

# North Somerset Council

## REPORT TO THE EXECUTIVE

**DATE OF MEETING: 4 DECEMBER 2018**

**SUBJECT OF REPORT: STREET LIGHTING - LED REPLACEMENT, TERM MAINTENANCE AND HIGHWAYS ELECTRICAL CONTRACT AWARD**

**TOWN OR PARISH: ALL**

**OFFICER/MEMBER PRESENTING: COUNCILLOR ELFAN AP REES THE EXECUTIVE MEMBER FOR STRATEGIC PLANNING, HIGHWAYS, ECONOMIC DEVELOPMENT AND HOUSING.**

**KEY DECISION: YES**

## RECOMMENDATIONS

The Executive is asked: -

1. To increase the capital programme by £4.7m capital funding over 2 years (2019/20 £1.3m and 2020/21 £3.4m), for the funding of the LED and column replacement programme.
2. To approve the use of 2 years LTP allocations (from the Street Lighting allocation – as per previous years allocations) £0.5m.
3. Recommendation to Council to apply for Salix loan funding, for the balance of the LED replacement costs £4.2m or approve prudential borrowing if the Salix funding is not available within the timescales required for the capital element (£4.2m) of this programme.
4. To approve the award to Centregreat Ltd, Wyndham Close, Brackla Industrial Estate, Bridgend, CF31 2AD (Company registration number 1169341) Ltd (a lead company in the field of street lighting with extensive experience in delivery of local authority service delivery), of a 4 year contract (with a possible 2 year extension) starting from 1 April 2019 for the street lighting LED replacement, term maintenance and highways electrical contract.

## 1. SUMMARY OF REPORT

- 1.1 The Council's contract for road lighting, traffic management and decorative lighting maintenance with our existing supplier Scottish and Southern Electric Contracting (SSEC) is due to end at the end of March 2019. Also, lamp production of the majority of existing non-LED light sources is being phased out by manufacturers late 2019 and superseded with energy efficient LED lanterns.

- 1.2 The above considerations have led to the council undertaking a project that will not only improve the service but also deliver a significant reduction in energy usage (and associated CO2 emissions) and fund the replacement of deteriorated columns that are at a higher risk of failure.
- 1.3 Through a competitive tendering process, the council has sought to procure the award of a contract to a single supplier for the maintenance of the council's street lighting, illuminated signs, bollards and investment in a cost effective modern system of LED street lighting which will include replacing and upgrading all out dated inefficient non-LED lighting. This will also include the replacement of the council's remaining corroded and at-risk concrete lighting columns and corroded steel pole brackets with new galvanised steel units throughout the Council's area.
- 1.4 The contract will deliver the following key benefits:
  - Ongoing financial savings from reduced maintenance and operating costs
  - Reduced risk from replacing outdated and potentially dangerous columns
  - Improved street lighting for residents
  - Enabler for further technological innovation
- 1.5 As part of the procurement process the capital element of the contract went to Investment and Infrastructure Board on 14 April 2018, where the original estimated costs were £7.5m. However, following a competitive procurement process, with officers from various disciplines working together as part of an integrated project team, this figure has been reduced to £4.7m.
- 1.6 This was achieved as a result of significant reductions in lantern costs when compared to the market research undertaken and the impact of expected regional increases in labour costs not coming to fruition.

## **Scope of contract**

- 1.7 The core contract requirements are:-
  - Upgrading of non-LED lights, concrete columns and steel brackets;
  - Maintenance and installation of street lights and illuminated traffic management and;
  - Potential technological innovation including additional electrical highway maintenance and installation works e.g. parking meters, car charging pillars, vehicle activated signs, vehicle messaging signs etc.

## **2. POLICY**

- 2.1 The contract and the replacement project fits with the following corporate objectives:
  - Prosperity and Opportunity
  - Health and Wellbeing
  - Quality Places
- 2.2 To achieve the council's vision and corporate objectives, new street lighting and improvement schemes within North Somerset will be undertaken in accordance with the following key guiding principles:
  - Seeking to ensure the safety of road users

- Seeking to reduce crime and the fear of crime
- Limiting negative environmental impact
- Conserving energy
- Delivering value for money
- Improving the condition of our street lighting stock
- Increasing the life expectancy of street lighting installations and their components
- Contributing to delivering economic growth.

### 3. DETAILS

#### Contract Structure

3.1 The proposed contract term is 4 years with a potential extension of 2 years.

The contract value will be split into two parts –

1. The replacement of the non-LED lanterns, concrete columns and corroded steel pole brackets, these will incur the greatest cost and will take place in the first two years,
2. The on-going maintenance of the asset. Delivered as a reduced cost when compared to the existing maintenance contract.

#### Governance

3.2 The commissioning plan was approved by Council on 8 May 2018 (see background papers). The procurement plan was approved by the Executive Member with advice from the Director Development & Environment in May 2018 (see background papers).

#### Contract Value & term

3.3 The contract is 4 years (with a potential extension of 2 years). Through a competitive process the contract value is £6,784,716.

	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	TOTAL
	£	£	£	£	£	£	£
Capital	1,263,008	3,292,255					<b>4,555,263</b>
Maintenance	450,364	381,258	348,940	348,891	350,000	350,000	<b>2,229,453</b>
Electricity	665,127	363,482	194,742	194,742	194,742	194,742	<b>1,807,577</b>
Per Contract Tender	2,378,499	4,036,995	543,682	543,633	544,742	544,742	<b>8,592,293</b>
<b>Contract Award</b>	<b>1,713,372</b>	<b>3,673,513</b> <sup>✓</sup>	<b>348,940</b> <sup>✓</sup>	<b>348,891</b> <sup>✓</sup>	<b>350,000</b> <sup>✓</sup>	<b>350,000</b>	<b>6,784,716</b>

#### Lotting

3.4 Dividing the contract into Lots (LED and column replacement, and separate maintenance) was considered however this was decided against. Market engagement feedback advised that costs would be duplicated if separate contractors carried out the two Lots with two sets of management, workforce, depots etc.

## Market Engagement

- 3.5 Early market engagement took place in March 2018. Several potential bidders and the incumbent contractor were asked to complete a questionnaire to gauge if they would be interested in providing the capital for the LED replacement project, the expected length of time required to carry out the LED/column replacement, the length of contract term, and future technological innovation. The suppliers were also invited to meet with the project team to further discuss these matters, this helped inform the contract and tender documents, and has made the market aware of the council's plans and the procurement process.
- 3.6 The council used the competitive procedure with negotiation, which consisted of the following stages:
- Pre-qualification stage – this stage checked bidders' financial standing, policies and technical ability to carry out the LED replacement programme and on-going maintenance.
  - Initial invitation to tender stage
  - Negotiation stage
  - Final best and final offer stage

## Award Criteria

Scoring Sections	ITT Weighting	Final Weighting	Score Available	Final Weighted
1. Operational solution • Mobilisation phase – 25%	11.25	13.75	5	68.75
1. Operational solution • LED investment phase – 50%	22.5	27.5	5	137.5
1. Operational solution • Post-LED investment phase – 25%	11.25	13.75	5	68.75
2. Resilient service	15	25	5	125
3. Performance	20	0	5	0
4. Social value	10	10	5	50
5. H&S	10	10	5	50
<b>Total Score</b>	<b>100</b>	<b>100</b>		<b>500</b>
Total % Quality score - weighting 30%				
Total % Price - weighting 70%				

## Procurement procedure & publishing information

- 3.7 The opportunity was published in the Official Journal of the European Union (OJEU) on 7 June 2018 (2018/S 108-245302). A competitive procedure with negotiation was used as the project team felt the complexity and spend of the contract warranted discussion with bidders during the process.
- 3.8 Bidders returned their final bids on 30 October 2018.

## Evaluation Panel Members

- *Highway Operations and Contract Manager*
- *Highway Electrical and ITS Manager*
- *Principal Engineer*
- *Senior Service Accountant*
- *Procurement Manager*
- *Head of Strategic Procurement*
- *Senior Health and Safety Advisor*
- *Principal Economic Development Officer (Skills)*

## Evaluation outcome

3.9 A scoring matrix of 0 – 5 was used in the procurement. Bidders submitted their initial bids and feedback was given to them in advance of their negotiation meetings. Bidders were asked to complete the Key Performance Indicator schedule with the % target performance levels they thought appropriate. They were also asked to propose any additional or alternative key performance indicators. The % target performance levels and any additional KPIs were then set at the final Invitation to Tender stage, which is why the weighting for the performance section was zero at the final stage.

	<b>Centre Great</b>	<b>Supplier 2</b>	<b>Supplier 3</b>	<b>Supplier 4</b>	<b>Supplier 5</b>
<b>Quality Score</b>	<b>24.00%</b>	<b>25.43%</b>	<b>22.80%</b>	<b>22.80%</b>	<b>24.60%</b>
<b>Price Score</b>	<b>70.00%</b>	<b>65.16%</b>	<b>67.13%</b>	<b>62.24%</b>	<b>59.63%</b>
<b>Total Score</b>	<b>94.00%</b>	<b>90.59%</b>	<b>89.93%</b>	<b>85.04%</b>	<b>84.23%</b>

3.10 The above identifies that whilst there is clear preferred bidder, all bids were at a level to provide confidence that Centregreat will be able to deliver the project as per their bid.

As background, Centregreat Limited has been operating within the street lighting industry for over 30 years, and successfully installs repairs and maintains street lighting, signage and other street furniture for local authorities, highway agencies, civil engineering companies and private clients. Locally, they have previously undertaken works on the South Bristol Link road, repair lights for some North Somerset parish councils and deliver local new development works with key developers such as Persimmon Homes.

Centregreat currently manages several Term Maintenance contracts throughout South Wales for Councils such as Newport, Caerphilly and Rhondda Cynon Taff (RCT), all of which have implemented LED installation programmes as additional add-on projects to their Term Maintenance Services. They integrate the LED installation with the existing Maintenance programmes to seamlessly provide both services simultaneously. In September 2016 Centregreat was also appointed as Principle Contractor for the replacement of LED Street Lighting on the Strategic Highway Routes Contract in Cardiff.

## **Social Value**

- 3.11 In accordance with the council's social value policy, a weighting of 10% of the quality weighting was used to ask all bidders what additional social value and specific tangible social value contributions they would offer the council.
- 3.12 The winning bidder made the following commitments: -
- Work with Weston College to recruit local apprentices;
  - Recycle lamps and;
  - Give school children work placements/work experience opportunities.
- 3.13 Their commitments will be logged on the council's social value register and will be managed as contractual commitments to ensure that they are delivered by the supplier.

## **Implementation of Contract**

- 3.14 Once approved, the contract will be mobilised between January and March 2019, with the contract starting on 1 April 2019. The actual LED replacement will not start until November 2019, giving both the council and the contractor sufficient time to resource and programme the works.

## **Contract Management**

- 3.15 The contract was let using the NEC3 terms and conditions which has clearly defined mechanisms for managing the contract.
- 3.16 Many robust KPIs have been implemented for managing the performance of the contract and additional KPIs to include social value commitments, street works and financial spend, will be agreed with the contractor during the mobilisation period. To ensure KPI targets will be achievable, bidders were asked to complete the Key Performance Indicator schedule as part of the tender process. This will ensure appropriate, relevant, agreed KPIs are built into the contract.
- 3.17 There are also financial penalties linked to the KPIs and areas which, if not managed correctly, will lead to detrimental effects to the highway and its users.
- 3.18 The contractor will be co-locating with the Street Lighting Service to deliver the replacement programme and maintenance aspects of the contract, which will improve programme delivery, contract management and partnership working.
- 3.19 Meetings to manage the contract are clearly identified, these include 6 monthly board meetings with senior management, monthly contract meetings with the service team leader and bi-weekly programme meetings or as required to deliver the works with those involved with the day to day service.

## **TUPE**

- 3.20 There are TUPE implications with this procurement, and staff may transfer across to the winning bidder. Details of the incumbent contractor's staff were provided as part of the tender information. Tenderers were told to seek their own professional advice

in order to form their views on the question of TUPE. TUPE'd staff will transfer across to the new supplier during the mobilisation period.

#### **4. CONSULTATION**

- 4.1 Early market engagement took place in March 2018. Councillors have been made aware of the procurement both in the commissioning plan and procurement plan (see background papers). Internal consultation took place with the Investment and Infrastructure Board on 12 April 2018 and has recommended the award of this contract.

#### **5. FINANCIAL IMPLICATIONS**

- 5.1 The capital element of the scheme received support in principle at Investment & Infrastructure Board on 12 April 2018 at an estimated cost of £7.5m. Following the competitive procurement process, including detailed negotiations, the final figure was reduced to £4.7m, which received support from the Board on 8 November 2018.
- 5.2 The revenue savings generated from the new contract will be mostly in relation to energy with expected consumption reducing by 76%, this will be used to offset the borrowing costs from Salix.

#### **Funding**

- 5.3 Various sources of funding including revenue base budget, Local Transport Plan capital block funding and capital borrowing are required to fund the project. The council has also had discussions with Salix Ltd about providing funding for this project. A significant proportion of funding is expected from this stream.
- 5.4 Salix Finance Ltd provides interest-free Government funding to the public sector to improve their energy efficiency, reduce carbon emissions and lower energy bills. Salix is a not-for-profit organisation, funded by the UK Government, providing interest-free finance for the public-sector energy efficiency projects to reduce energy bills and carbon emissions. Salix has dedicated funding programmes for local authority street lighting, buildings and schools, supporting over 100 technologies including lighting, heating and insulation. Since the first street lighting application in 2008, whilst not previously used by North Somerset, Salix has financed over £75.9 million in street lighting projects in England, with 57 local authorities.
- 5.5 There will also be ongoing revenue budget savings in relation to maintenance, once the implementation phase is complete. On this basis, the impact of the new contract and associated capital investment is expected to cover the required borrowing costs.
- 5.6 Project details have been submitted and assessed by Salix who have agreed the LED investment is eligible for funding.
- 5.7 In the event that Salix is not available within the timescales of the project the council will seek approval for prudential borrowing to fill the gap, as the business case would still be viable.

- 5.8 Revenue budgets are in place to fund the maintenance and the repayment of the Salix funding, once the LED Investment Programme is complete the council will review the revenue budgets for future years savings.

## **6. LEGAL POWERS AND IMPLICATIONS**

- 6.1 The Council does not have a statutory duty to provide street lighting but does have the power to provide and maintain road lighting under the Highways Act 1980.
- 6.2 In exercising its various functions, the Council is required under section 17 of the Crime and Disorder Act 1998 to have due regard to the likely effect of the exercise of those functions on crime and disorder in its area (including anti-social and other behaviour affecting the local environment, the misuse of drugs and other substances, and reoffending) and the need to do all it reasonably can to prevent crime and disorder. However, there is no overriding duty for the Council to provide or keep lit systems of street lighting to prevent crime.
- 6.3 The Council is not liable for accidents arising from a failure to light a highway unless the accident arises because the Council failed to take reasonable steps to prevent objects it has placed around the highway from becoming a danger to the public.
- 6.4 Failure to take appropriate action to prevent the structural failure of lighting columns could lead to serious injury or even death to motorists and/or pedestrians. The alternative to replacement would be removal but this is likely to reduce the quality of life for residents, highway users and high disconnection and removal costs is not considered to be a viable option.

### Climate Change

- 6.5 The Climate Change Act 2008 empowered the government to set national targets for the year 2050 for the reduction of greenhouse gas emissions and to encourage energy users to meet the objectives of the Act, such as reducing such emissions or removing greenhouse gas from the atmosphere. The Act also introduces legally binding carbon budgets, which set a ceiling on the levels of greenhouse gases that can be emitted into the atmosphere.

### Public Services (Social Value) Act 2012

- 6.6 The procurement complied with the Public Services (Social Value) Act 2012 and the council's social value policy by including a social value element in the tender process (see above)

### Public Contract Regulations 2015

- 6.7 The procurement carried out has been compliant with the PCR 2015, using the competitive with negotiation procedure. An OJEU notice was published on 7 June 2018 (2018/S 108-245302).

## **7. RISK MANAGEMENT**

- 7.1 The following identifies the risks and associated mitigation for the contract and the replacement programme.



<b>Risk</b>	<b>Mitigation</b>
Lamp manufactures ceasing production of non-LED lamps by 2019	Funding secured to deliver the LED replacement programme
No LED capital investment leading to increased costs and challenge from bidders	Robust procurement process to ensure financially viable replacement programme
Rising costs of inefficient lamps and maintenance replacement costs	Robust procurement process to deliver value for money and fixed rates for the contract duration
Slippage in the delivery of the LED replacement programme	Co-location of both contractor and council teams for close working relationship and clear delineation of contractual risks
Lack of performance	Co-location with regular review meetings and robust KPIs
Contractor resource post LED replacement	Co-location with regular review meetings and performance management
Internal resource constraints	Joint planning of replacement programme

## **8. EQUALITY IMPLICATIONS**

- 8.1 An equality impact assessment has been carried out with no escalation to stage 2 identified.
- 8.2 Bidders Equality & Diversity policies were assessed as part of the tender process.

## **9. CORPORATE IMPLICATIONS**

- 9.1 As detailed in Section 2 key cross-cutting, corporate considerations such as Prosperity and Opportunity, Health and Wellbeing and Quality Places will all be met as part of the procurement process

## **10. OPTIONS CONSIDERED**

- 10.1 The options considered for this LED & column refurbishment programme are as follows:-
- 1) Do Nothing – Continue with maintenance and improvement of the street lighting stock using current funding.
  - 2) Replace Lamps only – Replace all non-LED lamps with new efficient LED technology.
  - 3) Replace Lamps, Concrete columns and Brackets – As with option 2 but also to replace end of life corroded concrete columns and brackets.
- 10.2 The council approved option 3 in the commissioning plan.

## **AUTHOR**

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## **BACKGROUND PAPERS**

Executive report approving the Street Lighting contract extension:

<http://apps.n-somerset.gov.uk/cairo/docs/doc27898.pdf>

Commissioning plan for the Street Lighting contract

<http://apps.n-somerset.gov.uk/cairo/docs/doc28835.pdf>

Procurement plan Executive Member approval

<https://www.n-somerset.gov.uk/wp-content/uploads/2018/05/DE-110-Signed.pdf>

Social Value policy:

<http://www.n-somerset.gov.uk/my-business/tenders-procurement/social-value/our-social-value-policy/>