

# HAMPSHIRE COUNTY COUNCIL

## Decision Report

<b>Decision Maker:</b>	Buildings, Land and Procurement Panel		
<b>Date:</b>	26 March 2019		
<b>Title:</b>	Hampshire County Council Energy Supply Contracts		
<b>Report From:</b>	Director of Culture, Communities and Business Services		
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### 1. Recommendation:

That Buildings, Land and Procurement Panel recommends to the Executive Member for Policy and Resources to:

- 1.1 It is recommended that a contract is let with Laser (a public sector energy buying organisation) for the supply of electricity and gas using the new enhanced supply framework for the period 2020-2024. The annual spend is estimated to be in the order of £20 million for Hampshire County Council and its partners.

### 2. Executive Summary

- 2.1. The current framework, with Laser, for the supply of electricity and gas used by the Council and its partners, including schools, Fire, Police and a number of other Local Authorities since 2016 is expiring in September 2020. A decision on replacement is required now to allow enough time to complete the procurement and purchase energy one year in advance.
- 2.2. The new OJEU compliant, competitively tendered framework has now been awarded by Laser for the period October 2020 to September 2024.
- 2.3. A thorough benchmarking exercise of alternative routes to market has been conducted by the Director of Culture Community and Business Services to analyse available purchasing arrangements. It has been concluded that Laser's new framework remains the best option offering the most value at lowest cost for the Council and all its partners. It will deliver cost savings and access to additional support, products and services whilst strengthening the customer's protection and manage risk.
- 2.4. The framework will allow the Property Services energy team to continue developing strategic relationships with suppliers and to investigate innovative

ways of reducing carbon emissions and energy consumption. The track record of the Council is strong to date with a 43% reduction in energy consumption since the introduction of the Energy Strategy and Carbon Management Plan approved by Cabinet in 2010.

### **3. Contextual information**

- 3.1 An option appraisal has been completed to evaluate other potential routes to market. It has been concluded that Laser is best placed to continue delivering a strong performance at lowest cost through its new framework with a number of new additional benefits.
- 3.2 The principal alternative national route to market (an energy purchase framework) has been delayed by Crown Commercial Services delayed and is now not due to be awarded before June 2019.
- 3.3 Time constraints (including framework evaluation; the contracting process; and the time required to buy energy in advance to smooth market volatility) prevent the Council from waiting until June 2019 for the framework to be awarded. It is critical for the Council and its partners to have finalised and contracted its procurement arrangement by September 2019 at the latest.
- 3.4 Other public sector buying organisations in the market are regional organisations based in the Midlands and North with a purchasing power significantly less than the two national organisations. Furthermore, they lack the capacity and depth of expertise available from Laser.
- 3.3 In the absence of credible national options other than the Crown Commercial Service the new Laser framework has been evaluated as the best available and it will deliver additional benefits from the current framework and therefore is a true improvement on the current arrangement.
- 3.4 The evaluation criteria comprised commercial terms; structure of the packages; range of suppliers available; products and service offering; quality and depth of account management; overall service available; trading capabilities; framework terms and the contracting process.

### **4. Finance**

- 4.1 The annual spend on energy for Hampshire County Council and its partners is circa £20m (£16m for electricity and £4m for gas). It is worth noting that 40% of the price is the actual energy cost with the remaining charges made up transmission and distribution costs, taxes and subsidies. The supplier margin is less than 1%.
- 4.1. The framework delivers financial benefits of around £70k through reduced supply margins as a result of bulk purchasing and the like.
- 4.2. Laser offer a helpful service to provide support for budget setting for the Council and its Partners. This is of particular interest to schools who want to have confidence about energy costs in advance to avoid variations during a financial year.

### **5. Performance**

5.1. The new framework has developed further Key Performance Indicators to monitor and manage the suppliers' performance. It also provides access to a Customer Portal to supply information and manage queries. Additional resource will be dedicated to the development of strategic relationships for large local authorities like Hampshire.

## **6. Consultation**

6.1. All partners including Fire, Police and schools will be consulted in the lead up to the decision by the Executive Member Policy and Resources. The benefits of the collaborative arrangement will be explained together with the additional improvements available as a result of the accessing the new Laser framework.

## **7. Other Key Issues**

7.1 One improvement initiative which Property Services will investigate is the opportunity to set up of an "autonomous basket" dedicated to the Council and its partners. This would enable the alignment of the energy purchasing window to the public sector financial year and in turn bring more accuracy in the budget forecasting and setting process.

A "basket" is an aggregation of various customers' capacity who choose to use a similar risk management strategy. Each basket is then traded by Laser's specialists on the wholesale market.

The risk management strategy will remain in line with current practice reducing the impact of volatility in the market to a minimum while providing the best value price of energy.

## **8. Future direction**

8.1. The Director of Culture Community and Business Services will continue developing the strong relationship with Laser in line with the strategic goals of energy and carbon reduction and the use of new products and services available through the framework.

**CORPORATE OR LEGAL INFORMATION:****Links to the Strategic Plan**

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

**Other Significant Links**

<b>Links to previous Member decisions:</b>	
<u>Title</u>	<u>Date</u>
<b>Direct links to specific legislation or Government Directives</b>	
<u>Title</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.)

DocumentLocation

None

## **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 EIA is not required in this instance.

### **2. Impact on Crime and Disorder:**

2.1. The County Council has a legal obligation under Section 17 of the Crime and Disorder Act 1998 to consider the impact of all decisions it makes on the prevention of crime. The proposals in this report have no impact on the prevention of crime.

### **3. Climate Change:**

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

The framework and its suppliers' capabilities will continue to support HCC in its ability to monitor and report on energy cost and consumption at Customer (HCC or external customers) or site level. This capability along with

availability of associated products and services will continue to support energy efficiency initiatives.

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

As detailed above, the energy supply framework will be a key tool for HCC to address climate change making the products and services available to reduce consumption, improving resilience where possible and roll-out new technologies to adapt to changing market conditions such as new transport modes (electric vehicles for example).