

HAMPSHIRE COUNTY COUNCIL

Decision Report

Committee/Panel:	Executive Member for Policy and Resources
Date:	26 September 2018
Title:	Energy Supply – extension to contract arrangements
Report From:	Director of Culture, Communities and Business Services

Contact name: Steve Clow

Tel: 01962 847858

Email: Steve.clow@hants.gov.uk

1. Recommendation

That the Executive Member for Policy and Resources approves the following:

- 1.1 To extend the current electricity and gas supply contracts by one year from 1 October 2019 to 1 October 2020 using existing purchasing frameworks. The expected value is up to £18 million to include the County Council and the public sector partner organisations that we procure on behalf of.

2. Executive Summary

- 2.1 The purpose of this paper is to set out the rationale for the recommendation to extend the current electricity and gas contracts through the existing OJEU compliant framework for a period of one calendar year.
- 2.2 The extension would cover the supply contracts currently sourced through LASER (OJEU compliant framework) and the “Preserves” contract currently sourced via SSE.
- 2.3 The extension to would be for the period 1 October 2019 to 1 October 2020 for both contracts.
- 2.4 Extending the current arrangements would allow the County Council to take advantage of existing competitive pricing structures maximising buying discounts for the County Council and its public sector partners for a 12 month extension period until new frameworks become available in the market.

2.5 The period of extension would allow the Director of Culture Community and Business Services (CCBS) to review the specifications and commercial terms of the products and services of both future anticipated LASER and Crown Commercial Service (CCS) frameworks due to be published early in the 2019 calendar year.

2.6 The Director of CCBS would then be able complete an options appraisal and provide recommendations to the Executive Member Policy and resources later in 2019 on the procurement of energy supplies for the period 2020 to 2024.

3. Contextual information

3.1 The current annual spend on electricity and gas is £18m including schools and partner spend (including Police, Fire and some other Local Authorities), of which £13m is electricity and £5m is gas. Of the total spend on energy £5m is consumed by the County Council, £11.4m by schools and £1.6m by Police, Fire and the remainder of partners. By collaborating together the partners receive volume discounts and other benefits. The County Councils Energy Team in Property Services manages the procurement on behalf of the partners. The in house team has a considerable amount of expertise in energy management, carbon reduction, renewable energies and energy performance programmes. The team is self financing through fees and income on projects and programmes of work.

3.2 It should be noted that the Council has reduced its energy consumption by over 35% since 2010 as part of the successful Carbon Management programme. This, together with volume discounts through procurement, delivers the lowest possible cost of energy. The Plan was approved by Cabinet in 2010 and regular updates are given to the Executive Member for Economic Development and Building Land and Procurement Panel. Phase 1 (2010 to 2015) of the programme produced total savings of £29m of which £13.2m was for the County Council and £15.8m for schools. Phase 2 (2015 to 2025) has, to date, produced a further £1.05m of reductions for the County Council. The total accumulated savings over the last 8 years are £14.25m to the Council.

3.3 Electricity and gas have been procured through the OJEU compliant 'Laser' frameworks since 2012. Laser typically provides 4-year supply frameworks which enable public sector bodies to procure energy supply contracts in accordance with OJEU regulations.

3.4 Hampshire County Council signed up to the 2012-16 framework and subsequently to the following framework covering the period 2016-20. Under this framework Hampshire County Council procured its energy supply contracts for the period 2016 – end of September 2019 pending the publishing

of new frameworks in the market. It has taken longer for these to be procured and hence the recommendation is to extend the current best value arrangements.

- 3.5 Another smaller value contract (£600k) which uses the “Preserves” framework for sensitive/specialist sites is currently procured direct with SSE. This contract will also be extended until a single route to market is recommended following an options appraisal.
- 3.6 The Crown Commercial Services (CCS) and LASER frameworks are the principal routes to market for public sector energy procurement. Their current frameworks are due to expire in 2020, but neither have yet published details of their new frameworks and so it is not yet possible to establish which will be the most appropriate vehicle for the purchase of energy.
- 3.7 The proposed extension to the existing arrangements would allow Hampshire County Council to maintain its commitment within known commercial terms as well as benefit from additional services offered by LASER for a year at no extra cost (budgeting services).
- 3.8 Within the scope of the extension, LASER would allow Hampshire County Council to remain within the existing “volume basket” therefore benefiting from energy prices already secured in the future market for 2019-20. This would enable the purchase of energy at a lower cost than the current open market prices.
- 3.9 Whilst there is no guarantee that market prices for October 2019-September 2020 will reduce, given the current market this is unlikely and extending the current arrangement mitigates the inflation in energy prices over the next 2 years. It also gives certainty of future costs for our partners (particularly schools) to aid budget certainty.
- 3.10 The additional budgeting service to be offered by Laser during the extension period will also provide assistance to all stakeholders by providing consumption and cost information at supply point level, broken down per month, for a full year.

4. Other option considered and rejected

- 4.1. A short term one year contract was considered and rejected. It would require a call off from an existing framework

CORPORATE OR LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	Yes
People in Hampshire live safe, healthy and independent lives:	Yes
People in Hampshire enjoy a rich and diverse environment:	Yes
People in Hampshire enjoy being part of strong, inclusive communities:	Yes

Other Significant Links

Links to previous Member decisions:	
<u>None</u>	<u>Date</u>
Direct links to specific legislation or Government Directives	
<u>None</u>	<u>Date</u>

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
None	N/A

IMPACT ASSESSMENTS:

1. Equality Duty

1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- a) The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- b) Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- c) Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

1.2. Equalities Impact Assessment:

An Equalities Impact Assessment is not required for the purchase of energy.

2. Impact on Crime and Disorder:

2.1. Not applicable

3. Climate Change:

- a) How does what is being proposed impact on our carbon footprint / energy consumption?

The recommendation does not directly impact the carbon footprint / energy consumption as it focusses on the procurement strategy for energy (the energy cost) as opposed to the consumption itself.

The assessment of the new frameworks to be carried out over the next 6 months will take into account additional products and services and green energy/de-

carbonisation options which should form part of the overall energy efficiency strategy to reduce the footprint of the Council in the long term.

- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

As explained above, the aim of the contract extension is to allow HCC to source the optimum set of compliant products and services in the medium term (4 year framework) to tackle energy consumption.