

## PLYMOUTH CITY COUNCIL

**Subject:** Award of Street Lighting Maintenance Contract  
**Committee:** Cabinet  
**Date:** 10 December 2013  
**Cabinet Member:** Councillor Coker  
**CMT Member:** Anthony Payne (Director for Place)  
**Author:** Ian Ellis, Network Policy Manager  
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**Ref:** PRN 13152  
**Key Decision:** Yes  
**Part:** I

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

Plymouth maintains over 36,000 lighting units, of which approximately 30,000 are street lights and 6,000 are illuminated road signs and bollards.

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 £1.15m per annum, representing both revenue and capital expenditure, and the current maintenance contractor is Scottish and Southern Energy (SSE). The contract began on 1 April 2006 and will end on 31<sup>st</sup> March 2014.

The procurement of a new maintenance contract for street lighting and illuminated road signs began in June 2013, using the restricted procedure. The duration of the new contract is four years (with two one-year extensions), and it is due to begin on the 1st April 2014.

This report details the outcome of the procurement and recommends the appointment of the successful tenderer.

A separate private report is also submitted which contains commercially sensitive information.

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### **The Brilliant Co-operative Council Corporate Plan 2013/14 -2016/17:**

#### Pioneering Plymouth

The new street lighting contract has been designed to deliver a more flexible and efficient street lighting service which is capable of benefitting from future changes aimed at reducing the city's carbon footprint..

#### Growing Plymouth

Providing a safe and well-maintained road network contributes to the economic well-being of the City in support of the Growth priority. Additionally, providing a well-maintained street lighting asset signifies community investment and pride in the area whilst also playing a part in regeneration, by helping to revitalise the city's streetscape.

## Confident Plymouth

By installing the new LED street lighting, the successful street lighting contractor will play a significant part in delivering the city's bold plan to replace its street lights with low energy lighting, signalling the City's green credentials and growing its reputation nationally.

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### **Implications for Medium Term Financial Plan and Resource Implications:**

#### **Including finance, human, IT and land:**

##### Financial Implications

Having assessed the priced tender, it is estimated that the new contract will have neutral impact both on the current revenue budget and on future capital works undertaken under the contract. This is significant given that the current maintenance contract was tendered in 2005.

A review of the existing street lighting contract identified efficiencies and improvements that have been incorporated into this new contract keeping the service within its current budget profile where there might otherwise have been a significant increase in costs. Improvements include:

1. A change in pricing mechanisms from a fixed price approach to routine and non-routine maintenance, to a schedule of rates (Priced List) so that the Council pays only for the work that is undertaken by the contractor. Whilst this shifts the risk associated with street lighting failures away from the contractor and back to Plymouth City Council, the reducing trend in failures over the last few years suggests that the Authority will benefit from this change in approach, i.e. costs should reduce as the number of failures decrease over time. A significant drop in street lighting faults is also predicted in the event that the Council moves ahead with the Low Energy Street Lighting Project, due to the proven reliability of LED luminaires.
2. Changes in the way routine maintenance operations are undertaken, e.g. a realignment of servicing intervals such that routine lamp changes, electrical tests and inspections and structural inspections can be undertaken in fewer visits.

The annual spend on street lighting maintenance and installation is £950,000 revenue, and in the region of £200,000 capital, a combined spend of approximately £1.15m per annum. As the value of work is not guaranteed, the Authority has the flexibility to control the amount of installation work undertaken in any given year.

Annual price increases on the tendered rates will take effect on 1<sup>st</sup> April 2015, in line with the Retail Price Index (RPI).

Additional reductions in maintenance costs are expected following the implementation of the Low Energy Street Lighting Project, however, these costs will be considered following the procurement of the new LED luminaires in early 2014, and incorporated into the updated project business case.

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

#### Community Safety

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.

### Risk Management

In terms of contractual risk, the contract has been incentivised to manage the Contractor's performance. A performance management framework includes a suite of KPIs measuring performance around the main areas of delivery, e.g. attendance at street lighting faults, delivery of routine services to programme etc. These will help in determining contract extensions. A further system of non-performance rebates will provide the contractor with a more imminent commercial incentive to meet contractual timescales and levels of service.

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### **Equality and Diversity:**

Has an Equality Impact Assessment been undertaken? No

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### **Recommendations and Reasons for recommended action:**

It is recommended that the contract for the Maintenance and Installation of Street Lighting and Illuminated Traffic Signs 2014 to 2018 is awarded to the most economically advantageous tenderer.

Reason: To enable continuity of service after 31 March 2014, and to ensure that a contractor is in place to deliver the Low Energy Street Lighting Project.

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### **Alternative options considered and rejected:**

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 would have been difficult to demonstrate that this approach would have been economically advantageous for the authority.

2. Look for tendering opportunities with other neighbouring authorities.

Reason: Following a period of Liaison with Devon County Council and Cornwall Council, officers confirmed that no opportunities existed for joint tendering with neighbouring authorities. Consequently, authorisation was given to proceed with a separate procurement exercise.

3. 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 2014, 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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### **Published work / information: None**

None

### **Background papers:**

None

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### **Sign off:**

Fin	TCI31 4 002	Leg	SC/15 193	Mon Off	TH01 34	HR		Assets		IT		Strat Proc	NA/SPU/337/ CP/1113
Originating SMT Member: Clive Perkin													
Has the Cabinet Member(s) agreed the content of the report? Yes													

## **I INTRODUCTION**

- 1.1 This report details the outcome of the procurement of maintenance and installation services for street lighting and illuminated traffic signs, and recommends the appointment of the successful tenderer.
- 1.2 The contract predominantly covers the maintenance and installation of street lighting and illuminated road signs and bollards, but also includes some lighting in Council owned recreational areas and car parks.
- 1.3 Also included in the contract is the installation of low energy street lighting luminaires. This is part of the Council's Low Energy Street Lighting Project, which will see the city's lighting stock replaced with Light Emitting Diode (LED) lighting in a drive to reduce both the Council's carbon footprint and its energy costs. This will be a high profile initiative with a challenging deadline and the successful contractor will be expected to work collaboratively with both Plymouth City Council and the supplier of the LED equipment to ensure that it is delivered successfully and in a timely manner. The successful bidder will also be expected to support the Authority in proactively managing the public's response to the changes to the city's street lighting.
- 1.4 The maintenance contract does not include street lighting energy procurement, as this is currently provided to the Authority through a national consortium agreement which offers potential savings through economies of scale.
- 1.5 The duration of the contract is four years (with two one-year extensions), and it is due to begin on the 1<sup>st</sup> April 2014.

## **2 BACKGROUND**

- 2.1 A contract currently exists between Plymouth City Council and Scottish and Southern Energy Contracting Limited (SSEC) for the maintenance and installation of street lighting and illuminated traffic signs. The contract began on 1 April 2006 and will end on 31<sup>st</sup> March 2014.
- 2.2 On the 14<sup>th</sup> August 2012 Cabinet gave approval:
  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.
- 2.3 Following a period of Liaison with Devon County Council and Cornwall Council, officers confirmed that no opportunities existed for joint tendering with neighbouring authorities. Consequently, authorisation was given to proceed with a separate procurement exercise.
- 2.4 During this period, the Council took the decision to move forward with the Low Energy Street Lighting Project (LED Project), the business case for which recommended that the supply of the lighting and its installation/maintenance be the subject of separate procurements. Whilst the development and approval of the business case for the LED Project delayed the tender for the Street Lighting Maintenance Contract, it ensured that the two procurement exercises could be aligned to ensure that best value could be realised.

### **3 PRE TENDER SELECTION CRITERIA**

3.1 The procurement process was managed under the restricted procedure in accordance with the Public Contract Regulations 2006 (as amended), and a contract notice, published in the Official Journal of the European Union (OJEU) reference number 2013/S 107-183321, was dispatched on 5th June 2013. The Pre-Qualification criteria were as follows:

3.11 Information Only Questions:

- Organisation Identity
- Organisation Information

3.12 Mandatory questions, the responses to which were reviewed and treated as pass or fail criteria:

- Compliance with EU Legislation/ UK Procurement Legislation [status of Supplier in relation to Regulation 23 of the Public Contracts Regulations 2006 (SI 2006 No. 5). (A summary of Regulation 23 may be found appended to this PQQ document)]
- Financial [the Supplier must be in a sound financial position to participate in a procurement of this size and the Council will have regard to Regulation 24 of the Public Contracts Regulations 2006 (SI 2006 No. 5). This may entail independent financial checks]
- Insurance
- Health & Safety Policy
- Data Protection
- Equalities and Diversity Policy
- Timescales

3.13 Further mandatory questions where some responses were evaluated in terms of risk. If the risk was deemed to be high, it would result in a fail for the question evaluated and the remainder of the PQQ would not be evaluated. The scored questions and their respective weightings are summarised in Appendix I

3.2 The maximum number of companies to be invited to tender were five. These were the five companies with the highest score from the evaluation of the PQQs.

### **4 TENDER EVALUATION METHODOLOGY**

4.1 The Invitation to Tender (ITT) document was published electronically via the Devon Procurement Portal on the 2<sup>nd</sup> September 2013 and tenders were submitted on the 14<sup>th</sup> October 2013. Five contractors were invited to tender in accordance with the Pre-Qualification criteria.

4.2 The tender was evaluated in two parts, Quality and Financial, which were weighted 60% and 40% respectively.

4.3 The evaluation criteria for the Quality submissions were in two parts. Part I – General Method Statements, required tenderers to state how they were proposing to manage the delivery of the maintenance services. This represented 45% of the overall assessment. Part 2 – Maintenance and Installation Method Statements, related to the maintenance and installation operations contractors would be expected to perform in delivering the services. This represented 15% of the overall assessment.

4.4 The method statements and their respective weightings are summarised in the following table:

Weighting %	Evaluation Criteria	Breakdown of criteria (weighting in brackets)
<b>QUALITY – PART 1</b>		
45%	General Method Statements	<ul style="list-style-type: none"> <li>▪ Contract management (6%)</li> <li>▪ Mobilisation (4%)</li> <li>▪ Social Obligations (6%)</li> <li>▪ Information Communications Technology (ICT) (6%)</li> <li>▪ Continuous Improvement (5%)</li> <li>▪ LED Project (8%)</li> <li>▪ Innovation (4%)</li> <li>▪ Asset Management (6%)</li> </ul>
<b>QUALITY – PART 2</b>		
15%	Maintenance and Installation Method Statements	<ul style="list-style-type: none"> <li>▪ Electrical inspection and testing (1.5%)</li> <li>▪ Street lighting cut-out and isolator terminations (1.5%)</li> <li>▪ Lighting fault repairs (1.5%)</li> <li>▪ Installation of bollards and bases (1.5%)</li> <li>▪ Cable jointing (1.5%)</li> <li>▪ Isolation/restoration of electrical supply (1.5%)</li> <li>▪ Excavation and laying of underground cables (1.5%)</li> <li>▪ Installation of lamps, lanterns and control gear (1.5%)</li> <li>▪ Removal of lighting columns/signs/street furniture (1.5%)</li> <li>▪ Installation of lighting columns (1.5%)</li> </ul>

4.5 The evaluation criteria for the financial submissions were based on a schedule of rates (the Price List) covering a range of maintenance and installation operations with estimated quantities against each.

4.6 Tenderers' rates were summed to provide the tendered prices. The tenderer with the lowest price scored 100 marks. The remaining submissions were assessed with one mark deducted for each percentage point by which it exceeded the lowest. The final financial mark was reduced by 40% in line with the weighting for the financial part of the tender.

## 5 CONTRACT EVALUATION

5.1 The submissions were evaluated by Council officers with appropriate skills and experience, in order to ensure transparency and robustness in the process. The resulting scores from the evaluation are contained in the Part II paper.

## **6 FINANCIAL IMPLICATIONS**

- 6.1 The payment mechanism for the current maintenance contract uses a fixed price arrangement for reactive and routine maintenance services. This places the commercial risk of street lighting defects on the contractor, the price for which would have been reflected in its rate tendered in 2005.
- 6.2 Over the course of the current contract the quality of street lighting equipment installed has improved resulting in the number of defects reported to the contractor decreasing over time. This has meant that the contractor has benefitted from any savings seen as a result of the improved lighting stock. To redress this, a schedule of rates (Price List) has been introduced for the new contract meaning that payment will be made on the basis of work done. Whilst this will see a shift in the risk allocation to Plymouth City Council, the change in pricing arrangement means that the Authority will benefit from the falling number of street lighting defects; particularly in the case of the LED project where a significant drop-off in defects is predicted once the scheme is implemented. Furthermore, as the value of work is not guaranteed, the Authority has the flexibility to control the amount of work undertaken in any given year.
- 6.3 Having assessed the priced tender, it is estimated that the new contract will have a neutral impact on the current revenue budget. However, it should be noted that the Price List requested prices for a wide range of maintenance and installation services, the quantities for which were derived from a historical three-year average. Consequently, future costs will be dependent on the actual quantity of works undertaken.

## **7 IMPLICATIONS FOR LED PROJECT**

- 7.1 The new contract has been developed with the flexibility to benefit from savings that are likely to be realised by the LED Project, i.e. a significant drop in lighting defects and the reduced maintenance requirement. Actual savings as a result of the LED Project will be determined and factored in to final business case for the LED Project once the procurement is completed in the new year.

## **8 TUPE IMPLICATIONS**

- 8.1 There are no implications for Plymouth City Council employees.

## Appendix I – Summary of Pre-Qualification Criteria and Weightings

Question	Section	Method of scoring	Weighting	Marks available
10	Prime Contractor/Sub-contracting	Section scored as whole	5.00%	5
11	Quality Management	Section scored as whole	12.00%	5
12	Environmental Management	Section scored as whole	8.00%	5
13.1	Health & Safety Management	Question scored individually Score of 'High Risk =Fail'	1.00%	3
13.2	Health and Safety Management	Question scored individually Score of 'High Risk =Fail'	1.00%	3
13.3	Health and Safety Management	Question scored individually Score of 'High Risk =Fail'	1.00%	3
13.4	Health and Safety Management	Question scored individually Score of 'High Risk =Fail'	1.00%	3
13.5	Health and Safety Management	Question scored individually	0.50%	5
13.6	Health and Safety Management	Question scored individually	0.50%	5
13.7	Health and Safety Management	Question scored individually	1.00%	5
13.8	Health and Safety Management	Question scored individually	2.00%	5
13.9	Health and Safety Management	Question scored individually	1.00%	5
13.10	Health and Safety Management	Question scored individually	1.00%	5
	Assessment of H&S Policy	Policy scored as a whole	5.00%	5
14	Equalities and Diversity	Section scored as a whole Score of 'High Risk =Fail' (Q14.1 and 14.2)	4.00%	5
15	Disputes	Section scored as whole	6.00%	3
16.1	Business Capability	Question scored individually	2.00%	5
16.2	Business Capability	Question scored individually	1.75%	5
16.3	Business Capability	Question scored individually	2.50%	5
16.4	Business Capability	Question scored individually	6.00%	5
16.5	Business Capability	Question scored individually	1.75%	5
16.6	Business Capability	Question scored individually	2.75%	5
16.7	Business Capability	Question scored individually	1.75%	5
16.8	Business Capability	Question scored individually	12.00%	5
16.9	Business Capability	Question scored individually	2.50%	5
16.10	Business Capability	Question scored individually	2.50%	5
16.11	Business Capability	Question scored individually	2.50%	5
16.12	Business Capability	Question scored individually	2.00%	5
17	Recent Contracts/References	Section scored as whole	10.00%	5
<b>Total</b>			<b>100%</b>	<b>133</b>