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**ENERGY EFFICIENCY STREET LIGHTING PROJECT FUNDING**

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**1.0 EXECUTIVE SUMMARY**

- 1.1 At the November 2015 meeting of the Environment, Development and Infrastructure Committee, Members approved that an energy efficiency street lighting project be progressed. Policy and Resources Committee and Council also considered and approved the proposal following the Environment, Development and Infrastructure Committee meeting. The proposal will consist of the council's 14000 street lights being replaced with LED energy efficient luminaires. Changing the luminaires will reduce the amount of energy required for the lighting, the energy savings being reinvested to fund the loan charges associated with the capital borrowing required to carry out the works.
- 1.2 The November report and business case outlined that the delivery of the works would be provided by the most cost effective model using either a contractor from a framework which will be available in late summer via Scotland Excel or via direct delivery depending on which option is most cost effective.
- 1.3 The business case concludes that the council should progress with replacing the existing luminaries (the lanterns on top of the lighting columns) with LED units and also replace lighting columns with the balance of the savings generated from reduced energy consumption. These improvements which are to be funded from the energy savings will free up revenue to service capital loan charges required to finance the project. It is also proposed that an element of the savings is surrendered to contribute towards service choices
- 1.4 Strategic Finance and Roads and Amenity have received an offer from Salix for £400,000 on an interest free loan subject to the delivery of approximately 2200 units by November. Salix Finance Ltd. delivers 100% interest-free capital to the public sector to improve their energy efficiency and reduce their carbon emissions. Salix was established in 2004 as an independent, publicly funded company, dedicated to providing the public sector with loans for energy efficiency projects. This proposal would reduce the interest costs associated with the project freeing up funding to replace additional lighting columns. In order to deliver the units within the timescale it would be necessary to commence the works before the Scotland Excel contract is available. It is proposed that the start of the lighting project is accelerated with an initial phase, equal in financial value of the £400,000 available through Salix being delivered by in-house resource. The remainder of the project being delivered by the

most cost effective method (either through the Scotland Excel or via in house resource depending on which is most cost effective).

- 1.5 It is recommended that Environment, Development and Infrastructure Committee recommends to Council that the Salix funding is utilised and in order to meet the timescales the first phase of the lighting project is delivered by internal resource.

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**2.0 SUMMARY**

- 2.1 In November 2015, the Environment, Development and Infrastructure Committee approved that an energy efficiency street lighting project be progressed. Through Salix, £400,000 is available to the council on an interest free basis to progress energy efficient lighting. This funding comes with a condition that works are completed by November this year.

**3.0 RECOMMENDATIONS**

- 3.1 It is recommended that:

Environment, Development and Infrastructure Committee recommends to Council that the Salix funding is utilised and in order to meet the timescales the first phase of the lighting project is delivered by internal resource.

**4.0 DETAILS**

- 4.1 Through the Environment, Development and Infrastructure Committee, Policy and Resources Committee and Council approval has been given for the following:
- Progress with an innovative lighting energy efficient scheme as detailed in this business case, the costs of which are summarised in 5.4 of this report, in order to reduce future cost pressure relating to street lighting electricity.
  - A tender process being completed and that the energy efficient scheme is progressed utilising the most cost effective model as determined from the tender process.
  - The remaining reduced electricity budget, as a result of the innovative lighting scheme, is inflated in line with energy costs on an annual basis.
  - The balance of savings generated is used to fund a column replacement program with replacements being prioritised on condition.

- 4.2 Resource has been recruited through a framework contract for a lighting designer to progress the LED lighting design.
- 4.3 Strategic Finance and Roads and Amenity have received an offer from Salix for £400,000 on an interest free loan subject to the delivery of approximately 2200 units by November. Salix Finance Ltd. delivers 100% interest-free capital to the public sector to improve their energy efficiency and reduce their carbon emissions. Salix was established in 2004 as an independent, publicly funded company, dedicated to providing the public sector with loans for energy efficiency projects. This proposal would reduce the interest costs associated with the project freeing up funding to replace additional lighting columns. In order to deliver the units within the timescale it would be necessary to commence the works before the Scotland Excel contract is available. It is proposed that the start of the lighting project is accelerated with an initial phase, equal in financial value of the £400,000 available through Salix being delivered by in-house resource. The remainder of the project being delivered by the most cost effective method (either through the Scotland Excel or via in house resource depending on which is most cost effective).

## **5.0 CONCLUSION**

- 5.1 Following an offer from SALIX for an interest free loan of £400,000, which is time limited, to invest in energy efficient lighting it is proposed that an initial phase of the luminaire replacement is carried out with internal resource to the value of the available interest free loan. The remainder of the project being delivered by the most cost effective method (either through the Scotland Excel or via in house resource depending on which is most cost effective).

## **6.0 IMPLICATIONS**

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| 6.1 | Policy     | None known                                                                                                                                                                                                                                                                                                                                                        |
| 6.2 | Financial  | As detailed in the report                                                                                                                                                                                                                                                                                                                                         |
| 6.3 | Legal      | None known                                                                                                                                                                                                                                                                                                                                                        |
| 6.4 | HR         | None known                                                                                                                                                                                                                                                                                                                                                        |
| 6.5 | Equalities | None known                                                                                                                                                                                                                                                                                                                                                        |
| 6.6 | Risk       | Not taking the Salix offer would increase the costs of the project. The contract costs for providing the luminaire replacements through the Excel contract will not be known until the framework contract is available later in the summer. However, the interest savings are expected to be significantly greater than any savings offered through the contract. |

6.7 Customer Services None known

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