

Cabinet Meeting on Wednesday 16 September 2020

Street Lighting – LED Invest to Save Initiative



Cllr David Williams, Cabinet Member for Highways and Transport said,

“Obtaining an interest-free loan to update 47,000 street lights and use less energy and save more money makes sense all round.

After the loan is repaid from the initial savings made by using the more energy-efficient street lights, taxpayers will continue to benefit by up to £1.6 million a year.

I’m delighted that we can upgrade services and provide good value-for-money at the same time.”

Report Summary:

The objective of the report is to seek approval to proceed to the delivery phase of the street lighting LED invest to save initiative as agreed in the 2019/20 Medium Term Financial Strategy (MTFS). Project delivery will be achieved by a formal contract change notice with the existing Street Lighting PFI contractor, Lighting for Staffordshire Ltd.

The premise of the invest to save initiative shall see the replacement of street light lanterns not impacted by the delivery requirements of the PFI Project Agreement. To achieve this the Council has negotiated with Lighting for Staffordshire Ltd to commission the appointed service provider, currently E.ON Energy Solutions Limited (the “Service Provider”) to replace over 47,000 lanterns with energy efficient LED lanterns. The project will be delivered over four phases with each phase taking 12 months to complete. Upon completion of all four phases the project will reduce energy consumption by 8,627,502 kWh which equates to a carbon emission reduction of 2,650 tonnes CO₂e and generate energy savings in the region of £1.6m per annum.

Recommendation

I recommend that:

- a. Cabinet gives approval to proceed to the next phase of the Street Lighting – Invest to Save Initiative; the delivery phase which will be funded by an interest free loan from Salix; and
- b. the Council enters into the Supplemental Agreement to the Street Lighting PFI Project Agreement with Lighting for Staffordshire Limited dated 31st March 2003, to be able to commence the delivery phase.

Local Members Interest
N/A

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Recommendations of the Cabinet Member for Highways and Transport

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- b. the Council enters into the Supplemental Agreement to the Street Lighting PFI Project Agreement with Lighting for Staffordshire Limited dated 31st March 2003, to be able to commence the delivery phase.

Report of the Director of Economy, Infrastructure and Skills

Reasons for Recommendations:

1. In September 2018 Cabinet approved the 2019-2024 MTFS which incorporated a savings option for Street Lighting. It was initially reported that following assessment a large-scale LED invest to save programme to convert 36,000 lanterns would generate annual energy savings of £1m for an investment of £10m. With a lantern life expectancy of 25 years the project was subsequently identified as a savings opportunity.
2. Following inclusion into the 2019-2024 MTFS, a rigorous and more detailed assessment was undertaken of the street lighting inventory to establish a clearly defined programme of investment. In addition, the organisation known as Salix was engaged to look at funding opportunities. Salix provides interest-free government funding to the public sector to improve their energy efficiency.
3. Following an in-depth review of the street lighting inventory with Lighting for Staffordshire Limited, an independent consultant and Salix representatives, a successful business case was submitted to Salix securing an interest free loan of £8.8m to convert over 47,000 lanterns to energy efficient LED lanterns. This level of investment will achieve energy savings of £1.6m per annum upon full completion.
4. The conversion of street lights to LED energy efficient lanterns will significantly reduce the Councils energy consumption for the service. Upon completion of the project it is estimated the annual energy consumption for the service will reduce by 8,627,502 kWh. This equates to a carbon emission reduction of 2,650 tonnes CO₂e.

Legal Implications

5. To incorporate the delivery of the Street Lighting LED Invest to Save Initiative into the existing PFI contract has been confirmed as the most efficient route to delivery. All risks associated with new assets once fully accrued into the PFI Project Agreement reside with Lighting for Staffordshire Ltd and their appointed service provider. The risks in respect of the new asset sits with the Council before the asset is accrued into the PFI Project Agreement. To achieve contract incorporation a contractual Change Notice was submitted to Lighting for Staffordshire Limited for approval. The parties discussed the means of implementation of the Change Notice, and it has been agreed that the terms of the Project Agreement shall be supplemented as set out in the Supplemental Agreement. The Supplemental Agreement is at the final stages of formal approval by both parties. Lighting for Staffordshire's and the Council's appointed legal teams have been actively engaged to finalise details.

Resource and Value for Money Implications

6. Funding for the project will be provided by an interest free loan from Salix, a government funded organisation established to promote and deliver energy efficiency schemes. The cost for delivering the scheme has been estimated at £8.8m and the loan arrangement has been secured and approved by Salix and the County Treasurer. The project will operate as a self-finance scheme with loan repayments financed from the associated energy savings over a five-year period following full completion of the project.
7. Due diligence has been applied to the detailed costs for delivering the project with Lighting for Staffordshire Limited and their appointed Service Provider operating an open book approach during the development phase of the Salix business case.

List of Background Documents/Appendices:

[Cabinet Report 19 September 2018](#)

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