

REPORT TO: Executive Board

DATE: 14 March 2024

REPORTING OFFICER: Executive Director Environment & Regeneration

PORTFOLIO: Environment and Urban Renewal

SUBJECT: Preliminary Estimates for Street Lighting Energy Procurement

WARDS: Borough wide

1.0 PURPOSE OF THE REPORT

- 1.1 To seek approval for the Council to utilise Dukefield Energy (formerly Utilities Procurement Group UPG), as specialist Energy advisor for the Council's un-metered electricity supply contract for street lighting, Utilising the 'National Public Sector Energy Framework' in accordance with Procurement Standing Order 1.4.1 and to record that the anticipated expenditure is likely to be over £1.0M per annum.

2.0 RECOMMENDATION: That

The Board endorse:

- 1. the use of the use of the 'National Public Sector Energy Framework' for the purchase of un-metered energy in compliance with Procurement Standing Order 1.4.1;**
- 2. It be recorded that the expenditure is anticipated to be in excess of £1.0M per annum; and**
- 3. that Dukefield Energy continue to be used to manage our street lighting energy provision.**

3.0 SUPPORTING INFORMATION

- 3.1 Since October 2001, the Council's un-metered electricity (energy for street lighting and other highway electrical equipment) has been procured through Dukefield Energy formerly known as UPG (Utilities Procurement Group) who are an energy procurement specialist to the public sector. Prior to using Dukefield, un-metered electricity was purchased from Scottish Power using a former Cheshire County Council contract, which was negotiated with a sole supplier, as was the procedure prior to the market being opened up to competition. When Dukefield commenced our energy procurement, they included us in a

tender with other local authorities and tenders were received from six companies; this has happened each time the supplier has changed. Dukefield use their knowledge of the market to determine the best time to seek tenders, as the energy market is very volatile and rates change due to worldwide events such as turmoil in the Middle East, Ukraine war, plus economic data in the UK. The first contract through Dukefield commenced in April 2002 and initially was awarded to Eon (previously Powergen), and then has been awarded to the following companies:

- Eon (previously Powergen) – April 2002 until 31 March 2007
- Scottish and Southern Energy - April 2007 until 31 March 2011
- Haven Power – April 2011 until 31 March 2015
- British Gas – April 2015 until 31 March 2017
- SSE Energy – April 2017 until 31 March 2022
- SSE Energy – April 2022 to 31 March 2024

- 3.2 The current contract with SSE Energy expires on 31st March 2024; therefore, we will be looking for Dukefield to invite Tenders on our behalf for supply of energy from April 2024 onwards for a period of between 12 and 36 months as recommended.
- 3.3 The total Annual spend currently equates to an annual cost of around £1.5 Million.
- 3.4 A preliminary recent market enquiry with our current supplier suggest the new rates will represent an annual decrease of up to 18% / £300k, depending on length of contact term chosen (i.e. 1, 2, or 3 year contract period).
- 3.5 If any electrical equipment is installed or removed, then the total amount payable will be adjusted accordingly. The current LED upgrade programme is reducing the energy consumption monthly as work progresses. The total amount payable is determined from an itemised listing of our equipment which is determined from our inventory and converted into the required format and submitted by Dukefield, on our behalf, to Scottish Power (the Distribution Network Operator (DNO)), who in turn issue a Certificate of monthly Consumption based on the burning hours recorded for that month. The certificate is updated every month; therefore, any equipment removed/added is included within a relatively short period of time.
- 3.6 The Street Lighting Energy contract needs to be accepted within a very short timescale, generally on the same day as the offer, due to the rapid changes in the prices charged for electricity, which can result in an offer being withdrawn at short notice. This was done after consultation with the Council's Finance and Internal Audit Sections who supported the Executive Director's acceptance of it. The process has been reviewed by Internal Audit, who are satisfied that the system represents good value for money for the Council.

3.7 Standing Orders require the following information:

- (i) Budget approval, including budget, funding and cost centre code;

The budget is an existing approved budget for street lighting

- (ii) The whole life cost of the project, including the revenue costs associated with the project;

The whole life costs relate to the supply of energy only

- (iii) Total contract term, including any extension periods;

The contract term will be 1, 2, or 3 years, the term chosen on the basis of whichever offers the most favourable option to the Council. There will be no extension.

- (iv) How the supplier is to be selected (in accordance with Procurement Standing Order 1.5.1);

The supplier is to be selected utilising the 'National Public Sector Energy Framework' in accordance with Procurement Standing Order 1.4.1

- (v) Identification of potential project risks and controls;

The contract relates only to the supply of energy and seeks to fix the price of energy. There are limited options risk and controls beyond the contract terms.

- (vi) How the project links with departmental and corporate objectives;

The contract relates to the supply of energy for street lighting and other highway electrical equipment. It is essential to public safety objectives.

- (vii) The business case in support of the proposal, including details of how value for money, transparency, propriety and accountability would be achieved and the position of the contract under the PCR 2015.

Without energy, signals and street lights will not function. Without an energy supply contract then high cost out-of-contract rates will be applied by the existing supplier. The contract is to be awarded under a national procurement framework, meeting the criteria set out above.

4.0 POLICY IMPLICATIONS

4.1 None

5.0 OTHER IMPLICATIONS

5.1 Resource Implications

Funding for these energy costs is provided through the Street Lighting Revenue Budget.

5.2 Sustainability

Where possible, energy is purchased from renewable sources and is therefore exempt from the Climate Change Levy (CCL).

5.3 Value for Money

The use of an energy procurement specialist provides good value for money as it advises on the most appropriate time to purchase electricity. Dukefield can combine tenders with other bodies that are looking to procure at similar times to offer economies of scale for the Council.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 Children and Young People in Halton

There are no direct implications on this priority

6.2 Employment, Learning and Skills in Halton

There are no direct implications on this priority

6.3 A Healthy Halton

There are no direct implications on this priority

6.4 A Safer Halton

This contract provides electricity for the operation of all highway electrical equipment, which includes Traffic Signals, street lighting and CCTV, all of which contribute to a safer / feeling of a safe environment.

6.5 Halton's Urban Renewal

There are no direct implications on this priority

7.0 RISK ANALYSIS

7.1 No risks anticipated with acceptance of this Procurement Strategy.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 There are no equality and diversity implications arising as a result of the proposed action.

9.0 CLIMATE CHANGE IMPLICATIONS

The current LED upgrade programme is reducing the energy consumption monthly as work progresses. Where possible, energy is purchased from renewable sources and is therefore exempt from the Climate Change Levy (CCL)

10.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

- 10.1 Report to Executive Board Sub-committee on 12 February 2009
- Report to Executive Board Sub-Committee on 10 February 2011
- Report to Executive Board on 29th March 2012
- Report to Executive Board on 28th February 2013
- Report to Executive Board on 11th July 2013
- Report to Executive Board on 26th March 2015
- Report to Executive Board on 20th April 2017
- Report to Executive Board on 17th February 2022