



Havering
LONDON BOROUGH

19/17
DECISION
NOW MADE

Notice of Key Executive Decision

| | |
|--|---|
| Subject Heading: | <i>Capital Budget Proposal for Street Lighting upgrades using Salix and Business Risk Reserve Funding</i> |
| Cabinet Member: | <i>Councillor Osman Dervish</i> |
| SLT Lead: | <i>Sue Harper</i> |
| Report Author and contact details: | <i>David Parish – 01708 432529 Davidparish@havering.gov.uk</i> |
| Policy context: | <i>Environment, asset management and energy efficiency</i> |
| Financial summary: | <i>The total investment required to convert 3,078 street lights across the borough to Light-emitting diode (LED) is estimated at £0.796m. This decision enables the use of £0.450m existing Salix Recycling Fund along with an additional £0.346m from the Business Risk Reserve for the purchase and installation of this equipment.</i> |
| Relevant OSC: | <i>Environment</i> |
| Is this decision exempt from being called-in? | <i>This is not exempt. It is a key decision by authorised officers.</i> |

Key Executive Decision

The subject matter of this report deals with the following Council Objectives

| | |
|-------------------------------|-------------------------------------|
| Communities making Havering | <input type="checkbox"/> |
| Places making Havering | <input checked="" type="checkbox"/> |
| Opportunities making Havering | <input type="checkbox"/> |
| Connections making Havering | <input checked="" type="checkbox"/> |

Part A – Report seeking decision

DETAIL OF THE DECISION REQUESTED AND RECOMMENDED ACTION

Approval is sought from the section 151 Officer to authorise:

1. That £0.450m of the existing Salix Recycling fund is committed to upgrade the existing street lanterns to LED.
2. That £0.346m of existing Business Risk Reserve funding is committed to also upgrade street lanterns to LED.

AUTHORITY UNDER WHICH DECISION IS MADE

Through Delegated Authority to SLT Director/ s151 Officer through Section 3.3 and 3.10.3 to Part 3 to the Constitution.

3.3 Powers of Members of the Senior Leadership Team

- (a) To incur expenditure within the revenue and capital budgets for their allocated portfolio as approved by the Council, or as otherwise approved, subject to any variation permitted by the Council's contract and financial procedure rules; and
- (c) In consultation with the relevant Cabinet Member to apply for, accept and manage external funding up to a limit of £500,000 per grant in support of any function within their Directorate provided that any financial contributions by the Council are made from within existing budgets.

3.10.3 S151 Officer Functions

- (f) To make such arrangements as are necessary to control and regulate the expenditure and income of the Council including the exercise of borrowing powers and treasury management powers (this is a statutory function).

STATEMENT OF THE REASONS FOR THE DECISION

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Improving the energy efficiency of council services is part of the Council's Climate Change Action Plan, agreement is now sought from the Section 151 Officer to approve the use of £0.450m existing Salix Recycling fund along with an additional £0.346m Business Risk Reserve Funding for the purchase and installation of replacement LED lanterns and gear trays to upgrade 3078 Non-LED and higher wattage LED lanterns.

The annual energy cost for street lighting currently stands at £0.465m pa. With a projected increase 2019/20 of 17.5%. There is a need to reduce overall expenditure by implementing new more efficient and reliable equipment. The purpose of this project is to replace and upgrade the following:

- 2000 existing higher wattage residential LED lanterns
- 719 No. heritage style lanterns
- 359 No. Non-LED distributor road and Zebra crossing lanterns

This will be carried out using a combination of replacement (light emitting diode) LED lanterns and retrofit LED gear trays along with the installation of a new Photocell control unit (PECU) array that will reduce costs for the entire inventory. The expected life of this equipment is 20 years and 13 years respectively.

A combination of Salix funding along with Business Risk Reserve funding has been identified to finance the entire project. In this instance a total of £0.796m funding will be required which will include project management costs. Total annual reduction in predicted costs from implementing these projects is circa £0.081m per annum pro-rata for in year implementation increasing by 10% pa a projected payback of 8-9 years.

The funding will be provided through using £0.450m from the existing Havering Salix recycling fund, which Havering already holds and has a 10 year payback term and a further £0.346m from Havering's Business Risk Reserve funding. The Salix grant will be paid back using the energy cost reductions derived following the implementation of the project.

If upgrade works are not undertaken the energy price will rise in 2019/20 by 17.5% (prediction by Crown Commercial Services) and therefore additional £0.081m revenue will be required to fund the energy budget increasing year on year. There is also the risk that Salix may require Havering to return the existing recycling fund as it has remained dormant and unused for 2 years.

The project will start from August 2019 with completion by end June 2020, with the majority of works being carried out through the autumn and winter of 2019.

The upgrading of 3,078 sodium and higher wattage LED street lights across the borough to LED lighting has a number of benefits including:

- Reduced annual energy costs and assist in mitigating future energy price increases and future maintenance cost.

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- Enable residents to feel safe and secure with an improved quality of lighting.

OTHER OPTIONS CONSIDERED AND REJECTED

- Do Nothing

Rejected due to the predicted energy cost rises being unsustainable from existing Council budgets

- Bid for an additional £0.346m funding using Salix SEEL's funding

Rejected as this would be in the form of a loan which is not deemed acceptable LBH financial practice

PRE-DECISION CONSULTATION

N/A

NAME AND JOB TITLE OF STAFF MEMBER ADVISING THE DECISION-MAKER

Name: David Parish

Designation: Principal Street Lighting Engineer

Signature:

Date:

Part B - Assessment of implications and risks

LEGAL IMPLICATIONS AND RISKS

1. The Council has power under Section 1 of the Localism Act 2011 to agree the proposals set out in this report.
2. In April 2010 Salix Finance provided the Council with conditional grant funding to establish and operate a local energy saving fund to which the Council agreed to match fund. Salix have since authorised the use of up to £457,797 of such existing funding for the street lighting project set out in this report. As set out above, the remaining cost will be funded by the Council's internal budget.
3. The Council's contract for street lighting is with Volker Highways Limited. The funding detailed in the body of this report will fund services that were included in the original procurement.
4. Furthermore, although the total value of the Contract may decrease due to the cost reductions realised by the Council, the recommendations in this report will not reduce the scope of the Contract and are therefore compliant with Regulation 72 of the Public Contracts Regulations 2015 (Modification of contracts during their term).

FINANCIAL IMPLICATIONS AND RISKS

1. The estimated cost for the supply and installation of 3078 LED upgrades and fittings is £0.796m. This would result in an annual cost reduction at current energy prices of approximately £0.081m. These cost reductions are guaranteed provided that the street lighting inventory records are completed and submitted promptly in line with the onsite installation of the LED switch over. Cost reductions will commence as the new lamps are phased in. In order to ensure cost reductions are realised straight away, a bi-monthly update of the street lighting inventory will be submitted to the Network Administrator (UK Power Networks).
2. The £0.081m annual cost reduction figure has been increased by 10% per annum to reflect industry assessment that prices will rise by 10% year on year from 2020/21 and beyond. Detailed figures in Appendix A reflect those.
3. The current street lighting contract runs until April 2022. The equipment figures in Appendix A are based on 2018 tendered lantern prices along with indicative quotations.
4. Supplement A provides a detailed summary of the funding and energy cost reductions. The proposal is deemed good value for money. And will be funded as follows:

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| Funded from | Amount £m |
|--------------------------|------------------|
| Salix recycling fund | 0.225 |
| LBH Salix recycling fund | 0.225 |
| Business Risk reserve | 0.346 |
| Totaling | 0.796 |

- Corporately £0.346m has been identified from the Business Risk reserve
5. The total cost of £0.796m will need to be added to the Councils capital budget. Any decision to use the Salix recycling grant will be made in the context of a treasury management assessment and the repayment process set up to accommodate this in future years.
 6. The energy cost reductions identified within the street lighting energy budget will be utilised to repay the Salix recycling fund, these repayments begin the year after drawing from the fund.

HUMAN RESOURCES IMPLICATIONS AND RISKS (AND ACCOMMODATION IMPLICATIONS WHERE RELEVANT)

Management of the project will be done within existing staff resources or included in external contract management arrangements costs for which are included in the Salix grant. Support by Council staff to assist delivery of measures will also be done within existing staff resources.

EQUALITIES AND SOCIAL INCLUSION IMPLICATIONS AND RISKS

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

- (i) the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- (iii) Foster good relations between those who have protected characteristics and those who do not.

The new lighting will not reduce the current level of street lighting in the roads affected. Lighting levels will be maintained or improved and the use of white light will have positive effect on the visual impact of the street scene.

Improved road and community safety through improved visual definition from LED lighting will be especially relevant to elderly and visually impaired residents.

As the lighting levels will be maintained or improved it is deemed not necessary to

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undertake an additional Equalities Assessment.

BACKGROUND PAPERS

Key Executive Decision

Part C – Record of decision

I have made this executive decision in accordance with authority delegated to me by the Leader of the Council and in compliance with the requirements of the Constitution.

Decision

Proposal agreed

Delete as applicable

Proposal NOT agreed because

Details of decision maker

Signed Jane West

Name: JANE WEST

SLT Member title: Section 151 Officer

Date: 18/7/19

Lodging this notice

The signed decision notice must be delivered to the proper officer, Debra Marlow, Principal Democratic Services Officer in Democratic Services, in the Town Hall.

For use by Committee Administration

This notice was lodged with me on _____

Signed _____