

**AUDIT REPORT 20'013**

**STREET LIGHTING REPLACEMENT PROGRAMME**

**EXECUTIVE SUMMARY**

In 2015, a business case was developed recommending the replacement of existing street lighting with modern, energy efficient LEDs. The programme involved the replacement of some 17,500 lanterns, mainly by the council's in-house lighting team. The approved estimated cost was £5 million, with works scheduled to be delivered over a five year period. With the programme now well advanced, the 2019/20 audit plan included an audit of progress in terms of resourcing, planning, scheduling, and delivering of the works.

The main focus of the programme was to secure efficiencies through the installation of LED street lighting, thereby reducing energy costs including the linked carbon reduction commitment payments and climate change levy.

The capital costs of purchasing and installing new lanterns to date are substantially below budget, with the expected outturn for the project forecast at £4.067 million. The cost reduction is due principally to optimisation of lantern procurement costs achieved through a retendering process undertaken in year 2 of the works. This streamlined the range of lanterns required, and by selecting a preferred single supplier, unit costs of lanterns were significantly reduced.

Associated revenue costs in respect of electricity charges were also found to be reducing year on year as more lamps are replaced. The number of Kilowatt Hours of energy used on street lighting has approximately halved since the programme commenced, and as lantern renewals have progressed, there has been a reduction in staff time spent on reactive maintenance works.

With the programme of work close to completion, and with capital costs coming in below budget and energy savings increasing annually as works progress, the project payback period (originally estimated at 10 years) remains likely, although ultimately this will be influenced both by energy costs and reactive maintenance costs in future years.

An added saving disclosed during the audit was the recovery of a volume discount from the lantern supplier, with detailed audit testing noting that a clause in the contract offering an additional 2% volume discount on certain lanterns had not been applied. This was pursued by the service. A sum of £13,500 was credited to the council by the lantern supplier.