



Northumberland

County Council

COMMUNITIES AND PLACE OVERVIEW AND SCRUTINY COMMITTEE

DATE: 4 MARCH 2020

STREET LIGHTING MODERNISATION PROJECT - PROGRESS REPORT

Report of: Rick O'Farrell, Interim Executive Director of Regeneration, Commercial and Economy

Cabinet Member: Cllr Glen Sanderson, Environment & Local Services

Purpose of report

The aim of this report is to update Scrutiny Committee Members on the progress of the Council's Street Lighting Modernisation Project.

Recommendations

That Communities and Place Overview and Scrutiny Committee Members note the contents of the report.

Link to Corporate Plan

This report is relevant to the following key themes in the draft Corporate Plan for 2017-2021:-

- 'Enjoying' - We want you to love where you live
- 'Thriving' - We want to attract more and better jobs

Key issues

The street lighting modernisation project was established to upgrade the street lighting asset by replacing approx 16,000 life expired lighting columns and converting these columns and approx 29,000 lanterns on other columns to Light Emitting Diodes (LED).

The project started on site in March 2015, initially with an expected completion date of February 2018. Progress on the project has been slower than expected and the works contract with Galliford Try is now expected to reach completion in March 2020.

By the end of 2019 the project was 99.95% completed, with over 26,500 lantern changes completed and over 18,000 new columns installed. At the end of January 2020, work to 25 Wall Boxes will be all that is left to complete, and these are waiting for a Northern

Powergrid connection. It should also be noted that a number of lighting installations have been removed from the contract with Galliford Try and are being carried out by the Council during and following the contract.

The Council is in the process of completing the Handover Inspections for each area which is allowing the issue of Area Compliance Certificates. This work will be completed in February 2020. Following this, and once the Completion Certificate for the contract is issued, the contract will enter into a 12 month Defects Correction Period. Once project completion is reached assessment will be made of the final payments due to the Contractor under the works contract using the pain / gain calculation under the NEC3 Option C contract. There are still a number of contractual and commercial issues in dispute between the Council and Galliford Try which will need to be settled in coming months.

The project has been complex and beset by a number of problems, and the contract with Galliford Try has taken nearly two years longer than originally anticipated. However, despite these difficulties, the contract with Galliford Try is now reaching completion and as intended at the start of the project the street lighting stock has been significantly improved, with replacement of approx 18,000 life expired lighting columns and the provision on both these columns and approx 29,000 other columns of new LED lanterns. The LED replacement of these lanterns is giving approximately 64% reduction in energy usage and cost on an on-going basis. The conversion to LED has also saved over 6,000 tCO₂ which is a significant contribution to NCCs climate change commitments

Background

The street lighting modernisation project was established to upgrade the street lighting asset by replacing approx 16,000 life expired lighting columns and converting these columns and approx 29,000 lanterns on other columns to LED. The conversion to LED was intended to reduce energy usage and cost by 63% and reduce carbon emissions, whilst also reducing long term maintenance costs.

The project has been carried out through two contracts, both of which were let to Galliford Try Infrastructure Ltd. The contracts are a Phase 1 professional services contract and a Phase 2 works contract. The Phase 1 professional services contract commenced in April 2014 under an NEC3 Professional Services Contract Option E contract form. The Phase 2 works contract commenced in December 2014 under an NEC3 Option C target cost contract form which incorporates a pain / gain mechanism for actual costs in comparison to the target cost.

The project started on site in March 2015, initially with an expected completion date of February 2018. Progress on the project has been slower than expected and the works contract with Galliford Try is now expected to reach completion in March 2020. By the end of 2019, the contract works were 99.95% completed and over 26,500 lantern changes had been completed and over 18,000 new columns had been installed. It should be noted that

the number of replacement columns required has increased compared to the original proposals due to a large number of columns that were originally intended for lantern replacement only were found to be structurally in need of replacement.

It should also be noted that a number of lighting installations have been removed from the contract with Galliford Try and are being carried out by the Council during and following the contract. This is for a variety of reasons, such as difficulty with access / permissions on site, changes due to new developments or the technical solution being better carried out by the Council, and involves issues such as some decorative / heritage lighting and refurbishment of subway lighting. These items of work are removed by formal instruction, and the Contractor provides a quotation for the work, which is removed from their contract value. These works will then be undertaken by the Council in-house teams. In terms of contract works, and subject to handover and checking, at the end of January 2020 the only remaining contract works for GT to complete were 25 Wall Boxes connected to buildings, and these are waiting for a Northern Powergrid connection.

The Council is in the process of completing the Handover Inspections for each area that the contract was broken down into, which is allowing the issue of Area Compliance Certificates. This work will be completed in February 2020. As part of this process, a review of the original Works Information is also being carried out to ensure all work that Galliford Try were contracted to do has been completed. As part of the handover process columns are being inspected on a random sample basis on site, labelling and electrical test certificates reviewed and the checking / updating of the Council's street lighting asset management database called 'Mayrise'. Any individual defects found are being passed to Galliford Try for rectification.

Once the Completion Certificate for the contract is issued the contract will enter into a 12 month Defects Correction Period. The Council is also working with Galliford Try to transfer the warranties from the main materials suppliers to be direct with the Council.

It is anticipated that project completion will be reached sometime in March 2020 and this will allow assessment of the final payments due to the Contractor under the works contract using the pain / gain calculation under the NEC3 Option C contract. There are a number of contractual and commercial issues still in dispute between the Council and Galliford Try which will need to be settled in coming months. Additional external advice has been sought from Faithful and Gould for quantity surveying and Womble Bond Dickinson and Legal Counsel on legal aspects of these issues. The current project budget is £38.261m, but subject to the outcome of these discussions the project is currently expected to be completed significantly below this level. The discussions to resolve these issues are commercially confidential and could be subject to legal proceedings and therefore it would not be appropriate to provide further detail within this report at this time.

The project has been complex and beset by a number of problems and the contract with Galliford Try has taken nearly two years longer than originally anticipated. The project has

been affected by issues since the start of the construction phase works. Works originally commenced in Ashington and in the first few months there were significant problems regarding the lighting levels being achieved. The problems resulted from two causes. First, there were poor initial lighting designs which failed to provide the required lighting levels. Second, the project had assumed that lighting levels could be achieved with like for like replacement of lights at the same locations as the existing lights. Due to the more directional nature of the LED lighting compared to existing sodium lights this proved not to be possible in all cases, for instance in areas around communal garage and parking areas within the terraced estates. Both these issues resulted in significant re-work to installations in Ashington. Design processes were subsequently improved, resulting in some design re-work activity, and additional columns were also identified as being required in other areas across the county to achieve the required lighting levels.

Cost increases have also been incurred due to the need to replace approximately 1,800 additional columns which were originally expected to be in acceptable condition and to need lantern replacement only. These columns were deemed as “good” during the preparations for the project, but during the early part of the construction phase a small number of columns of a particular type suffered unexpected catastrophic failure when Galliford Try attempted to replace the lantern. The column group were therefore subject to detailed visual and structural surveys which led to the additional 1,800 being identified as in need of column replacement. Other unexpected issues have been encountered with the existing stock including issues with existing historic cabling either being unconventionally wired or needing replacement, additional trenching requirements and inability to replace lanterns at existing locations. Other modifications have been needed to the newly installed lighting, such as fitting baffles to lanterns where residents had complained of light spill into their homes.

There have also been additional delays due to issues with Galliford Try’s supply chain. As noted above, in the early stages there were issues with design which led to a change of design sub-contractor. During the construction phase, on site implementation works were sub-contracted to Power One. There were issues in the management and performance of Power One’s works and the company then also ran into financial difficulties and went into administration in September 2017. This caused a delay in works whilst a new sub-contractor (AA Lighting) was procured by Galliford Try. The new sub-contractor’s rates were significantly higher than those of Power One. A further sub-contractor (AK Lighting and Signs) who were carrying out a package of the column replacement works also ceased trading at the end of July 2018, with their work being transferred to AA Lighting. AA lighting themselves then entered into a Company Voluntary Arrangement in December 2018 which caused further delay and has limited the resources available to progress works.

A further issue was identified with some of the lanterns in which paint was found to be peeling off some of the lanterns. Circa 13,000 LED lanterns were replaced in the

Ashington, Bedlington and Blyth areas. The cost to replace these lanterns was wholly met by the manufacturer of the lanterns under their warranty. However, further inspections have identified the same issue in some other lanterns and this issue is currently being investigated and may result in additional defective lanterns having to be replaced. It is anticipated that the cost of replacing additional defective lanterns will be met by the supplier under warranty.

However, despite these difficulties, the contract with Galliford Try is now reaching completion and as intended at the start of the project the street lighting stock has been significantly improved with replacement of approx 18,000 life expired lighting columns and the provision on both these columns and approx 29,000 other columns of new LED lanterns. The LED replacement of these lanterns is giving approximately 64% reduction in energy usage and cost on an on-going basis. The conversion to LED has also saved over 6,000 tCO² which is a significant contribution to NCCs climate change commitments

Implications

Policy	Project is in line with existing policy.
Finance and value for money	The current project budget is £38.261m but subject to the outcome of contractual discussions the project is currently expected to be completed significantly below this level.
Legal	External legal advice is being taken regarding the contractual dispute with the contractor.
Procurement	None
Human Resources	Some additional resources have been required as a result of the prolongation of the contract.
Property	The street lighting asset has been significantly improved and new LED lanterns will reduce whole life cycle maintenance costs.
Equalities (Impact Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	None.
Risk Assessment	There are ongoing financial risks with the financial settlement of the project.
Crime & Disorder	None.
Customer Consideration	The overall street lighting project has improved the street lighting asset.

Carbon reduction	The project is providing a 64% reduction in energy use and hence carbon reduction.
Health and Wellbeing	None
Wards	All.

Background papers:

Report sign off.

Authors must ensure that officers and members have agreed the content of the report:

	Full name of officer
Monitoring Officer/Legal	Liam Henry
Executive Director of Finance & S151 Officer	
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