

## Response to Call-in of Street Lighting LED Proposal

### **Reason:**

Though the principle of what is proposed is meritorious with regards to reducing both energy usage and the carbon footprint there are alas a number of unproven economic and environmental assumptions that justify a call-in.

In section 1.6 it is suggested that the original estimated net savings included in the MTFP were £250k in 2019/20. However, it then goes on to say that there could be a possible shortfall against this as the new system is installed, but that any shortfall could be dealt with within existing Environment and Operations budgets. However, there is no mention of how this can be achieved, the detrimental impact this would have on other service areas, and the necessary re-profiling the budget this would require. In essence this has been casually thrown in without serious consideration given to the potential financial and service impact consequences.

### **Response:**

*As set out in the Council's financial regulations it is the responsibility of Directors to identify management actions to keep within the Department's budget. Any shortfall against the budgeted saving will be dealt with through this responsibility and the relevant approvals described in the Constitution. Section 6.1.6 confirms that any shortfall will be dealt with within the £57,763,000 Environment and Operations budget.*

*Each month that the LED installation is delayed will deprive the Council of realising a twelfth of the annual saving figure identified in the report.*

### **Reason:**

In section 3.12 there is reference to the Salix Funding Scheme and that the intended energy savings and carbon footprint reduction meet the criteria for a 5-year interest free loan of £4.09m. However, this is a loan not a grant. A point I will return to.

### **Response:**

*It is agreed that the £4.09m is a loan. This is clearly stated at paragraphs 2.3, 3.13 and 3.1.3.*

### **Reason:**

In section 6.1.2 the annual savings are said to be £760,198 per annum and £5,203,960 over an idealised 20-year period. However, this assumes that the technology lasts 20 years, which is as yet unproven. What happens if the bulbs fail anytime over that period, say at year 5, 10, 15 or even 18? Where does liability lie? The PFI provider? The manufacturer? Or the Council? What for

instance would be the cost of having to replace the entire LED bulb installation across all 21,000 light columns once or even twice over that 20-year period? How then do the financials stack up? And what about the central management system that needs to be installed, what happens if that fails at any point during the 20-year period, again at say year 5, 10, 15 or even 18? How is that factored in? Technology is changing at an ever more rapid rate and it is inconceivable that what is being implemented today will not be obsolete even within the next decade. Hence the figures are entirely speculative and based on a flawed and unlikely idealised scenario.

**Response:**

*Under the terms of the PFI, the Service Provider (subcontracted to Bouygues) is responsible for replacing any lamps that fail. The Council will not be responsible for any costs associated with replacing any lamps that fail. This is the same whether the lamps are the existing SONs or the new LEDs.*

*The Service Provider is also responsible for managing and maintaining the Central Management System (CMS) under the terms of the PFI.*

**Reason:**

In section 6.1.3 the estimated cost of the project is £6.375m split between the interest-free 5-year loan from Salix of £4.1m and PWLB borrowing of £2.3m. However, this is not accurate. The loan is just that, a loan. It has to be repaid and therefore there is a further £4.1m liability seemingly not accounted for. Section 6.1.4 does not address this inconsistency, but again obscures the costings over an idealised 20-year period. The costing is not spread out over 20 years, but is upfront and the interest free loan must be repaid in 5 years. However, in section 6.1.7 it states that the payment period for the capital investment is 10 years, but that the loan repayment is over the asset life, which would according to the projection be 20 years. This doesn't make sense.

**Response:**

*The costings in section 6.1.4 include the refinancing of the interest free loan from Salix through the Public Works Loan Board so that the overall financing of the investment takes place over 20 years. This ensure that there is a smooth profile for the repayment of the total principal. The annual interest payments reduce annually as the principal is paid down. There's a detailed spreadsheet which works through the 20 year life of the loan and is the basis for the figures in the report.*

*The payback figure in 6.1.7 is an entirely separate issue. This is the assessment of the breakeven point when the savings from the initiative exceed the initial outlay.*

**Reason:**

With regards to the environmental impact no mention is made of the removal of the entire 21,000 street light stock of SON units, which are in full working condition. This will lead to a detrimental environmental impact and a negative carbon footprint as it is likely they will have to go to landfill rather than be recycled. Why is this not factored in or costed?

**Response:**

*The cost of removing and disposing of the existing SON units is included within the financial proposal submitted by the Service Provider. There will be no additional costs to the Council.*

*Everything removed from existing stock will be disposed of as per WEEE regulations (Waste Electrical and Electronic Equipment) by a registered/licensed contractor by the PFI contractor Bouygues.*

*98% of the existing lighting units can be directly recycled. In practice it is unlikely the units will be thrown away and end up in landfill sites.*

**Reason:**

There is also the not inconsiderable matter that, as a result of the existing PFI contract, the decision was taken to relocate the lamp columns away from the kerb line. This has significantly compromised the capacity to maximise the usage of the lamp columns via electric charge points that other councils are now utilising e.g. Barnet's decision to install 80 CityEV charge points direct to their lamp columns. Such measures are also very much in line with the Mayor of London's policy to increase the number of electric charging points across London. Though there are standalone alternative options these are more expensive and lead to additional street clutter, whereas lamp columns provide the capacity for significant scaling up relatively easily in response to growing demand. There is nothing in the report to state how this position will be addressed, which if a major investment in street lighting is taking place should, of course, be the time to do so.

**Response:**

*The installation of electric charging points is a completely different project to the installation of LED units and is not relevant to this report.*

*This project relates to only changing the lamp units on top of street lighting column, not the column itself which would require significant civil engineering and excavation works.*

In summary, the presentation of costs and savings is artificially presented in a theoretical sense as to how everything should play out over an idealised 20year period, but that is not how the technology or financials work in practice. There is also a potentially hidden and uncosted detrimental environmental impact of the unnecessary disposal of the 21 ,000 existing lighting bulbs and failure to address the poor positioning of the light columns given the growing demands for electric car charging points.