

# Flexible finance options help investment in street lighting

Greater flexibility in financing street lighting schemes should give confidence to authorities who are looking to improve energy efficiency and save money, reports Justin Ward.

Considerable progress has been made by many local authorities to move towards more energy efficient street lighting, but a good number have not yet taken advantage of the opportunity to install LED luminaires and benefit from the financial and carbon savings.

There are however a number of options available to finance upgrades to LED street lighting. Deciding on the most appropriate route for funding will depend on a range of issues from the amount of capital required to the timescales for a project.

One perceived barrier to local authorities seeking to invest to upgrade their street lighting can be the inflexibility of funding and the risks that this could bring to delivery.

The most common way of funding street lighting upgrades often relies on a range of financing routes. Authorities can use prudential borrowing, available through the Public Works Loan Board, the European Regional Development Fund, the Green Investment Bank and not for profit company Salix Finance.

Until recently there was also the Highways Maintenance Challenge Fund, but this year the Department for Transport excluded lighting schemes in England from that fund.

So if an authority is looking to upgrade its street lighting where can it turn? One option is to consider an interest free energy efficiency loan, offered by Salix to public sector bodies in England, Scotland and Wales.

The company is funded by the Department for Business, Energy & Industrial Strategy, the Department for Education, the Welsh Government and the Scottish Government. It was established in 2004 as an independent, publicly funded



↑ Cheshire West & Chester is currently upgrading over 24,000 street lights to LED luminaires across the borough to reduce carbon emissions and save money



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Lindy Frey

company dedicated to providing the public sector with interest free loans for energy efficiency projects.

The company has financed over £93M of completed local authority street lighting projects across 92 local authorities as of March 2017, saving those councils a projected £19.9M and over 84,000t of CO<sub>2</sub> per annum.

The company's programme coordinator for English street lighting, Lindy Frey says: "We're very open to providing feedback on initial ideas and an internal business case and can visit council offices and present to colleagues who are involved in finance and procurement. We also offer workshops to help people learn from other authorities and discuss projects."

The company's PR and marketing executive Alannah Powell adds: "Public sector organisations find it really valuable

to come to our workshops." One such workshop is taking place in the London Borough of Brent on 8 November, focusing on sharing good practice and lessons learned from recently completed street lighting projects across the UK.

Upon receipt of a funding application the company then conducts a technical review of a business case. Programme manager for technical services Matt Caville says: "We look at the technical viability of a project, the financial business case, the deliverability and the risks associated with the project. We can also provide initial feedback if an authority applies early."

The turnaround time for a decision on funding, from receipt of application, is generally less than two weeks, he adds. Authorities benefit from a dedicated client support officer to guide them

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through the application and completion process, including any meetings or feedback in the lead up to the application.

Projects supported by the company have to demonstrate certain criteria. The Salix 'Compliance Tool' uses key project details to model financial and carbon savings and to calculate the technical payback.

For street lighting projects in England, the company can fund up to a technical payback of five years. For projects in Wales and Scotland there is a technical payback of up to eight years, with £200 per tonne of carbon savings expected over the lifetime of a project.

But the technical paybacks stated should not deter applicants who have projects with slightly longer payback periods. "Even though we have our criteria in place, we can be quite flexible in being able to support projects that have longer payback by part funding," says Matt Caville.

The average street lighting project funded by the company in the UK has a technical payback around seven to eight years, so it is very common for these projects to be part funded with other sources such as prudential borrowing or capital reserves.

The UK Lighting Board recently highlighted a perceived issue that delays with procurement could lead to a withdrawal of funding support. But the company is keen to dispel this view.

"Our delivery process has really been refined to support projects with longer lead in times," says Lindy Frey. "Our solution is something we call a 'reservation of funding,' where further approvals for work are needed – for instance, PFI contract negotiations, procurement or cabinet approval – then a 'reservation of funding letter' will be provided following assessment.

This letter means the funding is earmarked but the project is still pending some decisions or tender. The company says that this helps support an authority's internal decision making and provides confidence that there is a funding agreement over a number of years to support the complete programme of works.

Once the procurement and approvals are complete the next step is a commitment letter from Salix. If there are delays while the project is on site, then a revised programme of works can be discussed with the company on a



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↑ One third of Scotland's lighting stock has already been converted to use LED technology



**"We can be flexible in supporting longer payback projects by part funding."**

Matt Caville



**"Public sector organisations find it really valuable to come to our workshops."**

Alannah Powell

case by case basis to support successful completion of a project.

Torbay Council's application for funding is a demonstration of how reservation of funding works. The council applied for funding in June 2016 and received reservation of funding.

They then went through OJEU procurement for the project and following that received a final commitment of funding in December, allowing the project to start on site.

Kent County Council has also taken advantage of reservation funding to support a large programme over a number of years, with a total of £27M of loan funding agreed by Salix to part finance the project.

The repayment schedule is aligned with the technical payback of the loan, which in England is five years and in Scotland and Wales is up to eight years.

The repayment schedule is calculated on projected energy savings and repayments start six months after project completion, to help align with the projected savings.

Scotland has been pushing forward with the installation of LED street lighting schemes and about one third of its lighting stock has been converted. UK Lighting Board Chair Lindsay McGregor, who works for the Scottish Futures Trust, has really helped drive the agenda north of the border.

*This article is based on a CIHT podcast recorded recently and has been reviewed by Salix. To listen to the full interview visit [ciht.org.uk/podcasts](http://ciht.org.uk/podcasts)*

## UKRLG Update



↑ Liz Kirkham

**Liz Kirkham,** Gloucestershire County Council's network manager, is the new Chair of the UK Bridges Board for the UK Roads Liaison Group.

Liz said: "People feel a personal connection to bridges. Crossing roads, rail and waterways, they are an iconic part of our landscape and heritage, enabling us to pass obstacles, link communities and unlock development.

"Often positioned at key intersections, bridges are very valuable assets requiring continued maintenance and investment, and appropriately skilled and qualified people to manage them."



↑ Garry Sterritt

**Dr Garry Sterritt,** Transport for London's head of asset investment, has been appointed as the new Chair of the Asset Management Board.

The Board has representation from all of the other boards: Roads, Bridges, Lighting and Network Management but also reports directly to the UKRLG.

The Board will focus on cross asset considerations covering aspects such as risk management, prioritisation, asset investment planning, asset valuation, value and making the investment case.