

 the low tax borough	London Borough of Hammersmith & Fulham CABINET 3 FEBRUARY 2014
LETTING OF A CONCESSION TO MONETISE THE DUCTING ASSETS WITHIN COUNCIL OWNED CCTV NETWORK	
Report of the Deputy Leader and Cabinet Member for Environment, Leisure and Residents' Services, Councillor Greg Smith	
Open report A separate report on the exempt part of the Cabinet agenda provides exempt information regarding the outcome of the procurement process and recommends that a concession contract be awarded.	
Classification - For noting Key Decision: Yes	
Wards Affected: All	
Accountable Executive Director: Lyn Carpenter, Executive Director for Environment, Leisure and Residents' Services	
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1. EXECUTIVE SUMMARY

- 1.1. Since December 2012, LBHF has been pursuing the letting of a concession to monetise the ducting assets within the Council-owned underground CCTV network (and would be the first Council in [England/the UK] to achieve this).
- 1.2. The Council undertook a soft market testing exercise in December 2012 to assess the commercial value and potential opportunity within the market. Subsequent to that a supplier day was held on 4 July 2013 that was attended by numerous suppliers.
- 1.3. This report outlines the tender process and seeks approval to award the contract.

2. RECOMMENDATIONS

- 2.1. That the report be noted.

3. REASONS FOR DECISION

- 3.1. The bidder was fully compliant with the tender requirements. The tender evaluation scoring was set to include price, weighted at 80% of the total marks available and quality, weighted at 20% (the quality criteria had a secondary weighting grouped by operational, technical and commercial). A confidence factor was applied to the non-guaranteed estimated income levels.

4. INTRODUCTION AND BACKGROUND

- 4.1. Since February 2013, LBHF has been pursuing the letting of a concession to monetise the ducting assets within the council owned underground CCTV network.

This is an untapped market and LBHF are the only local authority to date who have realised their capital ducting assets value using this commercial approach. Several other local authorities have approached LBHF and are interested in this innovative concession.

- 4.2. There are a range of direct and indirect benefits associated with the award of the concession to let the duct assets network. These include:

- That LBHF Council will receive a guaranteed income revenue stream from this concession.
- The indirect benefits will be that the bidder will improve the broadband connectivity speed and coverage for residents in the borough (Fibre to the Home).
- Creation of new jobs by helping small business to thrive and also attract new businesses into the borough. Businesses will have easier access to the network and faster internet connectivity, (the improved fibre coverage of the utilisation of the duct asset will provide this).

The bidder intends to sell to local business at affordable prices, to enable easy access and better connectivity.

- The bidder will also enable connectivity to multi dwelling units (MDUs). As LBHF have fibre to and running past many MDUs, the bidder will be able to easily provide fast internet connectivity to many people.

- Registered social landlords will also be able to offer broadband services to tenants as part of their accommodation package. The landlord will be able to include connectivity as part of the rental agreement. This would prove beneficial for example in student accommodation.
- The bidder will also work with the council on potential node location rollout (to get an understanding of the council's long term strategy for shared services, regeneration programmes and digital inclusion to maximise social policy agendas). The bidder will consult LBHF regarding where they would like to deploy and expand to, and take LBHF views on board in order to accommodate any new initiatives the council may have.
- The bidder understands the commercial drivers and the ideal methods to monetise this resource and are poised to execute a sales campaign that steadily builds revenues.
- The bidder offer monthly connectivity clinics to educate and support network users.

5 PROPOSAL AND ISSUES

- 5.1 LBHF went out to market with the objective of awarding a contract for a period of ten years. This term was set based on the commercial value of the contract which could be achieved over this timeframe. The contract is expected to commence in April 2014 following a ten day standstill period.
- 5.2 The deployment for the use of the ducting assets will be scheduled in phases. The deployment timetable will be agreed with the council once the standstill period has ended and the contract has commenced. The bidder will provide a highly detailed project plan in advance of the initial deployment date.
- 5.3. Monitoring of the contract will be carried out by the Environment, Leisure and Residents' Services Department (ELRS) to ensure that the concession is delivered at key milestones, at key delivery stages and against agreed targets. Quality checks will be carried out periodically to ensure all specifications are adhered to. All sub-contractors will be monitored by the bidder to ensure full compliance and adherence to health and safety. A risks and issues register will be maintained to manage and mitigate any risks or issues that occur.
- 5.4. The bidder will be responsible for addressing any public concerns, enquiries or issues as they occur to ensure that there is no disruption to the public or other council services. Key performance indicators will be developed and monitored at agreed project board meetings.

- 5.5. All of the bidder's operatives are qualified for the role in which they are employed and are provided with on-going training and continuous assessments.

6. PROCUREMENT ARRANGEMENTS, OPTIONS AND ANALYSIS OF OPTIONS

- 6.1. LBHF held an Information Day on 4th July 2013 in the Chelsea Football Club and this event attracted 13 suppliers. The information Day was the start of LBHF looking for an innovative partner or partners to work with the council to deliver a solution that would best realise the use of the duct assets and provide diverse income streams. The event was also designed to give suppliers an insight into what LBHF had to offer and to provide suppliers with an opportunity to ask questions on the day.
- 6.2. In accordance with the Council's procurement process, a Tender Appraisal Panel (TAP) was established to oversee the procurement process for the letting of a concession to monetise the ducting within council owned CCTV network, as set out in the Contract Notice placed on 5 July 2013 in the Official Journal of the European Union (OJEU) 2013/S 132-228872 by the London Borough of Hammersmith.
- 6.3. The procurement exercise was conducted by means of Competitive Dialogue (CD) which took place in three stages. LBHF Council used the online London Tender Portal for all communications with bidders and to manage the receipt and issue of tender documentation.
- 6.4. The financial standing, insurance, technical capability, quality and capacity of the accepted tender were assessed by members of the LBHF TAP. The submitted tenderer met the minimum standards set out in the tender documents and proceeded to the next stage of the procurement exercise.
- 6.5. The first stage of CD commenced week beginning 7 October 2013, the second stage commenced week beginning 23 October 2013 and the third stage took place on 1 November 2013. Closing date for receipt of final proposals (ITSFTs) from bidders was 29 November 2013.
- 6.6. The bidders' response to the proposal were then evaluated by the TAP on a basis of an 80:20 Price/Quality Model in accordance with the evaluation criteria set out in the Invitation to Submit Final Tenders (ITSFT).
- 6.7. Evaluation of quality and price was undertaken on 2 December 2013. The bidders underwent a qualitative assessment by the panel. Technical advice was provided by Transport and Technical Services (TTS) and Chromavision, (an organisation specialising in local authority installations of network equipment, who currently work with LBHF).
- 6.8. A confidence factor was applied to the non-guaranteed revenue offered by each bidder to ascertain the robustness of the business model and reflect

the risk of non-delivery of the non-guaranteed revenue. This rating was determined using 4 confidence categories: maximising of revenue earning opportunities, proposed approach to guaranteed and shared revenue, confirmation that all the revenue is to be delivered from the concession (and not from back sell of other services to the council), and provisions for open book accounting and audit.

6.9. The results of the evaluation are set out in the exempt report.

7. CONSULTATION

7.1. Consultation has not been carried out with residents or members of the public as the concession was commercially sensitive.

8. EQUALITY IMPLICATIONS

8.1 This concession contract will generally have a positive impact on all groups as it will help everyone to access the network more easily. In particular disability groups and pregnant women who may have mobility problems.

9. LEGAL IMPLICATIONS

9.1. These are noted in the exempt report.

9.2. Implications verified/completed by: Cath Irvine, Senior Solicitor (Contracts) 020 8753 2774.

10. FINANCIAL AND RESOURCES IMPLICATIONS

10.1. The financial benefits expected to flow to the Council are set out in the exempt report.

10.2. Other financial and resources implications are set out in the exempt report.

10.3. Implications completed by: Kellie Gooch, Head of Finance (ELRS), 020 8753 2203.

11. RISK MANAGEMENT

11.1. This is noted in the exempt report.

12. PROCUREMENT AND IT STRATEGY IMPLICATIONS

12.1. These are noted in the exempt report.

12.2 Implications verified/completed by: Bob Hillman, Procurement Consultant, 020 8753 1538.

LOCAL GOVERNMENT ACT 2000 LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	CMD was taken on 8 April 2013	Sharon Bayliss 020 8753 1636	ELRS,77 Glenthorne Rd