
Meeting: Executive

Date: 9 February 2010

Subject: Streetlighting Electricity Supply Contracts

Report of: Cllr David McVicar , Portfolio Holder for Safer & Stronger Communities

Summary: The report proposes that Central Bedfordshire Council uses the Central Buying Consortium's flexible energy contract for electricity supplies to streetlighting for the period October 2010-2012, and seeks approval for future tender decisions for streetlighting electricity supply to be delegated to the Director of Sustainable Communities in consultation with the Portfolio Holders for Safer and Stronger Communities and Corporate Resources.

Advising Officer: Gary Alderson, Director of Sustainable Communities

Contact Officer: Alec Edgar, eProcurement Manager

Public/Exempt: Public

Wards Affected: All

Function of: Executive

Key Decision No

Reason for urgency/
exemption from call-in
(if appropriate) N/A

CORPORATE IMPLICATIONS

Council Priorities:

The management of finances, the restraining of Council Tax and the delivery of value for money are key enablers for ensuring the successful delivery of the Council's Priorities (Central Bedfordshire's Strategic Plan).

Financial:

The cost of ongoing electricity supplies for streetlighting is approximately £600,000 per annum. The maximum cost for operating a flexible procurement service will be approximately £900 per annum (see paragraph 4. On average flexible procurement offers a 4 to 4.85% saving over fixed price contracts.

Legal:

The use of the Central Buying Consortium's flexible energy contracts provides a cleaner approach in relation to procurement and presents no major legal implications.

Risk Management:

The flexible service offers to minimise the financial risk and enhance the control of expenditure in a volatile market.

Staffing (including Trades Unions):

n/a

Equalities/Human Rights:

n/a

Community Safety:

There are no safety implications, as the supply contract has no implications for the functioning of the streetlighting.

Sustainability:

Following the resolution of Executive on 15 September 'green tariffs' will be used to demonstrate corporate commitment to low carbon and renewable energy if there are no additional costs.

Summary of Overview and Scrutiny Comments:

- The Report has not been considered by the Overview and Scrutiny Committee.

RECOMMENDATIONS:

1. That Executive endorse the proposal that Central Bedfordshire Council uses the Central Buying Consortium's flexible energy contract for electricity supplies to streetlighting for the period October 2010-2012 on a "Purchase within Period" basis.
2. That Executive give delegated powers to the Director of Sustainable Communities to accept tender prices for an interim 6 month fixed price contract for the period April – September 2010.
2. That future tender decisions for streetlighting electricity supply are delegated to the Director of Sustainable Communities to take in consultation with the Portfolio Holders for Safer & Stronger Communities and Corporate Resources.

<i>Reason for Recommendations</i>	<ol style="list-style-type: none"> 1. To ensure the Council procures electricity supplies for streetlighting at competitive rates and according to recommended best practice for local government 2. For reasons of operational necessity – tender prices are time limited and need to be accepted within 2 hours of being submitted. 3. As the only discretionary elements of the provision of electricity for streetlighting are provider and price, this should be regarded as a matter for delegation rather than an Executive decision.
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Executive Summary

The contract to supply electricity to Central Bedfordshire Council's streetlighting terminates 31 March 2010. This report proposes that the Council uses the Central Buying Consortium's flexible energy contract for electricity supplies to streetlighting for the period to September 2012. Because new supplies can only be brought on to the flexible contract on 1 October 2010, the report proposes that a short term fixed price contract is tendered for the 6 months 1 April – 30 September 2010. The report also seeks approval for future tender decisions for streetlighting electricity supply to be delegated to the Director of Sustainable Communities in consultation with the Portfolio Holders for Safer and Stronger Communities and Corporate Resources.

Background

1. The contract for the supply of electricity to Central Bedfordshire Council's streetlighting expires 31 March 2010. The annual cost at current rates is about £600k. The contract requires re-tendering and decisions for annual spend of this amount need to be reported to Executive.
2. The current contract is a 'traditional' fixed price contract. At the meeting on 15 September 2009, Executive agreed that the energy for council buildings and schools should be procured on the Central Buying Consortium's Flexible contract (see Appendix 1). It is recommended that this approach is also taken for streetlighting. Flexible contracts are recommended as best practice for procuring large volumes of energy.
3. There are two options available on the Flexible contract: "Purchase in Advance" (PIA) where the energy blocks are bought prior to each year of the contract or "Purchase within Period" (PWP) where some blocks are bought before the start of the year and some within it. For council buildings PIA was used because it gives absolute price certainty for budgeting purposes which appeals to schools especially. However, for streetlighting most authorities use "Price within Period" which requires some reconciliation of charges but gives maximum scope to obtain better overall prices. For this reason the Head of Procurement advises that a PWP would be the preferred option.

Costs

4. There will be an additional charge of approximately £800-£900 per annum for operating a flexible contract. This is a small cost (less than 0.02%) compared to the annual contract cost. On average flexible procurement out performs fixed price contracts between 4% (for PIA) and 4.85% (for PWP), so the additional costs should be more than covered by the likely savings obtained from using a flexible approach.

Interim Contract

5. The start date for adding new supplies of this size to the flexible contract is 1 October. As the current contract ends 31 March, a 6 month fixed price contract will need to be tendered for the interim period. This is likely to be a cost of approximately £300k and will require use of an EU compliant framework. As tender prices will be strictly time limited and acceptance will be required within about 2 hours of the prices being returned, the Director of Sustainable Communities should be given delegated powers to accept prices.

Future Tenders

6. It is necessary to maintain an electricity supply contract for streetlighting and the value of the contract requires approval of the Executive. However, as there are no policy decisions to take and the only discretionary elements are supplier and cost, it is proposed that delegated powers should be given to the Director of Sustainable Communities to undertake future Streetlight power tendering, in consultation with the Portfolio Holders for Safer & Stronger Communities and Corporate Resources, without the need to report to Executive.

Conclusion

7. The proposal to tender a 6 month fixed price contract for electricity supplies to streetlighting and then use the Central Buying Consortium's flexible energy contract for the period October 2010-2012 represents best value for money for Central Bedfordshire Council.

Appendices:

Appendix A . Flexible Energy Contracts

Background Papers: (open to public inspection)

None

Location of papers:

N/A