

**26 July 2011**

---

**Subject: Street Lighting Contract**

**Cabinet Member: Councillor Dick Tonge - Highways and Transport**

**Key Decision: No**

### **Executive Summary**

The Council's street lighting is maintained under a contract with Balfour Beatty Workplace. The contract can be extended for 12 months until July 2012 under the terms of contract, subject to the performance of the contractor, which has been good to date.

### **Proposals**

It is recommended that:

- (i) The existing street lighting contract with Balfour Beatty Workplace should be extended for one year until July 2012.
- (ii) Consideration should be given to including the maintenance of the Council's street lighting maintenance in any future Highways Works contract which would be likely to start in June 2013.

### **Reason for Proposals**

There are potential long-term savings to be made by including the maintenance of the county's street lighting in a future larger Highways Works Contract. Extending the existing street lighting contract would represent less risk to the Council and should offer good value for money in the circumstances.

**Mark Boden**  
**Corporate Director, Neighbourhood and Planning**

## **Wiltshire Council**

### **Cabinet**

**26 July 2011**

---

**Subject: Street Lighting Contract**

**Cabinet Member: Councillor Dick Tonge - Highways and Transport**

**Key Decision: No**

---

### **Purpose of Report**

1. To consider the options in connection with the current street lighting contract, which is held by Balfour Beatty Workplace (BBW) and currently has a value of over £1,000,000 annually.

### **Background**

2. The Council's street lighting and illuminated signs are maintained under the street lighting contract with BBW. The contract involves the maintenance of the Council's stock of street lighting, which comprises over 38,000 street lights and 3,000 illuminated road signs.
3. The contractor responds to damage resulting from collisions, makes programmed replacement of lighting units, and carries out work to replace life expired columns and equipment. The contract also includes the installation of energy saving measures, including part night lighting, and low energy equipment. The supply of energy to the lighting is the subject of a separate contract.
4. Following competitive tendering the County Council awarded the highway lighting contract to Balfour Beatty Infrastructure Services (now Balfour Beatty Workplace) in 2007. The contract was awarded for three years, with two possible extensions of 12 months being available subject to performance.
5. The value of the contract is in the region of £1,000,000 annually, and the rates are adjusted annually in accordance with the industry standard indices. In accordance with the Council's Contract Regulations (Paragraph 11.6.1) any extension of this contract requires Cabinet approval.
6. Some ex-District Council lighting is maintained by Southern Electricity Contracting under former District Council arrangements, but the value of this work at about £40,000 is small compared to the costs associated with the highways lighting.

7. The performance of BBW during the first three years of the current contract was rated as good and an extension of 12 months was awarded until July 2011. A further extension of 12 months can be awarded under the terms of the existing contract, which would extend the contract to July 2012.

## **Main Considerations for the Council**

### Existing Contract

8. The initial award of the contract to Balfour Beatty in 2007 achieved overall cost savings compared to the previous contract. The majority of those savings were in the inspections, cleaning, bulk lamp changes and night scouts which form the routine maintenance elements within the contract.
9. The performance of BBW has been good overall, and in normal circumstances BBW would be awarded a further extension of the existing contract. The rates in the contract have been adjusted annually in accordance with the indices as provided for in the contract, and they are still considered to represent good value for money.
10. However, in view of the current financial situation the extension of this contract does need to be reviewed in order to determine whether an extension is appropriate in the circumstances.

### Options

11. The Council could extend the existing contract, retender the contract for a short period in order to align the contract end date with the Highways Works Contract expected to end in June 2013, or retender it as a stand alone contract for a longer period.
12. Given the specialist nature of the work it is not considered feasible or desirable to attempt to bring this work in-house. The County Council and District Councils did not carry out street lighting maintenance in-house previously, and it is unlikely that there is the necessary expertise within the Council.

### Option 1 – Extend Existing Contract

13. The contract could be extended for one year to 1 July 2012 within the provisions of the existing contract. Discussions with BBW have indicated a wish to continue the existing arrangement, but because BBW consider the contract to be only marginally profitable are unwilling to consider any major reduction in rates. However, some potential cost savings have been identified.
14. Consideration has been given to potential efficiencies, but without compromising the standard of service it has not been possible to identify substantial efficiencies which could be made in this area of service. It should be noted that the safety considerations are particularly important in connection with street lighting, especially in terms of working on the highway, electrical equipment safety, road safety associated with the lighting, and public concerns about fear of crime where lighting is inadequate.

15. The rising costs of fuel and steel, which can be substantial in this type of contract, have to be absorbed by the contractor for the next year under the terms of the contract. At present there can be no certainty regarding the prices of these materials in the immediate future, and this inevitably represents some risk to the current contractor.

#### Option 2 – Retender Contract for short term

16. It would be possible to retender the contract to run from as soon as possible after July 2011 until June 2013. The street lighting maintenance could then be absorbed within the much larger Highways Works Contract which currently has an annual value of in the region of £25,000,000.
17. The set up costs for a new contractor for a short-term contract could be substantial, especially given the potential difficulty and cost of obtaining suitable premises. The BBW staff would have the right under TUPE legislation to transfer to the new employer, and it is difficult to identify what additional savings another contractor would be likely to bring to such a short-term contract.
18. In view of the uncertainty over future fuel and material costs it is unlikely that a significant cost saving would be made on a short-term contract, especially taking into account the savings already made with the current contract in 2007. The costs associated with retendering the contracts would also have to be taken into account, and these could be in the region of £30,000.

#### Option 3 – Retender longer term contract

19. Retendering the contract for a longer period, such as for five years, would be probably be more cost effective than a short-term contract because the set up costs would be spread over a longer period.
20. It is difficult to know whether any reductions in rates obtained by retendering the contract would be substantial, especially as the tenderers would still have to price in some risk associated with fuel and material costs for the coming year.
21. The disadvantage with a longer term contract in the present circumstances is that the opportunity would be lost to include the lighting contract in the larger Highway Works Contract, which will be tendered next year, and this could offer the best opportunity to achieve economies of scale in the longer term.

#### Consideration of Options

22. None of the three options offers any certainty of making substantial savings through procurement in 2011/12, but there is scope for longer term savings by including the street lighting maintenance in a future Highways Works Contract to operate from June 2013.

23. The savings from combining the contracts would arise from of the larger scale of the contract resulting in reduced overheads and the potential for sharing depot space, resources and labour.
24. Extending the existing contract would avoid the costs associated with retendering the contract at this stage, and it would be more efficient to include it as part of the procurement process for a larger contract.
25. The BBW contract could be extended within the existing provisions to include the ex-District Council lighting in the highway. There are over 3,000 former Kennet District Council units, and other councils had a number of lighting units. Savings would be expected to be made by having these units maintained by BBW under the existing contract.
26. The existing contract makes provision for an extension of 12 months, subject to performance of the contractor, which is acknowledged to have been good. There is no specific provision to renegotiate the contract terms at this point, and the possibility of a legal challenge from not extending the contract for reasons other than poor performance would need to be considered.
27. The options for future Highways and Amenities contracts are currently being investigated, and the inclusion of street lighting in a future larger contract should offer operational and cost benefits. The extension of the existing street lighting contract would enable further consideration to be given to this option. The options for the street lighting contract and for the future highways works contracts have been discussed with the procurement team who are involved in the development of the new contracts.

### **Environmental and Climate Change Considerations**

28. Carbon emissions associated with street lighting account for 12% of the Council's overall footprint. Although there is currently no requirement to purchase allowances under Carbon Reduction Commitment (CRC) as the supply is passively metered, there is a significant and increasing annual cost incurred relating to electricity consumption. In 2010/11 the cost of electricity to power streetlights was £1.324 million. Street lighting has a key part to play in reducing energy consumption, and a number of part night lighting schemes have already been installed by BBW, with others being prepared for implementation.
29. The reduction in energy usage from the introduction of part night lighting and more efficient lighting units helps the Council meet its carbon reduction targets. This contract is important in delivering these energy saving measures, but is not dependent on a particular service supplier.

### **Equalities Impact of the Proposal**

30. No equality and diversity issues have been identified or arise from this report.

## **Legal Implications**

31. There is no legal requirement for the Council to provide street lighting, but where lighting is provided there is a responsibility to keep it in safe condition.
32. The existing contract with BBW makes provision for a further extension of 12 months, subject to performance. There is no specific provision to renegotiate the contract terms at this point, and the possibility of a legal challenge to not extending the contract for reasons other than poor performance will need to be taken into account.
33. The street lighting contract would be subject to TUPE legislation, and any retendering of the contracts would need to take this into account.
34. The existing contract could be extended to July 2012, as provided for in the existing contract. In the circumstances there may be benefits in extending the contract to June 2013 to align it with the start of the new Highways Works Contract, and enable savings to be made with a larger contract, but this is not being requested at present due to further analysis being undertaken on options. Any decision to extend this contract beyond July 2012 will be the subject of a future Cabinet report and would require a robust business case and an exemption under current Contract Regulations.

## **Risk Assessment**

35. There is a risk that retendering the street lighting contract at this stage may not result in significant savings in the short term. The performance of BBW has been good under the existing contract, and there is a risk that with a transfer to a new supplier the quality of the service may deteriorate, with a consequent increase in resources needed to monitor and supervise the contract.

## **Financial Implications**

36. The immediate cost savings and avoided costs from extending the existing contract are not large, but there would be longer term savings from ultimately retendering the street lighting contract as part of the much larger Highways Works Contract in the future. The commercially sensitive information is included in a Part II report at this meeting.

## **Options Considered**

37. The existing contract could be extended under the terms of the current agreement for 12 months until July 2012. It would be possible to retender the contract for a short period, with a view to including the street lighting maintenance in the larger Highways Works contract from June 2013. It is unlikely that a short-term contract would offer any immediate savings because of the potentially high set up costs. Retendering a longer term contract would be possible but would miss the opportunity to combine the contract with the larger Highways Works Contract.

## **Conclusions**

38. There are potential long-term benefits in including street lighting maintenance in a future Highways Works Contract as this is likely to achieve economies of scale, and would have operational benefits. In order to ensure continuation of service it would be best to extend the existing contract until the likely start of the new Works Contract.

## **Mark Boden**

Corporate Director, Neighbourhood and Planning

---

Report Author:

**Peter Binley**

Head of Highways Asset Management

Tel No. (01225) 713412

## **The following unpublished documents have been relied on in the preparation of this Report:**

None

## **Appendices:**

None