replacements would also form part of the scheme.

1.1.5 The tender encompasses both LED conversion and column replacements, with options for a Central Management System (CMS) for dimming and trimming light levels and Smart City future proofing and integration, with the preferred option being to install a CMS system, if it was financially viable.

1.1.6 The benefits of CMS both now and in the future are:

- Implementation of dimming and trimming regimes to save further energy and carbon emissions, which would also help support the Council's climate change agenda.
- Allows for future options around bespoke lighting specific areas, remotely, for example High Streets or areas of night time culture.
- It supports our Smart City and Transformation agenda, allowing future proof integration of Smart City options, on an open platform.
- By supporting our Smart City agenda, we will provide opportunity for schemes such as the Housing Infrastructure Fund and Town Centre Bid, should they wish to use the platform, which in turn supports our bid for City of Culture status.
- Instant reporting of faults on the network meaning repairs can be more quickly resolved, ensuring maximum lights in illumination and therefore providing higher levels of customer satisfaction.
- Management of energy use, via the system, allowing us to easily be able to adapt our lighting levels to any changing demand in the future and more easily predict any changes in energy use.

1.2 Urgency of Report

1.2.1 There are a number of target dates, which form the timeline of this project, in order to ensure the governance process is completed. The tender period is on a tight timeline and this report asks Cabinet to note the outcome of the Gateway 3 report decision at Procurement Board on 18 March 2020 and for their agreement that the scheme be added to the capital funding programme, for discussion and approval at Full Council on 23 April 2020.

2. PROCUREMENT PROCESS

2.1 Procurement Process Undertaken

2.1.1 As proposed and approved in the Gateway 1 report the LED & Column replacement scheme has been tendered under the Crown Commercial Services Framework, RM1089 - Traffic Management Technology 2 - Lot 9 – Street & Exterior Lighting.

2.1.2 The Framework is OJEU compliant and has been established based on the market having already been tested, for potential providers and meets the requirements of the scheme.

2.1.3 The Framework consists of 12 Suppliers. The current term contractor, Volker Highways Ltd, was not one of them. In the interests of being

open and fair, it was agreed to invite Volker Highways Ltd, to tender alongside the suppliers within the Framework, applying the same tender process and terms and conditions (T&C's) as published.

2.2 Evaluation Criteria

Tender Evaluation

2.2.1 Tenders were evaluated to determine the **Most Economically Advantageous Tender** (MEAT), taking into consideration the following award criteria:

- Quality Score: **60%**
- Price/Cost Score: **40%**

Quality Evaluation Breakdown		
Section		Weighting %
1	Programme	15%
2	Lighting Design	10%
3	CMS Provision	10%
4	Materials	15%
5	Social Value	5%
6	Health & Safety	5%
6	Cost	40%

2.2.2 This process determined a successful tenderer, for each option. In order to determine which option the authority should pursue, an analysis of the potential energy savings, for each option, was undertaken. This modelled the energy savings, over a 20 year period, with a factored energy price indexation, both high and low, which was averaged out for the purpose of this report.

2.2.3 This would then determine an equivalent cost avoided monetary saving, for that energy, which would be used to service the entire annual cost of the project, over the life of the lantern asset (20 years) with the aim being that the saving should service the loan.

2.2.4 Tables 1 & 2 below summarise the forecast saving, for each option, based on that analysis, for 2 elements, cost avoidance on energy and reduction in carbon tonnes.

2.2.5 In order to establish these figures, the cost of the energy, based on the current asset inventory, using both low and high indexation, plus the average of the 2, over 20 years, was forecast. The same exercise was undertaken for both a full LED conversion and CMS option and the total energy avoidance and carbon reduction was the difference between the two.

Table 1 – With CMS

Option	Total Energy Avoided Cost (£)	Total Carbon Saved (t)
Average Indexation Energy Avoided	20,240,212	28188
Low Index Energy Avoided	15,272,186	28188
High Index Energy Avoided	25,208,239	28188

Table 2 – Without CMS

Option	Total Energy Avoided Cost (£)	Total Carbon Saved (t)
Average Energy Avoided	18,769,586	26115
Low Index Energy Avoided	14,162,530	26115
High Index Energy Avoided	23,376,643	26115

2.2.6 All costs of the project, are based on a 20 year payback, excepting the cost of columns, which have a 50 year design life and payback is based on this.

2.2.7 The savings in energy costs, which are to service the loan, are for 20 years, based on the predicted life of the lanterns which produce it. These savings would service the full cost of the scheme, including the column replacements, for years 1 to 20 of repayment.

2.2.8 The annual payment, of the columns, from years 21-50 will need funding, which will be planned and delivered from the revenue budgets available at that time.

2.3 Public Contracts Regulation 84 Check List

Please detail the qualification and selection of tenderers and the award
The use of an OJEU Compliant Framework and inclusion of the Medway's Highways Infrastructure contractor, which was also an OJEU compliant activity, precluded the need to run a separate qualification / selection process. Essentially this activity had been completed by CCS in order to form the framework and by Medway in order to award the Highways Infrastructure Contract.

Has electronic procurement been used? Yes or No. If "No" please provide details below
Yes

Has the negotiated procedure without a call for competition been used? If yes, please provide details

No

Were there any conflicts of interest? If yes, please detail how these have been managed

No

Has the contract award followed the regulations? If no, please give details.

Yes

3. BUSINESS CASE

3.1 Delivery of Procurement Project Outputs / Outcomes

3.1.1 As part of the successful delivery of this procurement requirement, the following procurement project outputs / outcomes within the table below have been identified as key and will be monitored as part of the procurement project delivery process.

Outputs / Outcomes	How will success be measured?	Who will measure success of outputs/ outcomes	When will success be measured?
1. Appointment of a Consultant Project Manager to deliver the Project	Successful appointment of suitable Project Manager through a mini-comp tender via approved Framework.	Highways Team and Category Management	Evaluation of Tenders and successful appointment of Consultant – Completed July 2019.
2. Write specification and contract tender documents	Through joint working with appointed Project Manager and Medway Council LED Working Group that will include IT/Transformation for technical input on CMS & Smart Cities Ambitions.	LED Working Group	Approval of specification/tender documents and release of tender, via the Portal on an approved Framework – Completed November 2019.
3.Implementation of PPQ and ITT	Review of PQQ and ITT documentation.	LED Working Group & Category Management	Approval of specification/tender documents and release of tender, via the Portal on an approved Framework – completed November 2019
4. Successful Evaluation	Timely, justified and completed evaluation with recommendations.	LED Working Group & Category Management	Approval of the procurement activity by the Chief Legal Officer in consultation with the Procurement Board subject to approval for funding. Presentation of the outcome of the procurement exercise to Cabinet and recommendation to full Council to add this scheme to the Capital Programme in April 2020.

Outputs / Outcomes	How will success be measured?	Who will measure success of outputs/ outcomes	When will success be measured?
5.Successful mobilisation and delivery of scheme	Successful programme of mobilisation and delivery of scheme on time and to contract specification.	Highways Team	From award of scheme May 2020

4. RISK MANAGEMENT

4.1 The table below details the major risk to the project and the mitigation put in place, whilst detailing the risk rating for this.

Risk	Description	Action to avoid or mitigate risk	Risk rating
Increased cost beyond scope of scheme	Scheme cost increasing beyond the funding value,	Tendered prices are contractually binding. Contract Specification adheres to NEC3 guidelines with set dispute resolution. Costed risk of both the network and the non-standard lantern asset base has been included to mitigate unknown risks across a large number of assets	CIII

5. PROCUREMENT BOARD

5.1 The Gateway 3 report was considered at the Procurement Board on 18 March 2020 and the Chief Legal Officer in consultation with the Procurement Board agreed that this procurement proceeds with award to the winning evaluated bidder, for the option with CMS set out in paragraph 3.2 in the Exempt Appendix, subject to approval of funding.

5.2 The contact will not be awarded until a decision has been made by Full Council on 23 April 2020 on the funding award.

6. SERVICE COMMENTS

6.1 Financial Comments

6.1.1 The procurement requirement and its associated delivery (as per the recommendation at paragraph 5.1), will require Full Council approval for a new scheme to be added to the Capital Programme funded by prudential borrowing met from projected energy savings.

6.1.2 The Cabinet is asked to recommend to Full Council on 23 April 2020 the addition of £11,155,144 to the Council's Capital Programme for this scheme.

6.1.3 Further detail is contained within section 2.1 Finance Analysis of the Exempt Appendix.

6.2 Legal Comments

6.2.1 This report seeks permission to utilise a current, OJEU compliant Framework. Subject to the Framework being used in line with the terms and conditions of that Framework, then there are no legal implications.

6.3 TUPE Comments

6.3.1 TUPE will not apply to this procurement request.

6.4 Procurement Comments

6.4.1 This requirement has been procured through a Crown Commercial Services OJEU compliant Framework, with the inclusion of the Highways Infrastructure contractor, which was also awarded under an OJEU compliant process. This raises no specific procurement concerns.

6.4.2 A total of 13 contractors were invited to bid on this requirement and received 2 submissions.

6.5 ICT Comments

6.5.1 Ongoing liaison with ICT to ensure that the ICT requirements to fully service the building are accommodated through the design.

7. RECOMMENDATIONS

7.1 The Cabinet is asked to:

7.1.1 note the proposed contract award for the Street Lighting LED and Column Replacement Scheme with Central Management System (CMS) to the successful bidder as detailed in paragraph 5.1 of the report and paragraph 3.2 of the Exempt Appendix, which is subject to funding approval.

7.1.2 recommend to Full Council on 23 April 2020 the addition of £11,155,144 to the Council's Capital Programme for the Street Lighting LED (light emitting diode) and Column Replacement Programme to be funded by prudential borrowing met from projected energy savings.

8. SUGGESTED REASONS FOR DECISIONS

8.1 This scheme will upgrade the extensive street lighting network and increase the asset base condition thus ensuring network safety and will contribute to both Medway Council's climate change and Smart City agendas.

8.2 The cost of the scheme, over the predicted 20 year life span of the LED lanterns, will be funded via cost avoided savings in energy, which are predicted to exceed the investment required over the period.

LEAD OFFICER CONTACT

Name Title
Department Directorate
Extension Email

APPENDICES

Exempt Appendix – Financial Analysis

BACKGROUND PAPERS

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

Description of Document	Location	Date
Gateway 1 Report	https://democracy.medway.gov.uk/mglIssueHistoryHome.aspx?IId=27171&PlanId=356&RPID=37564473	July 2019