

Cabinet – 15 December 2021

Contracts for Council Energy Supplies

Portfolio: Councillor Statham

Related portfolios: N/A

Service: Corporate Landlord

Wards: All

Key decision: Yes

Forward plan: Yes

1. Aim

- 1.1 To approve the award of contracts to provide energy to the Council's property portfolio.

2. Summary

- 2.1 In December 2019 Cabinet approved the awarding of contracts for the purchase of electricity and gas through an OJEU compliant framework for the period 1 April 2020 to 31 March 2022.
- 2.2 The current framework that has been used to procure the Council's gas and electricity supplies terminates on 30 September 2022 and the Council wishes to enter into contracts with new suppliers from 1 October 2022.
- 2.3 In view of the current situation regarding energy costs, officers have reviewed the Council's Energy Procurement Strategy in consultation with the Council's energy management partner, Consultus.
- 2.4 Consultus has recommended entering into new supply contracts via a new framework let by Salisbury NHS Foundation Trust.
- 2.5 This is a key decision as the anticipated expenditure for the gas and electricity supplies exceeds the £250,000 threshold for "significant" expenditure per annum and affects all areas of the Council's service delivery. The Council spends over £7 million per year on gas and electricity supplies.

3. Recommendation

- 3.1 That Cabinet delegates authority to the Interim Executive Director - Resources and Transformation, to enter into gas and electricity supply contracts for the demand driven provision for the Council's property portfolio, for the period 1 October 2022 to 30 September 2024 with one or more suppliers on the framework let by Salisbury NHS Foundation Trust.
- 3.2 That Cabinet delegates authority to the Interim Executive Director - Resources and Transformation to approve the sealing or signing of contracts, deeds or other documents required in relation to the energy supply contracts.

4. Report detail - know

Context

- 4.1 At its meeting on 18 December 2019 Cabinet delegated authority to the Executive Director for Resources and Transformation to enter into contracts for the demand driven provision of electricity and gas supplies via an OJEU compliant framework for the period 1 April 2020 to 31 March 2022. The contracts included the option for the Council to extend the contracts for an additional 12 months from 1 April 2022. However, the Council has been advised by Consultus that it can achieve better value by only taking a 6 month contract extension.
- 4.2 Consultus have recommended that the Council's gas and electricity supplies should be purchased through a framework let by Salisbury NHS Foundation Trust operated by Consultus commencing 1 October 2022 with suppliers for the provision of electricity and gas, to buy these products on the wholesale market on behalf of NHS Trusts, Universities and Local Authorities organisations within England, Wales and Scotland. The framework was procured by a Competitive Procedure with Negotiation allowed by the Public Contracts Regulations 2015.
- 4.3 To maximise contracting options and provide a complete range of choices for any entity joining, the framework was split into 5 different Lots:
- Lot 1 (Fixed Contracts for HH Electricity)
 - Lot 2 (Fixed Contracts for Mains Gas)
 - Lot 3 (Fixed Contracts for NHH Electricity)
 - Lot 4 (Flexible Contracts for Mains Gas)
 - Lot 5 (Flexible Contracts for HH & NHH Electricity)
- 4.4 For each contract the 3 suppliers awarded for the relevant Lot will be invited to compete in a mini-tender to provide the best combination of price and product.
- 4.5 The following are the suppliers appointed to the framework across the 5 Lots:
- British Gas
 - Haven Power
 - SSE
 - Total Energies
 - Scottish Power

- 4.6 The framework is available for the Council to utilise from 1 October 2022 to 30 September 2026, through Consultus. Accordingly, the existing supply contracts have been extended, in accordance with the contract provisions, until 30 September 2022.

Council Corporate Plan priorities

- 4.7 The energy supply contracts links to the current priorities set out in the 2021-2022 Corporate Plan as follows –

Internal Focus – All Council services are efficient and effective

Economic Growth – For all People, communities and businesses

Risk management

- 4.8 The risk management for pricing and management elements of the contract are based on financial loss and gain due to the decision making processes involved.

Financial implications

- 4.9 The Council spent over £7 million, including schools, on gas and electricity supplies in 2019/20 and £5.98 million in 2020/21. Due to changing building usage following the Covid pandemic, consideration will need to be given to the energy needs of the Council for future years.
- 4.10 The existing revenue budgets for the energy contracts for the Council are sufficient for the current energy prices, although there may be budget pressures due to well publicised increases in commodity costs.
- 4.11 The table below is an estimate provided by Consultus of future costs which are subject to a very fluctuating market.

Electricity	CORPORATES	INDEPENDENTS (Schools and Community)	TOTAL
2022/23	£4,876,503	£1,393,593	£6,270,096
2023/24	£4,197,042	£1,199,419	£5,396,461
2024/25	£3,954,543	£1,130,118	£5,084,661
2025/26	£4,089,582	£1,168,709	£5,258,291
Gas	CORPORATES	INDEPENDENTS (Schools and Community)	TOTAL
2022/23	£1,424,204	£718,684	£2,142,888
2023/24	£1,106,947	£558,589	£1,665,536
2024/25	£996,856	£503,035	£1,499,890
2025/26	£964,076	£486,493	£1,450,569

*Prices exclude VAT

- 4.12 The current gas and electricity budget is currently being reviewed to confirm sufficiency. The recommendations above are expected to ensure that the Council is ideally placed to manage any energy price changes that occur.

Legal implications

- 4.13 The energy services will be procured via a framework which has standard call off contract terms which are not negotiable.

Procurement Implications/Social Value

- 4.14 The electricity and gas supply contracts are provided under a framework let by Salisbury NHS Foundation Trust operated by Consultus commencing 1 October 2022 with suppliers for the provision of electricity and gas, to buy these products on the wholesale market on behalf of NHS Trusts, Universities and Local Authorities organisations within England, Wales and Scotland. This was conducted in accordance with the Competitive Procedure with Negotiation of the Public Contracts Regulations 2015.

Property implications

- 4.15 There are no direct property implications.

Health and wellbeing implications

- 4.16 There are no direct health and wellbeing implications.

Staffing implications

- 4.17 There are no direct staffing implications.

Reducing Inequalities

- 4.18 The implications for reducing inequalities have been taken into account and as there is no change to the final delivery of the service, there is no impact on inequalities.

Climate Change

- 4.19 The Council declared a climate emergency on 16 September 2019 and resolved to develop strategies to become carbon neutral by 2050, in line with national government targets. In 2020, a Climate Emergency Action Plan was presented to Cabinet, which set out meaningful and effective measures to enable the Council to deliver against its vision.
- 4.20 To meet the net zero carbon by 2050 target, and fully respond to the declaration of a Climate Emergency, the Council needs to ensure that reducing greenhouse gas emissions (mitigation) and increasing climate resilience of our operations and assets is central to the work of the organisation. Including climate change as a mandatory element of Cabinet reports shows that the Council is taking measures to embed climate change within operations and normalise it as a key consideration

for all projects. It will support the Council in reducing its own carbon footprint and help drive us to be carbon net zero by 2050.

- 4.21 This report is in response to the Council's energy theme of the Climate Emergency Action Plan 2020-2025, point 2.2 a) an ongoing review of the Council's energy purchasing strategy and the potential for green supplies. The Council is limited to using the suppliers within the recommended framework, however consideration will be given to the green / renewable credentials of the suppliers and contracts when the supply contract option are considered.

Consultation

- 4.22 Stakeholder meeting have taken place with the main users of the gas and electricity contracts, Highways Street Lighting, Finance, Corporate Landlord and Procurement.

5. Decide

- 5.1 Corporate Landlord and Procurement officers have reviewed the Energy Purchasing Risk Policy and have concluded that a blended Capital-at-Risk (CaR) and Actively Managed Purchasing (AMP) strategy to provide an effective compromise in controlling costs and pursuing best price. Adding a CaR overlay to an AMP strategy introduces greater budget certainty as any exposed volume will be protected by the risk limit. Unlike standard CaR, the risk limit is applied to the client's effective price (i.e. the cumulative price of any previous hedges and outstanding volume priced at market). This works most effectively when coupled with a longer terms purchasing policy, hence the recommendation to contract for the period 1 October 2022 to 30 September 2024.

6. Respond

- 6.1 Subject to approval of the recommendations, the Council will purchase its gas and electricity energy supplies from suppliers on the Salisbury NHS Foundation Trust framework from 1 October 2022 to 30 September 2024, as part of the Council's new blended risk approach.

7. Review

- 7.1 Corporate Landlord will monitor the performance of the energy contracts cost and performance.
- 7.2 Quarterly meetings will be held between Consultus and the Council to review performance of the Energy Pricing Strategy.
- 7.3 The Council will review the agreed Energy Pricing Strategy and management processes and amend if required.

Background papers

None

Author

Nick Ford
Property Manager
☎ 652659
✉ nick.ford@walsall.gov.uk



Deborah Hindson
Executive Director – Resources & Transformation / s151 Officer

15 December 2021

Janet Seaman
Contract Monitoring Officer
☎ 654733
✉ janet.seaman@walsall.gov.uk



Councillor M Statham
Portfolio holder – Internal Services

15 December 2021