

CRESSAGE, HARLEY & SHEINTON PARISH COUNCIL

STREET LIGHTS REPORT

1.0 PURPOSE OF REPORT

- 1.1 This report summarises the maintenance recommended for the council's 42 streetlights, following a recent assessment of their condition by EON. The majority of the lights are currently sodium lanterns and this type of lantern is being phased out from the middle of 2019 due to a change in regulations. Therefore, it will not be easy to maintain this type of lantern as availability of spare parts will be limited, if they are available at all. It is therefore recommended that the lanterns are upgraded to LED, either in one phase or as part of a multiphase project; to date 11 lanterns have been replaced with LEDs, as they needed repairing.
- 1.2 LED lanterns cost significantly less to run in terms of energy consumption and are more environmentally friendly as they have a smaller carbon footprint. Typically, once installed LED lanterns do not need replacing for circa 25 years and they are warrantied for 10 years. Notwithstanding this, there is a need to address any other defects which may occur and to carry out safety checks, cleaning and condition reports. This is typically dealt with through having an annual maintenance contract which covers routine maintenance and repairs needed are billed in addition.
- 1.3 This report outlines a series of options for financing the recommended works. This is based on all of the lanterns being converted to LED in one phase. The council may wish to consider a multi-phase approach, if it feels this is more appropriate. Financing options include use of the council's reserves, an increase in the precept or a public works loan. There are risks and advantages and disadvantages to each of these options which are summarised in this report. A combination of financing measures could also be used.
- 1.4 It is useful to outline how the lights have been maintained to date. The council has had an informal arrangement with a local street lighting company who have carried out minor repairs free of charge. They have now indicated that they would wish to start charging for maintenance works, particularly if the lights are to be converted to LED as this requires capital outlay. Quotes were sought for a condition report, conversion to LED and specific repairs and EON were the most competitive. EON have now done a comprehensive condition report and up-to-date inventory of the lights which gives a picture of the current condition and a basis for assessing what maintenance works required. Some lights require maintenance in the short term to bring them up to an acceptable standard in terms of safety and condition. Other more minor issues may need ongoing monitoring and remedying in the medium to longer term.
- 1.5 To date, 11 of the council's 42 lights have been converted to LED. A further 5 lights require repairs which would include conversion of the lights to LED. This leaves 25 lights to convert LED. The final light is one on Sheinton Road which the council needs to decide whether to retain.

Agenda Item 131/1819a

2.0 Maintenance works required

- 2.1 A full copy of the condition report and inventory is appended to this report. In summary, the following works to lights are required in the short term.

- Replacement of 4 columns and lanterns at a total cost of £3,689.48 (+VAT)
- Replacement of 1 pole mounted lantern at a cost of £692.40 (+VAT).
- Minor maintenance works to the remaining lights at a quoted price of £1,264.98 (+VAT)
- LED conversion already carried out to 11 lights & inspection report and preparation of inventory of lights = £2,330 (+VAT) – not yet paid for.

TOTAL COST OF WORKS ABOVE = £7,976.98. It is considered the above works are essential as they arise from a need to repair the lanterns to maintain their condition and safety.

To remain operational, the remaining 25 lanterns will need to be converted to LED either now or as part of a multi-phase approach. As outlined above, this can either be done in one phase or as part of a multi-phase project.

- To convert the remaining 25 lanterns to LED, the quoted cost is £4,250 (+VAT). This works out at £170 (+ VAT) per lantern.

If all of the works outlined above both remedials and conversion of the remaining stock to LED are carried out the cost will be £12,226.98 (+VAT). This quote is valid until 1 March 2019. The quote will also be subject to the terms and conditions set out in the quote provided. VAT is reclaimable but the costs above may be subject to additional charges for connection of electricity by Western Power if this is necessary and the existing connection cannot be reused. Quotes for this would have to be sought direct from Western Power and are not included in the figures above.

- 2.2 The council also wished to look into relocating a lantern on Sheinton Road (Unit 7) which is frequently struck by a vehicle. Straw found on the lantern would suggest it is potentially being struck by a farm vehicle. The closest point of connection on the other side of the road is about 40 metres way and therefore the likely cost of re-siting the lantern is estimated to be circa £4,000 plus VAT. I would therefore recommend that council gives careful consideration as to whether it is necessary to have a lantern in this location as it may be more economical to remove it or leave it and accept it will continue to be knocked. For the purposes of calculating the budget required, it is assumed that the council would not wish to re-site the lantern due to the cost.
- 2.3 Twelve months after the initial conversion to LED, if the council took out a maintenance contract with EON, there would be a standing charge of £462 per annum (+ VAT). This cost would include specified routine maintenance such as maintaining a street light inventory, safety testing of units. Additional sums may apply to certain types of maintenance not covered within the contract, such as replacement of columns.

Agenda Item 131/1819a

3.0 COST OF RUNNING LED LANTERNS

- 3.1 Once converted to LED, the energy and maintenance costs for the lanterns will reduce which will be a saving to the council. Whilst in recent years the council has had very little outlay in terms of maintenance costs this has been due to the goodwill of a local contractor and will not continue in the long term. The council has a duty of care to maintain the lights and this includes checking their condition and electrical safety testing every 6 years. The energy costs will reduce significantly with LED lanterns. EON have estimated that based on an install cost of £170 per LED unit, if all 42 units are replaced this will be a total cost of £7,140 (just for the lanterns and not allowing for the repairs needed). It is estimated that after 7 years, the amount saved in energy costs will lead to the council reaching a breakeven point in terms of recovering the cost of capital outlay for the purchase of the lanterns. The sooner the lanterns are replaced, the sooner the energy cost savings will start to accrue.

4.0 FINANCING OPTIONS FOR WORKS TO THE STREET LIGHTS

- 4.1 The council has an allocated budget of £470 for street light maintenance in 2018/19 financial year and £4,250 in a ringfenced reserve. Of the £2,330 works done to date (not yet paid) it is recommended that £470 is funded from core budget with balance of £1,860 from ringfenced reserve. Therefore, there is £9,896.98 of further works needed i.e. total works of £12,226.98 less £2,330 already committed.
- 4.2 Some of the reserves could be put towards further remedials/upgrades to LED but it is recommended that the balance in the reserve is kept to allow for long-term maintenance of the lights.
- 4.3 I have based the calculations outlined below on a need to find £10,000 (£9,896.98 rounded to £10,000); this could be reduced if the council chose to use reserves.
- 4.4 If a sum of £10,000 is added to the precept, this is an additional sum of £24.30 per Band D household per annum from 2019/20, the current precept per Band D household being £39.54 per annum.
- 4.5 As a public authority, the council is potentially able to access funding from the Public Works Loan Board. This can be used to fund projects such as the conversion of the lights to LED. The rates on public works loans are very low, as at 12th December 2018, the rate for a fixed interest loan over 10 years was 1.86%; the rates are fixed once the loan is entered into but reviewed daily until that point – hence the rate could vary by the time the loan is applied for. If the sum of £10,000 was borrowed this would mean that the annual repayments would be £1,100.52 at 1.86%. If this were added to the precept, the additional cost per band D household per annum is circa £2.67 per annum i.e. £26.70 total over 10 years (this is approx. as it would vary depending on Council Tax base which is set annually) as compared to £24.30 in one year if added to the precept. Over the course of 10 years, the interest would be £1,005.20, total repayable £11,005.20. The breakeven point for

Agenda Item 131/1819a

recovering the capital cost of the LED lantern units would extend slightly beyond 7 years as the interest increases the outlay.

- 4.6 In order to obtain a loan, the council would have to go through an application process which would include the need to demonstrate consultation in regard to the impact of the project and in particular its effect on the precept. There is therefore no guarantee that the loan would be granted. However, there are examples of other parishes who have used public works loans to fund conversion of lights to LED.

5.0 RISK ASSESSMENT

- 5.1 It is good practice for councils to carry out a risk assessment when carrying out a project which involves significant capital expenditure

| Risk | Description/level of risk |
|---|---|
| Condition of lights deteriorates and safety incident occurs as a result | Medium risk if recommended repairs not carried out. |
| Spare parts not available if lights not committed to LED | Medium risk - this will be an issue from the middle of 2019 but it can be addressed by converting the lights to LED either in one phase or multiple phases. |
| Precept increase | A large increase to the precept to replace repair the lights in one phase may prove to be unpopular and will have a financial impact on residents. However, there are no restrictions legally on what level of precept increase the council can set. The precept has to be set by 7 th Feb 2019. |
| Loan | <p>Medium risk - there is a risk that the council's application for a loan may be unsuccessful. In which case, it would have to find other funding to carry out the works to the lights. If the precept had already been set, there may not be an option to source funding from the precept in the 2019/20 financial year. However, in the short term the council could use reserves and then recover the lost reserves through an increase in the precept following year. It is not ideal to significantly deplete the reserves as they may be needed for a range of purposes not just the streetlights.</p> <p>Risk of not meeting the repayments – provided the loan is budgeted for this should not be an issue and the interest is low. The loan is a way of spreading the cost so reduces the risk as compared to raising</p> |

Agenda Item 131/1819a

| | |
|----------|--|
| | a large sum of money at once, especially if this were done by drawing from reserves. |
| Reserves | Drawing all or a significant portion of the costs from reserves leaves the council in a more vulnerable position as the reserves are also needed for other council assets, including long-term maintenance of the lights. Whilst the lanterns will be new, there is still potential for other parts of the lights to fail including the columns and their electrical components. |

6.0 RECOMMENDATIONS

- 6.1 It is recommended that the council decides on its preferred approach to carrying out the repairs/upgrades to the lights. It is then recommended that the council carries out a consultation on this until the end of January 2019. In the interim, permission has been obtained from Shropshire Council to defer the setting of the precept until the February 2019 council meeting. This would enable the results the consultation to be known and for the council to make a firm decision as to how to finance the works to lights.
- 6.2 Comments were also received following the install the lights that they are not bright enough. The contractor has indicated that they would be willing to replace the 20W units installed to 11 lights with 30W units free of charge, if this is done relatively soon and at the time of carrying out works to the remaining lanterns. Council is therefore also asked to consider if it wishes the lights to be changed to 30W LEDs as opposed to 20W LEDs. The cost per unit is the same for 30W units as 20W units.