

North Tyneside Council

Report to Cabinet

Date: 13 January 2014

ITEM 7(f)

Response to Overview and
Scrutiny Committee Report
on Street Lighting

Portfolio(s): Housing and Environment
Sustainable Development

Cabinet Member(s): Cllr John Harrison
Cllr John Stirling

Report from : Chief Executive's Office

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Commercial Services Tel: (0191) 643 5724

Wards affected: All

PART 1

1.1 Purpose:

The purpose of the report is for Cabinet to consider the recommendations as set out in Appendix One received from the Overview and Scrutiny Committee in relation to its review of Street Lighting.

1.2 Recommendation:

It is recommended that Cabinet agrees the proposed response to the recommendations from the Overview and Scrutiny Committee on Street Lighting as set out in Appendix One of this report.

1.3 Forward Plan:

Twenty eight days notice of this report has been given and it first appeared on the Forward Plan that was published on 19 December 2013.

1.4 Council Plan and Policy Framework

This report links to 'Our North Tyneside' Council Plan and the 2013/14 Action Plan, Our Places, to reduce the Borough's carbon footprint.

1.5 Information:

Background

1.5.1 Cabinet received the recommendations of the Overview and Scrutiny Committee in relation to its review of Street Lighting at its meeting on 11 November 2013.

1.5.2 At their meeting on the 12 June 2013, the Environment and Culture Sub-Committee of the Overview and Scrutiny Committee prioritised a review of street lighting. It was

intended that the findings of the review would be reported back in the autumn and its purpose was to contribute towards the new lighting strategy for the borough. The main aim was to explore the different options for street lighting with a view of reducing energy consumption and to achieve efficiency savings.

- 1.5.3 In carrying out the review the sub-group met a number of times with Andrew Gate, Senior Manager for Commercial Partnerships and Phil Scott, Head of Environment and Leisure. They also attended an on-site demonstration of street lighting and initiated a trial of dimming and trimming in the Weetslade area.
- 1.5.4 The sub-group identified a total of 4 recommendations throughout the review which are aimed at delivering efficiencies from reduced energy consumption while maintaining a high quality street lighting service to the residents of North Tyneside.
- 1.5.5 Set out in Appendix One is Cabinet's response to the Overview and Scrutiny recommendations.

1.6 Decision options:

The following decision options are available for consideration by Cabinet:

Option 1

Agree the recommendations set out in section 1.2 of this report

Option 2

Not agree the recommendations set out in section 1.2 of this report

Option 3

Refer the recommendations set out in 1.2 back for further consideration.

Option 1 is the recommended option.

1.7 Reasons for recommended option:

Option 1 is recommended for the following reasons: Cabinet needs to respond to the recommendations made by the Overview and Scrutiny committee.

1.8 Appendices:

Cabinet's response to the Overview and Scrutiny recommendations.

1.9 Contact officers:

Andrew Gate, Senior Manager for Commercial Partnerships (0191) 643 6450

Fiona Rooney, Head of Finance and Commercial Services (0191) 643 5724

Phil Scott, Head of Environment and Leisure Services (0191) 643 7295

Sharon Ranadé, Scrutiny Advisor (0191) 643 5614

1.10 Background information:

The following background paper/information has been used in the compilation of this report and is available at the office of the author:

- (1) Report to Cabinet 11 November 2013 on Street Lighting from Overview and Scrutiny.

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

If Recommendation 1 which relates to purchasing and implementing the Mayflower central management system across the residential areas of the borough is accepted, consideration will need to be given to the appropriate accounting treatment for a SALIX interest free loan or use of the PFI reserve. SSEC have indicated the approximate price for the Mayflower units is £500,000. Some of the savings generated from the scheme will need to be used to repay the loan over its repayment terms (which are flexibly aligned to the savings being generated) or replenish the reserve over the medium term. Neither option would require any repayment of the principle in the first 12 months. Both routes allow some flexibility in the repayment terms after this time but it is assumed in this report that £100k per annum would then need to be repaid in each of the following 5 years.

There are pros and cons to either funding route. The SALIX option would be classed as borrowing on the balance sheet of the Authority and therefore impact the capital financing requirement (CFR). There is no guarantee that the application would be accepted by SALIX. However similar schemes nationally, including one in South Tyneside did receive 100% funding loans. The loan is interest free but would need to be repaid over the length of terms agreed with SALIX. Taking a SALIX loan would demonstrate the Authority's commitment to green initiatives.

Use of the Street Lighting PFI Reserve is an option that has been successfully used before. The Reserve exists to smooth payments across the 25 year life of the contract and to ensure there are sufficient funds to end the Contract in year 25. Interest at 4.5% is paid on the reserve balance and should the balance be reduced then this interest would be lost on the amount taken until it is repaid. Subject to regularly reviewing requirements for the amount required in the Reserve for the end of the contract, the Authority would have flexibility as to when and by how much it replenished the Reserve in the short term. Thus the Reserve could be topped back up as savings accrue.

Once Central Management is installed onto a Street Light then the on going maintenance responsibility falls to SSEC over the life of the PFI Contract. SSEC have indicated that this will be covered within the existing Unitary Charge payments. Under International Finance Reporting Standards (IFRS) introduced in 2010, the Authority now recognises the value of the Street lighting estate as an asset on its Balance Sheet. The asset is depreciated over the expected residual life of the lighting columns. The carrying value of the asset may need to be adjusted to recognise the addition of the central management system.

If Recommendations 2 and 3 are accepted it is anticipated that this will save over 5 million kilowatt hours (kwh) of energy per year equating to 2,700 tonnes of CO₂ and create financial savings in the Contract of around £203,800 per annum at the current price paid for electricity.

Accepting recommendation 4, to reconvene the work to explore the options, has no direct financial implications for the Authority. Depending on the outcome of the review there could be up front costs to purchase equipment required to enable part night switching off. The full financial implications will be set out in a further report to Cabinet at the relevant time, along with details of the source of funding which could be either the Authority or SSEC.

There are a number of cost pressures arising from accepting the recommendations and facing the service generally:

- (i). In the current financial year the Street Lighting Change Efficiency Improvement (CEI) target savings of £195,000 are rated as an AMBER risk as these have not yet been achieved.
- (ii). The cost of energy currently paid under the Contract is 10.0p per kwh. On current consumption this equates to £1.76Million per annum. This rate runs until 30 April 2014. A market tested rate will then apply from 1 May 2014. It is likely that this rate will be higher than the current rate. An indicative test in November showed prices then were in the range 10.52p to 12.15p per kwh. There is no additional budget to meet this price increase pressure. Significant reductions in energy consumption from these schemes will help to mitigate some of this cost pressure.
- (iii). Repayment of the £500k funding used to purchase the Central Management system at £100k per annum from 2015/16 onwards.

The bulk lamp change scheme under recommendations 1, 2 and 3 above will generate savings of £203k per annum. The scheme was planned to contribute £81.5k of the £195k CEI target. Therefore there is £113k available each year towards the cost pressures set out above. In addition recommendation 4 could provide further savings of up to £93k per annum. Officers are also working with SSEC and Capita on options to make further efficiency and energy savings through initiatives for the other lighting columns within the North Tyneside estate that are not covered by any of the recommendations considered in this report. This will enable Street Lighting to achieve its on-going revenue savings and meet its cost pressures.

2.2 Legal

The implementation of any recommendations approved by Cabinet must be undertaken in accordance with the terms of the Street Lighting PFI Project Agreement dated 31st March 2004 and made between the Council of the City of Newcastle upon Tyne, the Council of the Borough of North Tyneside and Tay Valley (Newcastle and North Tyneside) Limited, and otherwise in accordance with the Financial Regulations and Contract Standing Orders of the Authority.

2.3 Consultation/community engagement

Resident's views were sought during the trial of dimming and trimming in the Weetslade area in October, this involved SSEC delivering 300 questionnaires throughout the Weetslade ward and asking residents for their views on the lighting output changes.

Other recent consultation included:

- During October 2012 as part of the public engagement carried out, there was a street lighting public meeting and walking tour
- In January and February 2013 as part of the budget consultation nine events relating to street lighting were carried out with residents and staff
- Officers met with Northumbria Police on 24 April 2012 to discuss options for street lighting energy saving including introduction of dimming into residential areas and the potential part night switch off schemes in non residential areas across the borough.

2.4 Human rights

There are no direct issues relating to human rights arising from this report.

2.5 Equalities and diversity

There are no direct issues relating to equalities and diversity arising from this report.

2.6 Risk management

There are no direct issues relating to risk arising from this report.

2.7 Crime and disorder

There are no direct issues relating to crime and disorder arising from this report. The PFI aimed to reduce crime and fear of crime through brighter illumination of streets at night. There is a small risk that reducing lighting levels under the dimming and trimming proposals put forward in the report may increase fear of crime for some residents. Members who attended the on-site demonstration (see paragraph 1.5.3 above) are satisfied that having seen the reduction of light level proposed, it is not really perceptible to the naked eye and that therefore this risk is minimal.

2.8 Environment and sustainability

If Recommendations 2 and 3 are accepted It is anticipated that this will reduce energy consumption by 5.18 million kilowatt hours per annum – an annual reduction of 2,784 tonnes of CO₂. If recommendation 4 is accepted and implemented across all 2,600 lights, then 531 tonnes of CO₂ will be saved annually.

PART 3 - SIGN OFF

- Chief Executive
- Mayor/Cabinet Member(s)
- Chief Finance Officer
- Monitoring Officer
- Strategic Manager Policy, Partnerships, Performance and Communications