

ENVIRONMENT CABINET MEMBER MEETING

Agenda Item 44

Brighton & Hove City Council

Subject: Approval to procure street lighting energy contract
Date of Meeting: 24 September 2009
Report of: Director of Environment
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Key Decision: Yes Forward Plan No: CAB12107
Wards Affected: All

This item is on the Council's Forward Plan to be determined by the Cabinet, but has been referred directly to the Environment Cabinet Member Meeting due to its specificity to Environment matters.

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 The report requests that the Council purchase electricity for street lighting and illuminated signs jointly with East Sussex County Council (ESCC) through a framework arrangement set up by Buying Solutions, a trading arm of the Office of Government Commerce (OGC).

2. RECOMMENDATIONS:

- 2.1 That the Cabinet Member authorises the Director of Environment to:
- (a) Enter into an arrangement with ESCC to utilise the Buying Solutions' framework agreement to procure the electricity for highway street lighting and illuminated signs for a period of 18 months until April 2011.
 - (b) Carry out a review, including soft market testing as to the options and costs for the future procurement of electricity for highway street lighting and illuminated signs and to report back to the Cabinet Member with recommendations following the review.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 Brighton & Hove City Council (BHCC) currently has 22,000 items of highway street lighting and illuminated signs. These items form part of a larger East Sussex street lighting infrastructure which has one single Meter Point Administration Number (MPAN) and therefore a single electricity supply.
- 3.2 The expenditure on highway street lighting, bollards and illuminated signs for BHCC was £848,665 in 2008-09.

- 3.3 Since BHCC was formed in 1997 ESCC has led on the procurement and management of the electricity contract as they have by far the largest proportion of the infrastructure.
- 3.4 The procurement of the electricity has traditionally been procured on fixed term contracts for a two or three year period. There is a risk with this type of arrangement that the price at date of tender could be abnormally high due to a short term peak in the energy markets. The council would therefore be bound into this price for the duration of the contract and Value for Money would not be best achieved.
- 3.5 Best practice guidance from central government has suggested that to combat this issue public sector bodies should use Central Purchasing Bodies (CPBs) e.g. Buying Solutions, Laser, Eastern Shires Purchasing Organisation etc. These consortium contracts use flexible purchasing frameworks.
- 3.6 The flexible purchasing contracts work by combining a portfolio of Clients' energy demands and then going to the market and spreading the buying over a six month period to reduce the risks. A highly skilled Futures Purchasing Manager is employed to read the energy market to purchase at the most advantageous times on the Consortiums behalf.
- 3.7 As the current electricity contract is due to expire in September 2009 ESCC evaluated the various frameworks and has concluded that the one offered by Buying Solutions is the most economically advantageous including the most appropriate package of support. It is claimed that the contract will save in the region of 5%. This equates to approximately £42,433 for BHCC.
- 3.8 It should be noted that in such a volatile market it is difficult to accurately predict the potential saving but other authorities already using consortium arrangements have confirmed that savings of this magnitude have been made. In addition the OGC's compliance testing also suggests such savings are achievable.

Future Flexibility

- 3.9 The needs of BHCC may differ from those of ESCC and it is therefore important for BHCC to be able to have the maximum flexibility when procuring its contracts. In order to achieve this, work is being undertaken to disaggregate BHCC's street lighting infrastructure from the whole of East Sussex's.
- 3.10 Disaggregation will have no effect on the prices achieved by using a national framework as they will depend on the totality of the public sector take up and not just BHCC & ESCC. In addition it does not preclude the continuation of joint procurement with ESCC.
- 3.11 If following a review BHCC wishes to pursue independent procurement then it would be in a position to do so.

Sustainability

- 3.12 CPBs advise that a 30% proportion of their clients' energy demands are derived from green sources.

- 3.13 One of the best practice criteria that CPBs must meet is to ensure access to future options including the use of new renewable sources of energy.
- 3.14 As the Council is committed to reducing Carbon emissions it is proposed that a soft tender exercise is carried out using energy consultants to look at other suppliers and procurement arrangements to investigate whether there are alternatives that would deliver a higher percentage of renewable electricity at an affordable price. A report will then be brought to Cabinet to consider options in relation to future procurement.
- 3.15 As electricity is purchased over a six month period 6 months' notice is required to leave the scheme without incurring penalties.

4. CONSULTATION

- 4.1 Corporate Procurement, the Energy and Water Manager, Legal Services and East Sussex County Council have been consulted in the production of this report.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 5.1 Energy costs are increasing at rates well above inflation, which is causing budget pressures across the Council. It is felt that the proposed way forward as set out in the report will achieve best value as it will secure an energy supply for street lighting for the next 18 months, whilst research is undertaken to ascertain the best longer term purchasing solution in these volatile market conditions.

Finance Officer Consulted: Patrick Rice

Date: 20/08/09

Legal Implications:

- 5.2 BHCC's street lighting infrastructure is aggregated with ESCC and under this arrangement the procurement of street lighting energy is carried out by ESCC. BHCC is then invoiced for its share of the energy used. There is a six month notice period proposed for BHCC to terminate the arrangement with ESCC without penalties. This reflects the need for the Consortium to purchase energy up to six months in advance.

Lawyer Consulted:

Elizabeth Culbert

Date: 20/08/09

Equalities Implications:

- 5.3 The Council's Code of Practice on Equalities and Workforce Matters is enforced in all procurement.

Sustainability Implications:

- 5.4 The council has commitments to reducing carbon emissions as set out in the Corporate Strategy, the CAA Target and the Sustainable Communities Strategy. Lighting is part of the carbon management programme and new energy efficient technology is introduced into highway street lighting wherever possible and funding permits.

- 5.5 The best practice criteria for the Central Purchasing Bodies outlined in the government documents includes access to future options for security of supply such as the use of renewable sources of energy.
- 5.6 It is proposed to work with our energy consultants to investigate whether there are alternative suppliers that would deliver a higher percentage of renewable electricity at an affordable price.

Crime & Disorder Implications:

- 5.7 Well lit streets help prevent crime and improve public perceptions of safety.

Risk & Opportunity Management Implications:

- 5.8 There are significant risks involved in failing to procure an energy contract. Failure to supply electricity to the public highway street lighting could have severe and costly consequences. Using a framework recommended by national government, BHCC is better able to benefit from best prices for energy.

Corporate / Citywide Implications:

- 5.9 The contract will deliver energy to all street lighting and illuminated signs and bollards across the city which are included in the Highway Street Lighting inventory.

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 6.1 At this current time, this form of framework agreement with East Sussex is considered to be the most suitable because timescales for disaggregation mean that the council is unable to pursue alternatives.
- 6.2 The only other alternative is not to enter into this framework but this would leave Brighton & Hove City Council without any contract for the energy of the street lighting, illuminated signs and bollards, with a resulting safety risk.

7. REASONS FOR REPORT RECOMMENDATIONS

- 7.1 The Council has a duty to maintain regulatory signs / bollards and also to maintain the public highway street lighting in a safe condition. Energy supply is an essential element of providing illumination on the city's streets.
- 7.2 This proposal would succeed the current Street Lighting energy Contract tendered by ESCC on behalf of both authorities terminating on 30th September 2009.

SUPPORTING DOCUMENTATION

Appendices:

None

Documents in Members' Rooms

None

Background Documents

1. OGC guidance – Energy Buying: the effective way to manage risk
2. OGC guidance – Energy Buying: working together for better results

