



“Failures, delays and soaring cost
of Barnet Council’s
Street Lighting PFI contract.”

Background

Barnet Council signed a 25-year PFI street lighting contract with Barnet Lighting Services Limited (Bouygues Construction and Mill Group infrastructure fund) in April 2006. Bouygues had acquired David Webster Ltd, then the UK's third largest street lighting contractor, in June 2005 in the middle of the procurement process. It became part of ETDE, Bouygues electrical subsidiary. The £100m PFI project includes £27.7m capital works to replace 19,000 lighting columns.

Standard of service

"Contract has been running for 15 months. Core Investment Programme is behind schedule. Action is being taken and targets set to bring the programme back in line by the end of October 2007" (Audit Committee, September 2007).

When Barnet Council signs a contract with a private sector business to deliver a service it **will** have an impact on all Barnet residents, the question is whether it will be a **positive** or **negative** experience.

This contract has **failed** to provide a high quality service to all Barnet residents. The contract was signed in good faith as all councillors would want their constituents to have better street lighting.

The failure is that a five year contract has now been extended to seven years. The signs that this was going to happen were spotted early into the contract by internal audit. Five years later the Council has been advised that the contractor may withdraw.

All councillors should be concerned about poor service delivery to Barnet residents and equally concerned about the inability of councillors to be able to influence a service delivered by a private contractor.

Cost of the service

The cost of the service has been a spectacular failure. The council signed up to a five year contract (One Barnet is proposing ten year contracts). The reality is the world does not stand still and in the case of Street Lighting since the contract was signed there has been a global financial crisis & soaring energy costs. The Council has also

followed common practice by establishing a street lighting PFI contingency fund designed to smooth imbalances between cash inflows and outflows over the contract period. A contingency fund was set up to protect extra costs. However the contingency fund was £2,677,093 on 1 April 2008 and had increased to £3,568,000 by March 2011 (CRC, June 2011).

In public meetings the debate about the need to adopt the One Barnet Programme has been the lack of money forcing the Council to seek financial stability by handing £billion of contracts to the private sector. This position of 'not having any money' does not seem to have prevented this contractor and many other contractors insisting on payments as the following quote demonstrates:

“...contractor has struggled to deliver the required standards and as a consequence has suffered large financial adjustments. Contractor has indicated this is not sustainable and has **threatened to withdraw** from contract. The financial implications could be up to **50% increase** annually, potentially equating to £2.25m annually”

(Environment, Planning and Regeneration Performance Overview, Q1, 2011/12).

This is a local example of a risk which the Council is having to address for a contract worth **£100 million**, where is the Risk Register detailing the financial cost to the council if **£billion** One Barnet contracts **fail**. As a councillor you should be asking to see the figures.

No Plan B

“The lack of a formal business continuity plan in the event of the contractor unexpectedly withdrawing from the contract”

(Audit Committee, 16 June 2011).

UNISON has consistently raised the concern about the lack of acknowledgment of all risks to the Council. This is based on what has been made public and examples such as current contracts discussed above. It should be a concern to all councillors that there is no **Plan B** and the only response to such requests has been rhetoric with no supporting evidence.

Monitoring the contractor

“The lack of evidence of formal proactive arrangements to routinely monitor contractor delivery against each of the contract performance standards to assess whether the contractor representations about delivery are correct and the effectiveness of the policy of allowing adjustment relief”
(Audit Committee, 16 June 2011).

UNISON understands initially the Street Lighting contract was being monitored by 7 staff and over a number of years due to cutbacks the number has fallen to 2. It is no wonder it is difficult to hold the contractor to account if you do not have the resources to monitor effectively. If the council is not able to effectively monitor a street lighting contract worth £100 million does this not raise serious concerns about the Council to do the same for what is in fact £billion contracts for the two One Barnet projects (DRS & NSCSO).

Enfield comparison

A street lighting PFI contract was signed by the London Borough of Enfield at the same time and with the same contractor as the Barnet street lighting PFI contract. However, Enfield’s investment programme was completed on time and did not suffer the same delays:

“...the Council is just about to complete the final year of the Core Investment Programme (CIP) in 2010/11. The CIP programme has seen some 15,000 concrete columns replaced with modern street lighting infrastructure improving levels of lighting allowing for British and European levels of lighting” (London Borough of Enfield, 2011).

1. Why was Enfield’s investment programme completed on target when Barnet’s contract has suffered delays and poor performance?
2. What lessons has Barnet learnt from these two contracts?

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