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DATE: 03 November 2011

EXECUTIVE 16 NOVEMBER 2011

FOR PRE-DECISION SCRUTINY BY:

ENVIRONMENT PDS COMMITTEE 15 NOVEMBER 2011 AND

**EXECUTIVE AND RESOURCES PDS COMMITTEE
14 NOVEMBER 2011**

Please see the attached Part 1 report for the above meetings.

Members are requested to bring their copy of the report with them to any of the above meetings considering this item.

**FORMAL CONSULTATION ON OUTLINE SERVICE PROPOSALS AND
PROCUREMENT STRATEGY - STREET LIGHTING MAINTENANCE
AND IMPROVEMENTS CONTRACT (Pages 3 - 10)**

*Copies of the documents referred to above can be obtained from
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Report No.
ES11111

London Borough of Bromley

PART 1 - PUBLIC

Decision Maker: Executive

**For pre-decision scrutiny by the Environment PDS
Committee on 15th November and Executive & Resources
PDS on 14th November**

Date: 16th November 2011

Decision Type: Non-Urgent Executive Key

Title: **FORMAL CONSULTATION ON OUTLINE SERVICE
PROPOSALS AND PROCUREMENT STRATEGY - STREET
LIGHTING MAINTENANCE AND IMPROVEMENTS CONTRACT**

Contact Officer: Garry Warner, Head of Highway Network Management
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Chief Officer: Nigel Davies, Director of Environment Services

Ward: Borough Wide

1. Reason for report

The Contract for the maintenance and improvements of street lighting, currently let to May Gurney, will expire on 31st March 2013. As this Contract falls within the EU procurement regulations, options for the future of the service need to be considered at an early stage.

2. **RECOMMENDATION(S)**

Subject to any views of the Environment PDS Committee, Executive is recommended to endorse the proposal that a new Contractor is appointed to undertake the maintenance and improvements of street lighting from 1st April 2013, following a competitive tendering process and comparison with the London Highways Alliance Contract.

Corporate Policy

1. Policy Status: Existing policy.
 2. BBB Priority: Quality Environment.
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Financial

1. Cost of proposal: Estimated cost Less than £1.897m
 2. Ongoing costs: Recurring cost.
 3. Budget head/performance centre: Highways
 4. Total current budget for this head: £1.897m
 5. Source of funding: Existing revenue budget 2011/12
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Staff

1. Number of staff (current and additional): 4
 2. If from existing staff resources, number of staff hours: 4 fte
-

Legal

1. Legal Requirement: Non-statutory - Government guidance.
 2. Call-in: Call-in is applicable
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Boroughwide
-

Ward Councillor Views

1. Have Ward Councillors been asked for comments? No.
2. Summary of Ward Councillors comments: n/a

3. COMMENTARY

3.1 Estimated Contract Value – Other Costs

The estimated contract value is £1,897,000 p.a, based on the 2011/12 budget for maintenance works of £1,162m and £735k for street lighting improvement schemes.

3.2 Proposed Contract Period

It is proposed that a contract is tendered for an initial period of four years with options to extend the contract for up to six additional years subject to satisfactory performance. Should the London Highway Alliance Contract offer the most economically advantageous option, the period of the contract will be 8 years.

Background

3.3 The Street Lighting Maintenance and Improvements Contract was let in 2007 and requires the contractor to install street lighting improvement schemes and maintain the following equipment:

- 27,500 street lights
- 7000 illuminated road signs
- 1560 illuminated bollards
- 600 Centre Island Columns
- 75 School Crossing Patrols signs
- 22,700 non-illuminated signs
- 10, 000 street nameplates

3.4 Prior to 2007 the Council employed separate contractors to undertake the two types of work. The latest contract was tendered with separate lots for improvement and maintenance works, with the option of appointing one of two contractors. The most economically advantageous tender was received from May Gurney for both lots.

3.5 The existing contractor is based at the Beaverwood Depot in Chislehurst, which is shared with the Street Cleansing contractor and is subject to a separate commercial lease with Property Services Division.

3.6 The current contract was let for an initial term of four years, with the option to extend for two or four years subject to the performance of the contractor. The contract was extended in April 2011 for a period of two years

Future Service Options

3.7 Even though the existing contract could be extended for a further two years, the contractor's depot at Beaverwood is due to be closed in March 2013 following the relocation of the Street Cleansing contractor to Central depot. Depot facilities have been offered to May Gurney at Churchfields in Beckenham, although they have informed us that it would not be economically viable to relocate for such a short duration contract.

3.8 Benchmarking with other south London boroughs also suggests that financial saving are likely to be made should a new contract be offered in the current economic climate.

3.9 Discussions have been held with neighbouring authorities to consider joint procurement for this service, but unfortunately long term contracts are already in place. It is therefore considered that there are two options available for the future procurement of this service;

- (i) Retender - a new Contractor could be appointed to undertake the maintenance and improvements of street lighting from 1st April 2013, following a competitive tendering process. A joint tender is considered to offer the best solution
 - (ii) London Highways Alliance Contract (LHAC) – the LHAC is a pan London contract lead by Transport for London (TfL) which will be available from April 2013 for a range of highway related works, including street lighting, on all TfL and Borough roads. The Contract will be let in four areas, and LB Bromley would be included in the South Area Contract.
- 3.10 The LHAC is due to be tendered in the spring of 2012, with results due in the summer. Although the contract has been prepared to provide a cost effective solution for all highway authorities in London, LB Bromley have always enjoyed low contract rates for this service. However, given the changes identified around the availability of depot facilities and their impact, this position needs to be tested in competition. The availability of the London wide arrangement provides the opportunity to ensure the Council has options and flexibility when considering its contracting arrangements and the possible advantages it provides in economies of scale.
- 3.11 It is therefore proposed that while LB Bromley is included in the LHAC tender for street lighting works, a separate contract is also tendered in parallel by LB Bromley, based on the current service, with the tender being awarded to the most economically advantageous submission from both tendering exercises.
- 3.12 The contract will include an option for the contractor to enter into a commercial lease for the Churchfields depot, although contractors will be free to source their own premises.

Options for savings

- 3.13 In line with current corporate operating principles, and in an effort to reduce the cost of the service within the new contract, the specification and levels of service have been reviewed with the aim of delivering significant financial savings compared to current budgets.
- 3.14 The Highway Assets Working Group (HAWG), commissioned by the Environment PDS Committee at its meeting on 16th June 2011, has met twice since July 2011 to consider levels of service and investment strategies for highway and street lighting maintenance, and at their meeting held in September 2011 considered changes to levels of service which could reduce the cost of the street lighting service. These included:

Night-time Inspections (Night Scouting)

- 3.15 All lamp columns are currently inspected by the contractor at night once a week to ensure that they are working correctly. The percentage of lights on in the borough has been consistently high (over 98.5%) and the HAWG discussed the scope to reduce this level of service. The HAWG agreed to reduced night scouting to once a month for a trial period and monitor the results. As residents can also report street lighting faults by telephone or through the Councils web site, the new contract should also include an option to exclude night scouting by the contractor, when the service would rely on resident's reports.

Response Times for Repairs

- 3.16 Under the current levels of service the contractor is required to repair all street lighting faults within two working days. The HAWG considered the response time alongside proposals to amend the regime for night scouting mentioned above and it is proposed that the response time for fault repairs should be extended to five working days. This proposal could be trialled during the remainder of the existing contract and the results monitored.

Lamp Column Painting

- 3.17 All steel and cast iron lamp columns are currently painted every 5/6 years. Although the older columns rely on paint systems to protect from corrosion, all new columns are galvanised, and painting is largely undertaken for aesthetic reasons. The new contract will include options for the painting frequency to be reduced by using an enhanced specification paint systems, and for new galvanised columns to be installed without being painted.
- 3.18 Detailed options for cost savings will be taken into account as part of the tender evaluation process, when opportunities will be considered by the Star Chamber and Executive.

4 POLICY IMPLICATIONS

- 4.1 The Council's vision for Bromley is that it remains a place where people choose to live and do business. Modern, safe, reliable and efficient street lighting has an important part to play in realising this vision particularly in terms of improving public perception of the street scene, enhancing community safety and security and promoting the accessibility of public transport and other local services during the hours of darkness. These align well with the policy priorities in Building a Better a Bromley.

5 FINANCIAL IMPLICATIONS

- 5.1 The 2011/12 revenue budget includes the provision of £1.897m for street lighting maintenance and improvements as shown in the table below: -

Activity	2011/12 Budget £'000
Maintenance Works	
Routine maintenance	677
Non-routine maintenance	323
Lamp column painting	55
Unrecovered impact damage	107
	1,162
Improvement Works	
Minor improvements	129
New installations	606
	735
Total budget	1,897

- 5.2 It should be noted that these budgets are subject to change following any decisions taken during the forthcoming 2012/13 budget setting process.
- 5.3 As mentioned in 3.13 to 3.18 above, the specifications and levels of service will be reviewed with the aim of delivering significant savings compared to current budgets.

6 LEGAL IMPLICATIONS

- 6.1 The Highways Act 1980 empowers the Council as Highway Authority to provide lighting. The Council has a duty of care to the highway user and must ensure it can demonstrate it has systems and programmes in place to ensure the safety of all highway lighting equipment.

7 PERSONNEL IMPLICATIONS

- 7.1 Although there are no implications on LB Bromley staff, the contract will be subject to TUPE for the existing contractor's staff and operatives

8. PROCUREMENT IMPLICATIONS

- 8.1 This "Gate Report is provided in line with the Council's Contract Procedure Requirements, and accurately reflects the procurement strategy resulting from discussions between the service area and other "interested "Corporate" parties, including Procurement, Legal and Finance.
- 8.2 The Procurement Strategy identified is designed to give the optimum level of flexibility in terms of the need to ensure the delivery of a cost efficient service while providing for the Council's policy aims, including those around sustainability issues such as Apprenticeship opportunities.
- 8.3 In line with the Councils reduced funding provision, the contract is being offered on a fixed price basis for 3 years and then linked to appropriate basket of indices to reflect the labour and equipment used its provision rather than RPIX or CPI. This should provide a level of price certainty in the short to medium term and also link future increases to actual cost incurred in delivery of the service.
- 8.4 In the context of the London Wide arrangement also under consideration a considerable amount of resource and funding has been provided by Capital Ambition and Transport for London (TfL), to develop a London Wide Framework Contract which will offer both Clients and Contractors the opportunity to benefit from the potential economies of scale a regional contract might offer.
- 8.5 The use (or at least consideration) of these type of arrangements is endorsed as best practice by the Government Procurement Service (formally Buying Solutions) and London Council's who have considered the matter as part of reviews completed on the management of this (and other) Category's of work.
- 8.6 The timing of the TfL tender and our own Contracting requirements, including the change in depot availability, do not allow the full consideration of the TfL contract within in the Council's option appraisal process, as the details of the outcome from the tender process will not be available prior to our own tender action needing to be commenced. Pragmatically providing for both outcomes to be considered side by side will allow the Council to be able to access the appropriate information to come to a best "Value for Money" decision.

9. STAKEHOLDER CONSULTATION

- 9.1 The views of local residents are sought following street lighting improvement schemes through questionnaires, in an effort to identify resident's satisfaction with the levels of service provided.

10. MARKET CONSIDERATIONS

- 10.1 Benchmarking with other south London boroughs suggests that financial saving are likely to be may should a new contract be offered in the current economic climate. In addition the likely additional interest the TfL tender will generate should increase market interest in this area or work and provided for additional elements of competition to be considered
- 10.2 In addition a street lighting PFI contract has recently been awarded for a joint contract with LB Croydon and LB Lewisham which should increase competition in this service area.

11. OUTLINE CONTRACTING PROPOSALS & PROCUREMENT STRATEGY

11.1 The new contract will need to be in place by 1st February 2013 to allow depot and office facilities to be established prior to 1st April 2013 when the contract starts. The key dates within the project plan are;

	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13
Gateway report approved by Executive	■																	
Agree levels of service and specification		■																
Prepare contract documents			■	■	■	■												
Publish OJEU Notice						■												
Agree select list								■										
Issue tender documents									■									
Tenders returned											■							
Evaluate tenders												■	■					
Award report approved by Executive															■			
Award contract																■		
Contract start																		■

Tender Evaluation

11.2 Tender evaluation will be undertaken by the Project Board, in line with the Council's 'Evaluation Of Bids At Tender Stage' guidance. Due to the nature of the works, which are reliant on complying with a detailed specification, it is proposed that the evaluation is based 70% on the financial submission and 30% on the quality bid.

12. SUSTAINABILITY / IMPACT ASSESSMENTS

12.1 The current energy budget for street lighting and associated electrical street furniture is £1.2m pa. The specification and levels of service will attempt to minimise any increases, and where possible reduce future energy consumption. Other sustainability issues around environmental, social and economic considerations have been covered within the specification and intended contract arrangements.

Non-Applicable Sections:	CUSTOMER PROFILE SERVICE PROFILE / DATA ANALYSIS
Background Documents: (Access via Contact Officer)	None

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