

REPORT OF
The Strategic Director for Place
TO
Procurement Board
ON
3 March 2021

TITLE: Approval to Award the Contract for renewal of unmetered public lighting

RECOMMENDATION:

That Procurement Board approve the award of a 24 month Contract for unmetered public lighting to Haven Power as detailed in the table below:

Detail required	Answers
Title/Description of Contracted Service/Supply/Project	Supply of electricity to all public lighting (UMS)
Name of Successful Contractor	Haven Power
Supplier Registration Number <i>(to be supplied by Corporate Procurement)</i>	05893966
Type of organisation <i>(to be supplied by Corporate Procurement)</i>	Public Limited Company
Status of Organisation <i>(to be supplied by Corporate Procurement)</i>	Non-SME
Contract Value	£1,341,269 Per Annum (estimated average)
Contract Duration	24 months
Contract Start Date	01/04/2021
Contract End Date	31/03/2023
Optional Extension Period 1	0 months
Optional Extension Period 2	0 months
Who will approve each Extension Period?	Choose an item.

Contact Officer (Name & number) Lead Service Group How the contract was procured? <i>(to be supplied by procurement)</i> Framework Details (where applicable) (procurement body, framework reference & title, start/ end date Funding Source Ethical Contractor	Majid Maqbool	
	Place	
	Manchester Framework	
	TC970	
	Revenue Budget	
	Mayor's Employment Charter	<input type="checkbox"/>
	Committed to sign up to charter	<input type="checkbox"/>
	Accredited Living Wage Employer	<input checked="" type="checkbox"/>

EXECUTIVE SUMMARY:

The purpose of this report is to seek approval for the award of the above mentioned contract.

The current unmetered public lighting contract was agreed as of April 2019 for a period of 2 years is therefore up for renewal as of April 2021.

This report outlines the procurement strategy utilised to re-procure the contract and to seek approval to agree the new contract duration.

BACKGROUND DOCUMENTS:

Manchester Multi-supplier Framework TC970

KEY DECISION:

Yes - the total value over the life of the contract exceeds £350,000

DETAILS:

1. Background

Energy contracts have to be agreed on an ongoing basis following a fixed period of contract duration, as failure to renew will result in the default deemed contract rates being applied which are considerably higher. The length of a contract is variable from 12 months and up to 4 years, subject to wholesale price movements and suppliers' risk appetite.

Since the acceptance of present unmetered public lighting electricity contract in 2019, wholesale electricity price trend has been relatively stable with limited volatility up to November 2020. However, there has been more volatility over the last few months with prices being pushed in an upward trend, in line with oil prices, which is the major driver for electricity and gas prices.

The proportion of unit cost of electricity made up of non-commodity elements is also increasing over time, with this now being 75% and only 35% being the wholesale price. Therefore, whilst wholesale price is on an upward trend, the non-commodity elements have also increased year on year, the net overall result of which is an increase in total renewal costs.

With present market conditions showing an upward trend due to rising wholesale prices coupled with the increasing government regulated non-commodity charges, indicative market conditions coupled with market commentary reports suggest longer 24 month contract duration to offer best value as well as budget certainty for the unmetered public lighting contract.

2. The Procurement Process

Salford City Council has utilised the Manchester Multi-supplier Electricity framework set up by Manchester in order to carry out the renewal of the electricity contracts. The framework commenced as of 1 November 2018 for an initial period of 1 year, followed by 3 single year options to extend, which have been taken for each year to date.

The Multi-supplier Framework Agreement allows the flexibility to enter into a call-off agreement by a mixture of direct award and further competition. Consequently, it is anticipated that Salford Council will use a mixture of both strategies and the flexibility this brings to secure the best future prices possible.

On this occasion and following benchmarking exercise to obtain and compare prices, the results showed the direct award supplier to offer a better price in comparison to renewal prices from the incumbent supplier. A summary of the direct award suppliers for unmetered public lighting contract, together with the overall scoring criteria used within the Manchester Framework is as follows:

Evaluation Weighting	70% Price	10% Quality	20% Social Value
-----------------------------	-----------	-------------	------------------

Company Name	<u>Haven</u>	<u>SSE</u>	<u>NPower</u>	<u>Total</u>	<u>Engie</u>
Weighted Price Score	70.00	66.92	69.15	67.01	65.02
Weighted Quality Score	10.00	10.00	10.00	10.00	8.82
Total Weighted Social Value	19.00	20.00	17.50	18.25	13.50
Total Weighted Score	99.00	96.92	96.65	95.26	87.35
Ranking	1	2	3	4	5

Prices were obtained for 24 month contract duration in light of the upward price trend, with prices being 100% green energy.

Supplier	Annual Contract Cost	% Vs Current	£ Vs Current
Current Costs	£1,252,864		
Haven Power	£1,341,269	7.1%	£88,405
Bidder A	£1,343,208	7.2%	£90,345

The unmetered public lighting contract renewal will result in an overall potential increase in energy costs of 7.1% as a result of 24 month renewal.

The option to procure a 100% renewable energy contract is available via the Manchester framework and Haven Power is able to provide this for the unmetered public lighting contract at no additional cost. Under a renewable energy contract, Haven Power will provide certification that the purchased electricity has been generated exclusively via renewable assets.

The unmetered public lighting energy cost KPI is monitored via Technical & Property Services dashboard on monthly basis

3. Social Value

Haven Power has agreed to supply Salford City Council with 100% renewable energy at no additional cost. As part of their commitment for a sustainable environment and economy, Haven Power only offer the living wage or above to all employees and don't have any zero-hour contracts. As part of Drax Group, Haven Power support 1,650 jobs in the North West and contribute £101.3million to the regional economy.

Haven Power is delighted to commit a minimum of 6FTE per annum for a corporate volunteering day to support SCC as required. They do this in their local area (Ipswich) and would love to roll it out among their top customers. To date, over 180 Haven Power volunteers have devoted more than 1,400 hours to help transform woodland as part of the Eden-Rose Coppice Trust.

Haven Power's Energy Services team will commit to a full day energy workshop with SCC and selected local partners, followed by key recommendations and advice. Haven will provide supporting information via their website's articles, infographics and guides and will share best practice to encourage energy efficiency, waste/carbon reduction and renewable generation projects.

KEY COUNCIL POLICIES:

Council's medium term financial plan.

EQUALITY IMPACT ASSESSMENT AND IMPLICATIONS:

This procurement is for energy supply for Council's public lighting

ASSESSMENT OF RISK:

Electricity prices are changing on a daily basis and any delay in the contract award will have financial implications in terms of significantly higher out of contract rates being charged, should a renewal be not agreed as of 1 April 2021.

SOURCE OF FUNDING:

Highways Revenue Account

LEGAL IMPLICATIONS: Supplied by: Tony Hatton, Principal Solicitor, tel. 219 6323

When commissioning contracts for the procurement of goods, services, or the execution of works, the Council must comply with the Public Contracts Regulations 2015 (PCR) and its own Contractual Standing Orders (CSO's), failing which a contract may be subject to legal challenge from an aggrieved provider. The proposed award of the contract follows a tender exercise in accordance with the process set out in the Manchester City Council multi-supplier framework as detailed in the report, which itself was procured in accordance with PCR and CSO's, which will help to ensure that the risk of challenge to the proposed awards is minimal and that any challenge, should it materialise, is extremely unlikely to be successful.

The purpose of a framework agreement is to select through a procurement / evaluation process a number of providers who can meet the service requirements of the Council, as and when those services are required. If they are required then the Council will undertake an exercise to call off the services from one or more of the providers who have been selected to be on the framework and this may be through any number of ways such as mini-competition or direct allocation, depending on the circumstances. A contract will then be formed between the Council and the chosen provider/s.

The procurement procedures therefore appear robust and compliant with the requirements of CSO's and PCR.

FINANCIAL IMPLICATIONS: Submitted by Gemma Singleton, Finance Officer Level 2 ext. 2578

As highlighted in the main body of the report, the 24 month contract with Haven Power will produce annual costs of £1,341,269, which represent a 7.1% increase for the 24 months duration.

These estimated additional costs for 2021/23 have been included within the assumptions made as part of the budget setting process.

PROCUREMENT IMPLICATIONS: Supplied by: Heather Stanton, Category Manager

This contract is to be a direct award via the Manchester Framework as the Haven Power price is the most competitive compared to the current supplier. As usage for this contract is not demand based, the 2 year price deal is better with only a marginal difference compared to the 1 year, therefore, the recommendation is a 2 year contract award.

The Manchester Framework is a compliant route to market which complies with SCC standing orders.

HR IMPLICATIONS: Supplied by: N/A

CLIMATE CHANGE IMPLICATIONS: Supplied by: Mike Hemingway, Principal Officer, climate change ext. 3209

The contract to be agreed will be 100% renewable source, therefore showing Salford City Council's support for the generation of electricity from renewable sources to tackle climate change.

OTHER DIRECTORATES CONSULTED: N/A

CONTACT OFFICER: Majid Maqbool
TELEPHONE NUMBER: 0161 6076987

WARD(S) TO WHICH REPORT RELATE(S): All wards
