

## PLYMOUTH CITY COUNCIL

**Subject:** Procurement of Street Lighting Maintenance Services  
**Committee:** Cabinet  
**Date:** 14 August 2012  
**Cabinet Member:** Councillor Coker  
**CMT Member:** Anthony Payne, Director for Place  
**Author:** Ian Ellis, Assistant Network Manager  
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**Ref:** IRE/SL/01  
**Key Decision:** Yes  
**Part:** 1

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### **Purpose of the report:**

A maintenance contract exists for the inspection, maintenance, repair, modification, supply and installation of street lighting and illuminated road signs. The contract value is approximately £1.1m per annum, representing both revenue and capital expenditure, and the current maintenance contractor is Scottish and Southern Energy (SSE).

The term of the contract is 4 years, from 1 April 2006 to 31 March 2010, with the option to extend for up to a maximum 7 years (4+1+1+1). The Contract will expire on 31<sup>st</sup> March 2013, having been extended to its limit.

Authorisation is sought to retender the contract to enable continuity of street lighting services beyond 31<sup>st</sup> March 2013. It is anticipated that the term of the new contract will be 6 years (4+1+1)

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### **Corporate Plan 2012 – 2015:**

Providing a safe and well-maintained road network contributes to the economic well being of the City in support of the Growth priority.

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### **Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land**

In terms of human resource, procurement will be led by officers in the Transport and Infrastructure service with support from Strategic Procurement and a specialist street lighting consultant. The approximate cost of this exercise is £20,000 (including consultancy and legal fees) which can be accommodated within the Highway Maintenance revenue budget.

Following a review of the existing street lighting contract, it is anticipated that efficiencies and improvements can be made such that the maximum spend during the period of the new contract is estimated to be between £0.9m - £1.0m per annum (consisting of approximately £0.8m per annum revenue expenditure and £0.1m - £0.2m per annum capital expenditure). Clearly, this will be subject to the outcome of the competitive tender.

Given the potential efficiency savings stated above, and subject to the outcome of the procurement, it is anticipated that the annual Highways revenue budget will accommodate the new contract.

There are no TUPE implications for Plymouth City Council staff.

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**Other Implications: e.g. Child Poverty, Community Safety, Health and Safety, Risk Management and Equality, Diversity and Community Cohesion:**

Although funded as a highway activity, to increase traffic safety and ease of passage, street lighting does serve other functions. It has a social role, in terms of amenity and in reducing the fear of crime. Additionally, it signifies community investment and pride in an area whilst also playing a part in regeneration, by helping to revitalise town centres and tourist destinations.

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**Recommendations & Reasons for recommended action:**

Recommendations:

1. To investigate further the opportunities for retendering street lighting maintenance services with neighbouring authorities.
2. In the event that such opportunities are not practical or in the best interests of the Authority, Plymouth City Council to retender the services separately.
3. To delegate authority to the Director for Place to approve the outcome of 2 above.

Reasons:

Retendering with a neighbouring authority provides the opportunity to gain economies in scale. In any event, by tendering this service competitively it is more likely that the Authority will obtain the most economically advantageous price. Given the relatively short timescale available for a retendering exercise, it would be practical for the Director for Place to make the decision on the course of action once the options available for tendering with neighbouring authorities has been fully explored.

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**Alternative options considered and reasons for recommended action:**

1. Increase the scope of the existing Highways Services Contract (HSC) to include street lighting services

Reason: The official journal of the European Union (OJEU) notice for the current HSC included street lighting services within its scope. However, without going to the market, it is difficult to demonstrate that this approach would be economically advantageous for the authority.

2. Take no action.

Reason: Providing street lighting maintenance to the authority's extensive lighting stock is essential in maintaining safe streets and in reducing the fear of crime. Without the continuity of this service beyond 31 March 2013, Plymouth may see an increase the occurrences road traffic accidents and criminal activity within the city. Consequently, taking no action is not recommended.

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**Background papers:** Briefing Note – Procurement of Street Lighting Services

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**Sign off:**

Fin	PlaceF TD121 3 010	Leg	15193 /ALT	HR		Corp Prop		IT		Strat Proc	JK/SPU/ CP/287/0 712
Originating SMT Member: Clive Perkin, Assistant Director for Transport and Infrastructure											
Have you consulted the Cabinet Member(s) named on the report? Yes											

# Procurement of Street Lighting Maintenance Services

## 1.0 Introduction

- 1.1 This briefing note provides the background to the existing street lighting contract and summarises the options available for the street lighting maintenance service once the existing contract expires in 2013.

## 2.0 Background

- 2.1 Plymouth maintains approximately 36,327 lighting units, of which 28,788 are highway lights and 6,429 are illuminated road signs and bollards. The remainder are in the ownership of the City Council's Street Scene (Parks) and Corporate Property department.
- 2.2 A maintenance contract exists for the inspection, maintenance, repair, modification, supply and installation of street lighting and illuminated road signs. The contract value is approximately £1.1m per annum, representing both revenue and capital expenditure, and the current maintenance contractor is Scottish and Southern Energy (SSE).
- 2.3 The term of the contract is 4 years, from 1 April 2006 to 31 March 2010, with the option to extend for up to a maximum 7 years (4+1+1+1). The Contract will expire on 31<sup>st</sup> March 2013, having been extended to its limit.
- 2.4 Plymouth City Council (PCC) works in partnership with Amey LG limited, which provides highways design, maintenance and operational services for the authority through the Highways Services Contract (HSC). As part of the HSC, Amey currently undertakes the role of Engineer's Representative, dealing with the day-to-day administration of Plymouth City Council's Street Lighting maintenance contract with SSE.

## 3.0 Options

- 3.1 As the authority will not be in a position to extend the existing contract any further, a new arrangement will need to be set up. The three options are as follows:
1. Increase the scope of the HSC without a tender process
  2. Retender the services either in partnership with a neighbouring authority, or as an individual authority.
  3. Take no action

### Option 1 - Increase the scope of the HSC without a tender process

- 3.2 The Official Journal of the European Union (OJEU) notice for the current HSC included street lighting services and legal advice confirms that the scope of the HSC may legitimately be increased without further need to retender. However, despite its inclusion in the OJEU notice, there is no obligation for PCC to pass this work to the current highway services provider, Amey.

- 3.3 Amey currently provides street lighting services as part of its highways contracts across the United Kingdom and has demonstrable experience in this field. Consequently, this would appear to be attractive option particularly as it would obviate a potentially costly procurement exercise.
- 3.4 PCC has explored this option with Amey to determine whether it would be economically viable for the Authority; the findings are summarised as follows:
- There would only be a little over two and a half years remaining of the HSC (excluding possible extensions) when the new arrangement would start, i.e. on 1<sup>st</sup> April 2013. As a consequence, Amey's set up/ongoing overhead costs would be spread over a much shorter period than if a new contract was procured thus increasing the short term cost of the service to the Authority.
  - At this moment in time, the number of employees that would transfer from SSE under Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) is unclear; this represents an unquantifiable financial risk as the number of transferring employees may be greater than that needed to deliver the service. Following discussions with Amey on this matter, they are unwilling to accept the commercial risk associated with this issue. Under normal circumstances, i.e. when tendering such services competitively, the incoming contractor would be expected to allow for this risk within his tender price.
- 3.5 Given the above, it is difficult to demonstrate that this approach would be economically advantageous for the Authority. However, Amey will still be free to submit a tender under Option 2, below.

#### Option 2 - Retender the services

- 3.6 Retendering the Street Lighting service competitively provides the opportunity for PCC to obtain the most economically advantageous price having full sight of comparative market rates, and it is anticipated that the proposed term of the new contract, six years (4+1+1), will be sufficient to provide contractor with the certainty required to offer a better financial deal.
- 3.7 Opportunities may exist for tendering jointly with Devon County Council or Cornwall Council as both authorities' street lighting maintenance contracts are due to expire on 31<sup>st</sup> March 2013, and this approach will be explored further.
- 3.8 In the event that that such opportunities may not be practical or in the interests of Plymouth City Council, the Authority may still move forward in tendering individually.

#### Option 3 - Take no action

- 3.9 Providing street lighting maintenance to the authority's extensive lighting stock is essential in maintaining safe streets and in reducing the fear of crime. Without the continuity of this service, Plymouth may see an increase the occurrences road traffic accidents and criminal activity within the city. Given these risks, it is recommended that this option is not considered further.

#### **4.0 Preferred Option**

4.1 Option 2 is recommended as by tendering this service competitively it is more likely that the Authority will obtain the most economically advantageous price.

#### **5.0 Implications for the Highways Services Contract**

5.1 The Highways Services Contract provides for Amey to undertake general contract management duties, which includes the management and implementation of procurement processes. Consequently, the opportunity exists for Amey to assist the Authority in the procurement of a new provider and then to administer the new contract as part of its existing contract management duty.

5.2 However, it is likely that Amey will wish to submit a tender for the street lighting services and this provides the potential for a conflict of interest if they are also involved in the contract development and procurement. Advice from PCC's Procurement team is that Amey could sign a Memorandum of Understanding whereby they would undertake to keep the contract development team and bidding team separate. However, Amey have indicated that they may not be in a position to guarantee that they would be able to maintain this separation, thereby leaving the procurement process open to challenge from other bidders.

5.3 PCC has commissioned an external street lighting consultant, Ducreux, to review the current contract and specification, and to provide a report detailing options and recommendations for cost and efficiency improvements, contractor incentivisation, performance measures and payment mechanisms. Should the recommended option be accepted, officers propose to commission Ducreux to assist in procuring the new maintenance contract thereby providing for a transparent process should Amey wish to submit a tender for the contract.

#### **6.0 Street Lighting Energy**

6.1 The Street Lighting maintenance contract will not include energy procurement, as this is currently being provided to the Authority through a national consortium agreement which offers potential savings through economies of scale. Notwithstanding this, it is likely that the opportunity exists to drive energy savings through the contract specification, e.g. by ensuring the use of more energy efficient technologies. Consequently, options for the inclusion of such technologies will be considered and incorporated in to the specification if considered economically viable. There will be no move to 'part-night' lighting, i.e. switching off street lights at night to save energy, as a result of the proposed contract.