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DATE: 11 January 2012

ENVIRONMENT POLICY DEVELOPMENT AND SCRUTINY COMMITTEE

Meeting to be held on Wednesday 18 January 2012

Please see the attached replacement report for item 9a on the agenda.

9a STREET LIGHTING INVEST TO SAVE (Pages 3 - 10)

*Copies of the documents referred to above can be obtained from
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Report No.
ES12020

London Borough of Bromley

PART 1 - PUBLIC

Decision Maker: Executive

**For pre-decision scrutiny by the Environment PDS
Committee on 18th January and Executive & Resources PDS
on 25th January 2012**

Date: 1st February 2012

Decision Type: Non-Urgent Executive Non-Key

Title: **STREET LIGHTING INVEST TO SAVE**

Contact Officer: Garry Warner, Head of Highway Network Management
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Chief Officer: Nigel Davies, Director of Environment Services

Ward: Borough Wide

1. Reason for report

Investment in the Council's street lighting stock has not allowed for the routine replacement of life expired lamp columns. Nearly 8,000 lamp columns are now in need of replacement, and this report promotes an invest to save programme to clear the backlog.

2. **RECOMMENDATION(S)**

To agree that £7.942m can be drawn down for an invest to save fund to allow the replacement of life expired lamp columns.

Corporate Policy

1. Policy Status: New policy.
 2. BBB Priority: Quality Environment. and Safer Bromley
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Financial

1. Cost of proposal: Estimated cost £7.942m and net saving of £1.9m over the 11 year period
 2. Ongoing costs: N/A.
 3. Budget head/performance centre: Street Lighting
 4. Total current budget for this head: £3.9m and £14m
 5. Source of funding: Existing revenue budget 2012/13 and Invest to Save fund
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Staff

1. Number of staff (current and additional): 5.3ftes
 2. If from existing staff resources, number of staff hours:
-

Legal

1. Legal Requirement: Statutory requirement.
 2. Call-in: Call-in is applicable
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Boroughwide
-

Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A.
2. Summary of Ward Councillors comments:

3. COMMENTARY

- 3.1 As the Highway Authority, LB Bromley own and maintain over 27,500 lamp columns across the borough. Many of these are now over 40 years old, which compares to a typical design life of 25 years.
- 3.2 The structural condition of steel lamp columns is carefully monitored using ultrasonic testing to identify areas of corrosion by measuring the thickness of the metal; during 2010/11 alone 164 corroded lamp columns required emergency replacement due to the risk of structural failure. The condition of concrete lamp columns, all of which are over 25 years old, is more difficult to monitor due to the materials used which cannot be tested in the same way. Visual surveys are completed whenever maintenance works are carried out by the contractor, which have resulted in a growing number of emergency replacements of concrete columns in recent years to prevent structural failure.
- 3.3 The Council has a programme of street lighting improvements where, on a road by road basis, the lighting stock is replaced with new equipment to reduce the risk of potential performance and structural failures' while providing improved levels of lighting for the benefit of pedestrians and motorists. The replacement strategy was derived as a result of a number of incidents (one locally) where columns had suffered complete structural failure and collapsed on to the highway. The strategy originally aimed to prioritise the replacement of the Council's ageing lighting stock in a timely manner, although in recent years the available budget provision has not been able to keep up with the rate of deterioration, which has resulted in a financial and accident liability.
- 3.4 The latest condition survey identified 7,902 concrete and steel lamp columns in need of replacement due to current condition or over 30 years old. With current funding levels it would take over fifteen years to replace these units as part of improvement schemes, during this time an increasing number of units will require emergency replacement to prevent structural collapse. Should the proposed budget savings identified for 2011/12 and future years be agreed, the street lighting policy would have to be changed to ad-hoc emergency replacements only, which would result in an increasing maintenance and insurance liability as an escalating number of units failing or becoming structurally unsafe.
- 3.5 In order to reduce the liability on the Council, a business case has been prepared for an invest to save programme, which would see all 7,902 units replaced in the first year of a ten year combined improvement and maintenance contract. Further details are available in the Members room – given the amount of funding requested to avoid the need for more detailed information in the report.

Budget Provisions

- 3.6 Funding for the provision and maintenance of street lighting includes several revenue budgets;
- i. Energy – electricity for street lighting is purchased at market rates, and is expected to increase at an average of ten percent a year during the next ten years. Any improvements in the energy efficiency of units will result in reduced electricity usage.
 - ii. Routine maintenance – to ensure reliability lamps are replaced on a cyclical basis, lanterns are cleaned and all units are inspected for electrical and structural safety.
 - iii. Non-routine maintenance – electrical equipment will require ad-hoc maintenance during its service life to replace failed electrical components and repairs following vandal or impact damage. The maintenance liability of older units is higher than modern lamp columns and lanterns.
 - iv. Painting – metal lamp columns require re-painting in a cyclical basis to prevent corrosion and / or aesthetics

- v. Replacement – lamp columns have a typical design life of 25 years, and will require replacement prior to structural failure.
- vi. Carbon reduction - in 2014/15 a new carbon levy will be payable on electricity used for street lighting. Reducing electricity consumption will reduce the liability for CRC charges.
- vii. Staff – directly employed staff undertake the design and supervision of all street lighting replacement works.

Investment Options

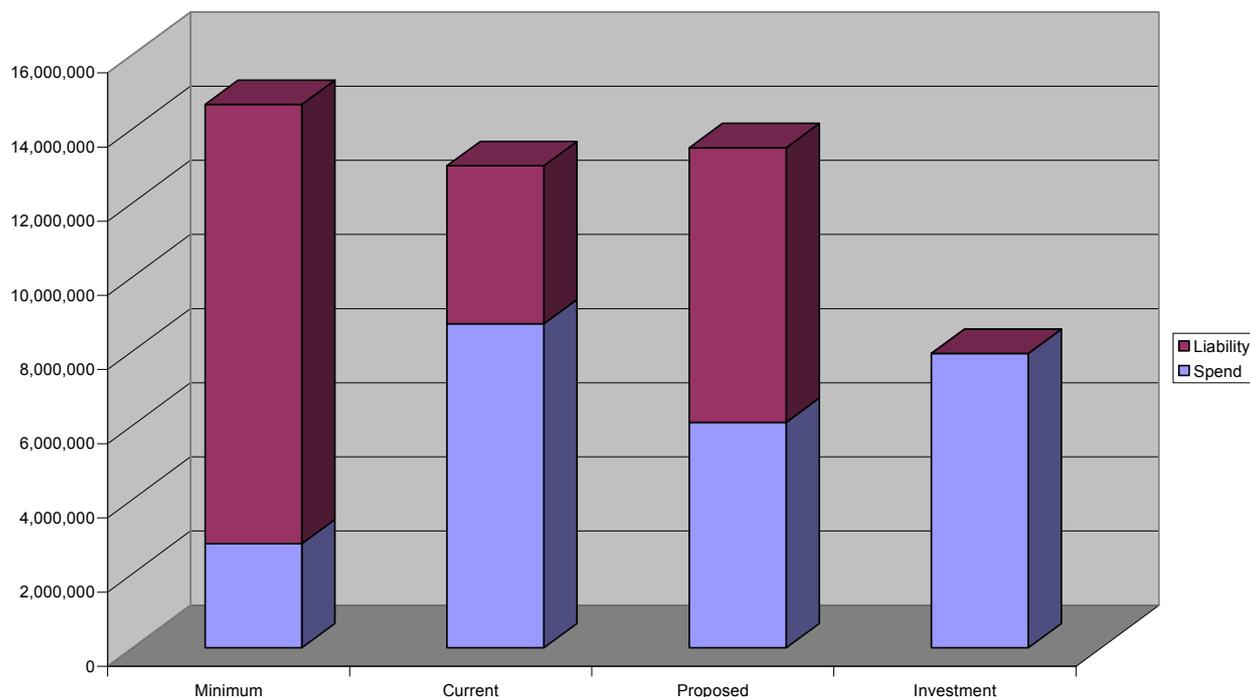
3.7 Four investment options have been considered as part of the business case;

- i. Do minimum – should budgets be reduced further, the planned replacement programme would need to be discontinued and the ad-hoc emergency replacements of defective columns would be relied on to maintain the network in a safe condition. This option would leave the Council with an increasing liability of life-expired lamp columns and would not provide any improvement in lighting levels. Although the financial model for this option has been based on 2% of columns requiring urgent replacement each year, additional emergency funding is likely to be required during the medium to long term to prevent accidents from failed columns.
- ii. Current budget policy – if current 2011/12 funding levels are maintained during the ten year programme, 5,600 units could be replaced and lighting levels improved. The age profile of the column stock would require the continued ad-hoc emergency replacement of the remaining defective columns in the short and medium term to maintain the network in a safe condition. 2,302 life-expired lamp columns would still be in need of replacement at the end of the 10 year programme.
- iii. Proposed budget policy – savings identified in the draft 2012/13 revenue budgets would reduce the funding available for column replacement to 3,900 units during the ten year programme. Although these new units would benefit from improved lighting and energy efficiency, a financial and insurance liability would exist from the remaining 4,002 life expired units which would still need to be replaced.
- iv. Invest to save – this policy would allow for all 7,902 lamp columns to be replaced in the first year of the programme. The savings made through reduced unit rates for new lamp columns together with energy efficiency, reduced maintenance, carbon credits and staff costs would repay the capital investment within ten years with a surplus saving compared to inflated budgets.

3.8 It is therefore proposed that a fund is provided in 2013/14 to allow the invest to save option to be progressed.

Residual Liabilities

3.9 Table 1 below illustrates spend and remaining financial liabilities for the council relating to each investment option. Further details are available in the Members room or appendix to report ;



3.10 The do minimum, current budget and proposed budget options would all result in a large volume of lamp columns that would still be in need of replacement, either planned or ad-hoc, at the end of the 10 year programme.

3.11 The investment options only consider costs and residual financial liabilities for a period of ten years. The remaining street lighting stock will continue to deteriorate during this time, when another group of lamp columns will fall into the 30 year plus age bracket, and provisions will need to be made at that stage for their replacement through further investments initiatives.

Non-Cashable Savings

3.12 Additional benefits would result from the invest to save proposal through improved lighting levels, which will reduce motoring accidents and improve pedestrian safety.

Procurement

3.13 The Contract for the maintenance and improvements of street lighting, currently let to May Gurney, will expire on 31st March 2013. As this Contract falls within the EU procurement regulations, options for the future of the service was considered by Executive in November 2011, which recommended that a new Contractor is appointed to undertake the maintenance and improvements of street lighting from 1st April 2013, following a competitive tendering process and comparison with the London Highways Alliance Contract.

3.14 Should the invest to save option be approved, proposals for the installation works and future maintenance will be included within the new contract, together with the ongoing maintenance of the remainder of the borough's street lighting.

- 3.15 The costs within this report are based on rates from the Council's existing street lighting contract. The business case will need to be re-assessed once the tender process for the new contract has been completed, which is expected to be in January 2012.

4 POLICY IMPLICATIONS

- 4.1 The Councils existing street lighting policy includes a planned replacement programme of life expired and structurally failed lamp columns. Should further financial savings be required, the policy would need to be changed to ad-hoc replacement of defective lamp columns to maintain the network in a safe condition.

5 FINANCIAL IMPLICATIONS

- 5.1 As mentioned in 3.1, Bromley own and maintain over 27,500 lamp columns across the Borough and the 2012/13 controllable budget has £3.9m for street lighting maintenance, replacement and staffing.
- 5.2 For 2012/13, Transport and Highways have a budget of £510k for new installations which would enable the replacement of approximately 390 columns per annum at a unit price of £1,300. Over a period of 11 years 4,290 columns could be replaced.
- 5.3 This report is proposing to spend £7.942m to renew approximately 29% of the total lamp columns within Bromley, (or 7,902 concrete and steel columns) during 2013/14 at a unit price of £1,005.
- 5.4 The potential cash savings from this invest to save proposal is as follows: -

Potential savings over the period 2012/13 to 2020/21

	Excluding savings proposals in Executive report
	£'000
New installations	5,607
Routine maintenance	1,641
Minor improvements	1,284
Energy savings	641
Energy surveys	256
Staffing (1fte)	342
Total savings from street lighting budgets	9,771
Savings from carbon allowances	114
Total savings	9,885
Inflationary savings (assumed in 4 year financial forecast)	1,797
Total savings to the Council	11,682
Less repayment of spend to save sum plus 3.5% interest	9,791
Net saving over period (11 years)	1,891
Equivalent to a net saving per annum	172

5.5 The above table identifies the financial impact over a ten year period. The budgetary impact for the period 2012/13 to 2015/16 is summarised below and shows the future inflation no longer required which effectively will increase over the 11 year period. Full details will be available in the Members room.

	2012/13	2013/14	2014/15	2015/16
	£'000	£'000	£'000	£'000
Reduction in inflation provision required	0	(16)	(42)	(76)

5.6 It should be noted that an additional temporary member of staff would be needed in 2013/14 to help manage the capital project, however from 2014/15 a reduction of a permanent post is included in the savings listed in the table above.

5.7 At the end of 11 years (2021/22) 7,902 columns will have been replaced and in contrast, if the current budget is used to replace columns only 4,290 columns will have been replaced.

5.8 These savings are being put forward to replace the savings (£250k) included in Appendix 5C of the Draft 2012/13 Budget Update report that was considered at the 11 January 2012 Executive meeting.

5.9 The proposals outlined in this report should mean that a total of £9.771m will be taken out of the Environmental Services revenue budget for street lighting over the 11 years, £114k will be saved from a reduced amount of carbon allowances that will have to be purchased during the period and £1.797m savings will be made from a reduced amount of inflation provision that will have to be set aside. This will be offset by the repayment of the Invest to Save monies totalling £9.742m excluding interest repayments.

5.10 The Executive approved an Invest to Save fund of £14m at its meeting on 7th September 2011 on the basis that “loans” would be provided for Invest to Save initiatives, with any savings taking into account an element for repaying the fund whilst generating further savings that can be factored for future years budgets. Any business case was required to be robust and the following criteria applies:

- (a) Must provide net financial savings (significant savings with risk assessment to contribute towards reducing the budget gap);
- (b) Must provide additional progress towards meeting the Council’s top priorities;
- (c) Must have a reasonable pay back period;
- (d) No further or alternative external funding is available;
- (e) Clear identification of accountable officer, performance outcomes and monitoring arrangements to enable corrective action to be taken where required;
- (f) Contributes towards additional performance improvement for the Council or stabilises current problem areas (mitigates against additional costs).

5.11 Reporting on progress and final outcomes of Invest to Save schemes would be submitted to the Improvement and Efficiency Sub-Committee and the PDS Committee. Any proposal will require the approval of the Executive. Therefore, subject to Members views on the proposal, Members are requested to refer this report to Executive for a drawdown from the Invest to Save Fund.

5.12 Although a sum of £7.942m is requested to be drawn down from the Invest to Save Fund, the rates used to cost this project and to calculate the potential savings are based on the existing contract. The business case will have to be re-assessed once the tender process has been completed, which is expected to be January 2012.

5.13 It is expected that, in the current market, rates will be at least as competitive as the existing contract. There will also be the opportunity to take advantage of any new technological developments, such as LED lighting.

5.14 At the end of the 11 years, consideration will need to be given to the funding strategy required to replace any lamp columns that are over 30 years old at that time.

6 LEGAL IMPLICATIONS

6.1 The Highways Act 1980 empowers the Council as Highway Authority to provide lighting. The Council has a duty of care to the highway user and must ensure it can demonstrate it has systems and programmes in place to ensure the safety of all highway lighting equipment.

7 PERSONNEL IMPLICATIONS

7.1 Should the invest to save initiative be approved, additional resources would be required during the investment period to provide support to existing staff to manage the project. At the end of the investment period staff savings could be achieved through reduced ongoing investment.

Non-Applicable Sections:	[List non-applicable sections here]
Background Documents: (Access via Contact Officer)	[Title of document and date]