

UNRESTRICTED MINUTES OF A MEETING OF THE CABINET PROCUREMENT COMMITTEE

MONDAY, 6TH JULY, 2020

Chair	Councillor Rebecca Rennison in the Chair
Councillors Present:	Councillors Deputy Mayor Anntoinette Bramble, Cllr Jon Burke and Cllr Caroline Selman
Apologies:	nil
Officers in Attendance	Mr Rotimi Ajilore – Head of Procurement Ms Sinead Burke - Head of Property and Asset Management Ms Dawn Cafferty – Category Lead Social Care Ms Karen Tait-Lane - Category Lead – Construction & Environment Ms Judith Hughes – Category Lead - Corporate Mr Patrick Rodger - Senior Lawyer - Procurement - Legal & Governance Mr Clive Sheldon - Lawyer – Procurement - Legal & Governance Mr Clifford Hart – Senior Governance Services Officer – Legal & Governance

1 APOLOGIES FOR ABSENCE

There were no apologies for absence.

NOTED

2 Urgent Business

There were no items of urgent business.

NOTED

3 DECLARATIONS OF INTEREST - Members to declare as appropriate

There were no formal declarations of interests.

Councillors Burke and Selman advised that they were Ward Members in the ward where one of the proposed block works were being proposed at agenda item 7 and were advised by the Senior Governance Services Officer – Mr Hart that it was not necessary for a formal declaration to be made in that respect.

NOTED

4 NOTICE OF INTENTION TO CONDUCT BUSINESS IN PRIVATE, ANY REPRESENTATION RECEIVED AND THE RESPONSE TO ANY SUCH REPRESENTATIONS

There were no representations.

NOTED

5 DEPUTATIONS/PETITIONS/QUESTIONS

There were no deputations, petitions or questions.

NOTED

6 UNRESTRICTED MINUTES OF THE PREVIOUS MEETING OF CABINET PROCUREMENT COMMITTEE HELD ON 8 JUNE 2020

RESOLVED

That the unrestricted minutes of the meeting of Cabinet Procurement Committee held on 8 June 2020 be confirmed as an accurate record of the proceedings.

7 Capital works to Hackney Council Housing - Key Decision No.NH Q86

The Chair asked for an introduction of the report.

Clerks note – This meeting has been live streamed and the discussion of this meeting can be viewed at the link to this meeting.

The Head of Property and Asset Management – Ms Sinead Burke in stating that the Council's unprecedented challenge from the current Covid-19 outbreak with frontline staff working to support residents directly affected by the lockdown, and others working to ensure that the Council continued to fulfill its core responsibilities, advised that an important responsibility was the maintenance of the Council's housing stock to ensure that residents remained safe and secure and homes were decent.

Ms Burke referred to the decision taken in May 2020 to extend the Council's existing main capital delivery framework by one year, and up to a value of £225m, and made in the context of the exceptional circumstances brought about by the Covid-19 outbreak as it initiated significant disruption not only to current programmes but also planned procurement work on replacement contracts.

Ms Burke went on to advise that the planned procurement work as detailed was to put in place long term contracts of up to 10 years. Securing prices for such works required market conditions to be relatively stable. The current market, and that for the immediately foreseeable future, would be quite uncertain. As indicated in May an extension to Contract 1 alone may not be sufficient to ensure the delivery of a suitable level of capital investment until new contracts could be put in place.

Ms Burke further advised that the report before the Committee recommended the procurement of a set of essential projects to be delivered to tenanted homes only, which would provide another important route for capital delivery over the next two years. The main benefits of the proposed works would be in improving fire safety, ensuring hundreds

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of tenants benefitted from new kitchen, bathroom and heating facilities in their homes, and ensuring the significant external works scheme at the Regent's Estate could be completed, with those residents particular benefitting from new windows. The estimated total contract value was £40m, to deliver the planned capital works. The works (which were non-rechargeable to leaseholders), would be placed via two pre-existing External Framework Agreements, namely *South East Consortium* and *LHC*

With regard to the management of the contracts Ms Burke advised that they would continue to be managed and monitored by Property and Asset Management. A range of enhanced contract management and governance procedures had been put in place in the past two years which focused on five key aspects to contract management: internal governance, payments, processes, project management and clerk of works inspections. These procedures and ongoing developments would be applied to this contract extension, and as reported to the Audit Committee in April 2019. Ms Burke concluded that one additional benefit of the works would be in allowing continuity of capital delivery, and consequently opportunity to continuously develop those procedures.

In response to questions by the Chair and Councillor Selman as regards the recharge situation to leaseholders planned works affecting leaseholders would be carried out under the existing contract, and the new contract would be used for works which would not be recharged to leaseholders, to ensure compliance with Section 20.

The Chair thanked Ms Burke for the response.

In response to concerns from Councillor Burke, Ms Burke advised that the contracts had within them in built requirements of compliance with all aspects of the Council's green agenda including waste management, and the Council's asset management strategy/policy, and also maintaining high quality standards in terms of build and finishing, ensuring energy efficiency and sustainability. There would continual monitoring of the contracts to ensure this.

In clarification of concerns from Deputy Mayor Bramble as to the ability to maintain and carry on with contractual obligations during the current COVID 19 situation Ms Burke responded that overall most contract work had and would be able commence with little or no disruption overall with assurance of compliance given the current situation in terms of health and safety, and where required clear social distancing in relation to tenants and leaseholder works. It was the case that currently contractors would enter a person's home for works such as a window replacement, however the contractual work of bathroom and kitchen replacement was not as yet planned and thought would need to be given to this work given that it was overall unclear of the likely long term effects of the on-going pandemic crisis. It was a fact that all contributors were completely mindful of the issues and were working collaboratively to ensure full compliance both currently and in the future.

There being no further points of clarification, on a **MOTION** by the Chair it was:

RESOLVED

- i. That approval be given to the procurement of a group of planned capital works to Hackney Council housing which are non-rechargeable to leaseholders, via a pre-existing external framework, including specific internal, external and fire safety projects, as set out below, having a total estimated value of £40m,**

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and which would allow capital delivery to continue, pending the award of a new suite of long term contracts, which has been delayed due to the Covid-19 pandemic.

Project	Works Type	Scope of Project
Planned Internal Works	Kitchen and bathroom renewals, heating and electrical system upgrades and renewals	Qualifying properties in Lincoln Court and year 1 and 2 of the capital programme. Est 600-900 properties
Front Entrance Door Programme	Replacement front entrance doors to current fire safety standards	Qualifying non-Section 20 properties in blocks 6 stories and higher. Est 8,000-10,000 properties
Regents Estate External Works	Planned external works including window renewal	113 tenanted homes in the Regent's Estate
HRU Replacement Works	Replacement of heat recovery units	Tenanted homes in Finsbury Park Estate, Goldcrest Mews and Dunnock Mews
Seaton Point EWI	Replacement of External Wall Insulation (EWI), windows, concierge roof repairs and communal area works.	1-84 Seaton Point

- ii. That authority be delegated to the Group Director of Neighbourhoods and Housing, in consultation with the Group Director of Finance and Corporate Resources, to approve direct awards of contracts at Regent's Estate, Lincoln Court and Seaton Point under this procurement, and note that these awards will be reported as an information item at subsequent meetings of the Cabinet Procurement Committee, and that all other projects will return to Cabinet Procurement Committee for approval of contract award following a mini-tender process.

RELATED DECISIONS

May 2020: CPC approval of a one year extension, effective from 31 August 2020, to the existing contracts under the 'Contract 1' framework for Decent Homes, Planned and Responsive Maintenance Works to Hackney Council housing. These include contracts with three service providers; two of which have Project Partnering Contract (PPC) forms of contract, and one of which has both a PPC and Term Partnering Contract (TPC) form of contract.

<http://mginternet.hackney.gov.uk/ieListDocuments.aspx?CId=113&MId=4804>

June 2019: The Procurement Strategy report approval of a suite of capital contracts for planned works to Hackney the Council's housing stock. The contracts cover planned internal, external, fire safety, mechanical and electrical works to Hackney Council homes.

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This procurement exercise is, in part, a replacement to Contract 1 which is the subject of this current business case.

<http://mginternet.hackney.gov.uk/mglIssueHistoryHome.aspx?Id=37259&optionId=0>

25 March 2019: Cabinet approval of the Housing Asset Management Strategy 2019-2027. This provides an overarching framework for investment decision-making across the Council's homes and estates. It sets out the ambitions that Hackney has for the quality of its homes and the priorities that will be established to ensure that the limited available resources are directed at the greatest need.

<http://mginternet.hackney.gov.uk/ieListDocuments.aspx?CId=111&MID=4332#AI32478>

30 March 2015: Cabinet Procurement Committee Approval to award a four year framework agreement to three Main Constructors for a period of up to four years was taken by the Cabinet Procurement Committee on 30th March 2015. The relevant minutes along with the full report can be downloaded from the attached:

<http://mginternet.hackney.gov.uk/ieDecisionDetails.aspx?Id=332>

OPTIONS APPRAISAL AND BUSINESS CASE (REASONS FOR DECISION)

The Council's capital delivery programme is essential to ensuring the ongoing maintenance of the housing stock, ensuring it reaches the required standards. Most current capital delivery projects are let via 'Contract 1'; a framework contract let in 2015, and includes three main contractors. Its original end date is August 2020. In June 2019 CPC approved a business case for the procurement of a suite of contracts to replace this. Work on this procurement is progressing but has been significantly impacted by the coronavirus lockdown. This impact has both diverted staff resources, and caused significant uncertainty in the construction market which will impact the suitable timing of tendering for long term contracts. As yet the full impact remains unknown, however, it has been estimated that tendering will not start on the main framework contracts until Spring 2021, with works on the contract not starting until Summer 2022. The separate planned internal contract is expected to go out to tender and start works earlier, with works starting in early 2022. Refer to table 1 for an estimated programme for the longer term procurement work.

The Property and Asset Management team have reviewed the options to ensure that capital delivery can be maintained during the transition period to these new contracts. To that effect in May 2020, a report was brought to CPC on the extension of 'Contract 1' by one year and to a maximum value of £225m. This was approved and the relevant OJEU notice has now been posted on that contract variation.

Despite the exceptional circumstances of the coronavirus, there is a limit to the maximum value of the contract, and this is unlikely to be sufficient to ensure the required level of capital investment through to Summer 2022. As a result, as indicated in the May 2020 CPC report, further options to procure additional works in the interim have been researched, and this CPC report presents a preferred option to use a pre-existing external framework for a specific group of current planned projects which have no leaseholder recharge element. The details of these projects is set out in Section 5.4.

The impact on the programme for the current procurement work is set out in Table 1 below. This work includes the procurement of 5no. term contracts and a framework contract divided into 2no. lots. This is behind the originally planned programme for the work; that

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programme was highly ambitious and the team have been affected by unexpected resource limitations. However, significant progress has been made, and prior to the lockdown announcement the team were planning a rolling sequence of tendering exercises starting in July 2020 and continuing through to March 2021.

The phasing of the tendering processes for the different contracts is necessary as each evaluation exercise is officer resource intensive and it is critical that adequate time and resource is given to the evaluation process. Therefore, that same sequencing of issuing contracts for tender will have to remain in any amended programme.

It is difficult at present to estimate the duration of instability in the market; this issue is identified and mitigated within the risk register, however, it is expected that this pandemic will cause at least six months of serious disruption in which time, industry has limited sight of what long term recovery will be like, and during which time it will not be reasonably possible to obtain pricing which will be reliably sustainable for the long term contracts planned. Estimates are that this period of uncertainty could readily last up to one year, and given the scale of these contracts, this amount of time has been allowed for as possible delay.

The current programme anticipates letting the smaller specialist M&E contracts first, and later the planned external framework contracts. This will continue. This is as the existing planned electrical contract already expired in March 2019 and these works are already subject to interim arrangements and remain a priority. However, strategically it is likely that these contracts, offering more discreet scopes of works, are those for which tendering can resume sooner.

The table below sets out the current programme dates, and an initial estimate of a revised programme, noting this will depend on market conditions. The initial estimate is to forecast a 6 month delay to tendering starting on any contracts and the main framework incurring a 9 month delay. This places the period where the Council will be securing prices between January and July 2021. The impacts on the programme will be subject to ongoing review with an aim to minimise delays to the procurement while ensuring that a successful procurement exercise can be undertaken.

The gap between the tender period and contract award is to allow for leasehold consultation and formal approval of contract award by CPC.

Table 1. Potential Impact on Procurement Programme

	Contract	Current Programme Tender Period and Contract Award (CA) Dates	Revised Programme Tender Period and Contract Award (CA) Dates
i	Lot 1 & 2 Framework for Planned External Works	Tender: Oct '20 - Mar '21 CA: Sep '21	Tender: Jul '21 - Dec '22 CA: Jun '22
ii	Term Contract Planned Internal Works	Tender: Aug '20 - Oct '20 CA: Jan '21	Tender: Feb '21 - Apr '21 CA: Jul '21
iii	Term Contract Communal	Tender: Sep '20 - Dec '20	Tender: Apr '21 - Jun '21

	Electrical Supply	CA: May '21	CA: Nov '21
iv	Term Contract Fire Safety Systems to Large Blocks	Tender: Jul '20 - Sep '20 CA: Mar '21	Tender: Jan '21 - Mar '21 CA: Sep '21
v	Term Contract Fire Safety Systems to Street Properties	Tender: Jul '20 - Sep '20 CA: Mar '21	Tender: Jan '21 - Mar '21 CA: Sep '21
vi	Term Contract Communal Boilers	Tender: Sep '20 - Dec '20 CA: May '21	Tender: Apr '21 - Jun '21 CA: Nov '21

The council is a member of various external frameworks; these are already established in line with public procurement rules, and allow a faster tendering process than can otherwise be achieved. This enables them to be suitable for use as interim arrangements while the main procurement work goes ahead. However, they are still sufficiently flexible to allow the council to include many of its usual specific conditions to contracts let in this manner. Further details on the procurement process is set out in 5.4 and in Section 7.

ALTERNATIVE OPTIONS (CONSIDERED AND REJECTED)

The key considerations for possible approaches were to ensure the continuity of the capital programme, ensure all works can be recharged to leaseholders, to ensure all relevant procurement legislation is adhered to, to continue to secure value for money for works, and to ensure that any options can be implemented within the limited timescales. A series of options were considered and tested against the above criteria.

Option 1 - Hold procurement of these works until new contracts are in place

Contract 1 was due to end on 31 August 2020; approval has been obtained to extend this to 31 August 2021. The total value of the existing contract 1 framework is capped at £225m and therefore there is a limit to the value of remaining works which can be let.

The procurement of the new framework contracts will be delayed by the Covid-19 lockdown, both due to internal operational limitations, and the need to ensure the market is suitable to procure long term contracts. At present a delay of 9 months is estimated in issuing the contracts to tender. It is estimated that it would take until late in 2022 to achieve spend on these new frameworks contracts. This is to allow for the full procurement process including the time needed to tender the contracts via a 2-stage procurement process, carry out further leasehold consultation, the Council Governance process to award the contract to the contractors, the mobilisation period, and to carry out pre-construction surveys and leaseholder consultation on initial projects let under these new frameworks. Spend on the proposed new planned internal contract is expected to start in early 2022.

There is therefore approximately two years until spend will be realised on the new frameworks. The remaining value of Contract 1 at c.£38m, is not sufficient to maintain

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the usual annual level of capital investment. It is important to retain this level of investment to avoid backlogs in capital delivery, ensure key fire safety projects are progressed, and to ensure continuity of service. Backlogs in capital delivery may also result in additional demands on repair budgets. The current investment in works delivered via Contract 1 is c.£35m per annum, therefore not allowing for additional interim arrangements to the new contracts would see a considerable shortfall in capital investment over the next two years.

The risks to continuity of the capital programme, and most notably, key fire safety works, meant that this option was rejected.

Option 2 – Procure a Stand Alone Contract

This option involves carrying out an independent procurement process to let any works required to maintain capital delivery until the new long term contracts are in place. This would include necessary two stage leasehold consultation where works were subject to recharge.

In general this option requires more resources than Option 4 to use an external framework, and it would also take a lot longer to procure. This presents a risk of diverting resources from the main procurement work for the new long term contracts and causing further delays.

There are also risks associated with securing value for money on contracts given the uncertain nature of the contract, although this is considered a much lower risk on smaller specific projects than when procuring long term qualifying agreement contracts.

A review of resource, market knowledge and relevant projects has led to the conclusion that this option is not preferred to the use of external frameworks (see Option 4) here may be future situations where stand alone procurements could be used, such as where the preparation of the tender documentation for the main long term contracts is largely complete, but it is not yet considered that the market is suitable for tendering such work. In that case, a one off procurement project may be entered into, subject to relevant governance approvals.

This approach may also be necessary should the council encounter the need for a very particular new strand of capital investment which could not be met by current arrangements, which could not be let via an external framework (e.g. due to leaseholder recharge limitations) and which could reasonably be held until the new frameworks were in place.

Due to the reasons set out above this was rejected as a main course of action at this time, though where conditions arise, the Council may elect to pursue this route in future.

Option 3 – Insourcing the Works to the DLO

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The option of in-sourcing the planned works was examined, however, the scale of the work, both in value and in type, and the timescales involved, means that it is neither desirable nor possible to restructure the DLO in time to carry out this work.

In the business case report (NH P78) to CPC in June 2019, a detailed analysis was undertaken of the capacity to grow the DLO's capital works delivery. Key opportunities for work in this area were identified, and the proposed contract divisions for the new contracts to replace Contract 1 have been developed to support this medium and long term DLO growth. The key opportunities were in planned internal works including voids, kitchens, bathrooms and electrical work.

In order to deliver on this, the DLO will require stable sustainable growth to develop resources and the necessary skill sets. A short term move away from the strategy set out in June 2019, would likely undermine the long term DLO growth plan.

Option 4 - Procure Additional Interim works via External Framework

The preferred option involves procuring a group of projects via a pre-existing external framework. This will allow works to be procured in an efficient and timely manner, and without requiring so much resource that this has further impacts on the main procurement work programme.

Works procured from a national framework cannot necessarily include leaseholders, as the Section 20 consultation has not been undertaken by the Council prior to the frameworks being let. The loss of approximately 30% of the cost of any project is too significant, and would impact on the Council's wider ability to effectively maintain homes. However, the programme of capital works includes works which are not rechargeable to leaseholders, which will suit the the use of these frameworks.

Option 2 in the CPC Report NHQ66, indicated that in addition to the extension of Contract 1, there may be some requirement to carry out additional interim procurement via this route. This report stated: *Where necessary the Council may elect to pursue this route [meaning the use of an external framework] for the delivery of non-rechargeable works. This would be subject to the relevant decision making process at the time. There is limited work which falls into this category, though and it would be inadequate as a general replacement for maintenance works. As a result this option, as a main course of action, was rejected.*

The use of these external frameworks would be insufficient as a main course of action, however, supplemented with the extension approved to Contract 1, there would be sufficient scope and capacity to continue with a range of planned capital works until 2022. Where, as indicated in 5.5.4 above a capital investment of c.£70m would be envisaged over a two year period, this option combined with the extension to Contract 1 will ensure contractual capacity for £78m. Given that the current working conditions mean that capital works are estimated to progress at a reduced rate for the remainder of the 20/21 financial year, this is likely to be broadly sufficient. However, as outlined in Option 2, any further delays to the new framework would necessitate the need for further interim arrangement to secure the necessary levels of investment.

The proposed procurement route is to make use of pre-existing frameworks, which have already been established in compliance with the Public Contract Regulations 2015 and the Directive 2014/24/EU. In particular the proposal is to draw on the frameworks established by South East Consortium and the LHC of which Hackney Council is already a member. Refer to Section 7 for details of the proposed procurement process.

8 Information Item - RENEWAL OF GAS & ELECTRICITY SUPPLY CONTRACTS - UPDATE ON CONTRACT APPROVAL Non key decision

The Chair asked for an introduction of the information report.

The Energy Manager – Ms Mary Aladegbola advised the Committee that the report before it provided the outcome of this 2020/21 purchasing round for energy used within Council offices, Hackney Housing and in Schools, where such Schools were part of the corporate contracting arrangement. The year's contract prices showed an estimated 13% average decrease on the bottom line against the previous financial year's prices. Ms Aladegbola also advised that notwithstanding the level of pricing achieved, the Council and in particular the Energy Management Unit would continue to work with other departments to pursue the delivery of energy conservation measures, some of which were highlighted in other parts of the report.

Ms Aladegbola went to comment that the London Borough of Hackney, in common with many other local authorities, relied heavily on the supply of gas and electricity from the market to deliver essential services to residents. As part of the Mayor and Council's commitment to rapidly decarbonising the full functions of the local authority, the Council switched to 100% renewable electricity on 1 April 2020. The next step which the Council was actively working towards would see the Council secure 100% renewable electricity through the Power Purchase Agreements (PPA). Whilst this was a very challenging target it was believed that it would contribute towards reaching the net zero target,

Ms Aladegbola further reported that in October 2018, the Intergovernmental Panel on Climate Change issued its starkest warning yet, through the Special Report on Global Warming of 1.5C, regarding both the timescales and level of action required to drastically reduce greenhouse gas emissions in order to avert catastrophic warming and subsequent climate change. The report concluded that "limiting warming to 1.5C was possible within the laws of chemistry and physics but doing so would require unprecedented changes" and that "the next few years were probably the most important in history." The deep decarbonisation programme that Hackney Council was undertaking in respect of its consumption of energy, both on the supply and demand-side, could not be more timely.

Ms Aladegbola further advised that in June 2019, the Council further strengthened its commitment to playing a full role in the transformation of the energy system through the agreement of a Climate Emergency motion at Full Council. This motion committed the local authority to a 45% reduction in emissions against 2010 levels by 2030 and net zero emissions by 2040, in-line with the most stretching targets contained within the IPCC 1.5C report.

Ms Aladegbola further commented that REGO certificates were a major step forward for the Council in delivering against the 2018 manifesto commitment to transform the way Hackney purchased wholesale energy to increase the generation of renewable energy beyond Hackney's borders by using its corporate spending on gas and electricity to increase investment in sources of clean energy. The natural next step in the process beyond 1 April

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2020 would be to explore the potential for a Power Purchase Agreement (PPA) with a specific generation facility. Ms Aladegbola reported that by doing so would provide greater transparency and certainty regarding the provenance of the Council's - and other bodies that procure energy jointly with the Council, such as local schools electricity. By securing such an agreement - and exploring ways of reducing the global warming impact of gas consumption, would demonstrate in a very visible way to the residents of Hackney that Hackney's corporate spending on renewables was contributing to the delivery of new sources of clean energy, rather than merely sending a signal to the market that more renewable energy was required, which was the role that the purchase of REGO certificates performs.

The Chair thanked Ms Aladegbola for her introduction and asked if there were any points of clarification from the Committee. The Chair was aware that Councillor Burke would wish to contribute to the introduction.

Councillor placed on record his thanks to both Ms Aladegbola, and the Head of Procurement – Mr Ajilore – in what he could only describe as a remarkable achievement and effort to ensure a 75% decrease in carbon levels within the Borough and a indicative level of 80% going forward. The efforts of officers to ensure was a considerable result. Councillor Burke welcomed the findings of the report and the positive and clear way forward in meeting the sustainability agenda and the effects that this would have in terms of energy efficiency, and residents being clearly able to see that the Council was committed to such high standards. He again thanked officers for their considerable efforts.

There being no further points of clarification or questions on a **MOTION** by the Chair it was:

RESOLVED

That the outcome of the purchasing arrangements which placed Supply contracts with the Energy companies be noted as follows:

- i. The Half Hourly and Unmetered Electricity Supply contract awarded to Supplier A as detailed in the exempt appendix to the report, with estimated contract values of £1,981k and £ 793k respectively;**
- ii. The Non-Half Hourly Electricity Supply contract awarded to Supplier A and B as detailed in the exempt appendix to the report, at an estimated contract value of £68k and £ 3,600k;**
- iii. The Gas Supply contract awarded to Supplier C at an estimated contract value of £1,692k as detailed in the exempt appendix to the report, and that some supplies would remain with Supplier D at £278k and that these supplies have not migrated over to the new supplier due to outstanding account debts; and**
- iv. the indicative aggregate cost impact for Hackney, including Housing and Schools, from these tender awards to be a 13% decrease against 2019/20's financial year's projection, and that the actual impact to be monitored via OFP.**

RELATED DECISIONS

Cabinet Procurement Committee approved the Business Case report in its meeting of the 15th March 2016. The report recommended the appointment of the Crown Commercial Service as the energy purchasing agent for the Council and also for the Group Director of Finance and Corporate Resources to engage the service provider for future years' purchases

REASONS FOR DECISION/OPTIONS APPRAISAL

This report provides Cabinet Procurement Committee with the results of the "risk managed flexible purchasing" exercise carried out on behalf of the Council by Crown Commercial

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Service (CCS) between Oct 2019 and March 2020 for all gas and large electricity supplies (Half Hourly including public street lighting) to secure a twelve month contract.

The report also provides the outcome of the purchase carried out by CCS who were also appointed to purchase the Council's small electricity supplies (NHH supplies) based on the delegated authority provided by Cabinet Procurement Committee to the Group Director of Finance and Corporate Resources in March 2016.

The current contract prices for all supplies include those large (HH) Half Hourly electricity supplies including Unmetered (UMS) public street lighting, all gas and small (NHH) Non-Half Hourly electricity supplies for the year commencing 1st April 2020 to 31st March 2021 were presented to the Council during April and May 2020.

This year's contracted prices (pence per unit) for the NHH electricity supplies are estimated at 12% less than last year's prices. The prices include 3rd party costs, commodity rates, renewable levies as well as transmission and distribution costs. At the very end of 2019, COVID-19 has had a dramatic effect on markets around the world and the prices have reacted to this change.

An increasing proportion of the delivered electricity cost relates to non-energy costs that support providing reliable, secure, low carbon energy to the UK as part of the Government's Electricity Market Reform. Transmission and Distribution costs are pass-through costs charges set by National Grid and Distribution Network Operators. These charges are site specific and typically represent over 60% of the overall delivered cost.

Contracted gas prices (pence per unit) are estimated at 30% less than last year's prices. An increasing proportion of the delivered gas cost relates to non-energy costs that support providing reliable, secure, low carbon energy to the UK, the proportion in this contract is estimated at 28%

Large electricity supply prices have increased by an average 6% less for the Half Hourly (HH) and Unmetered (UMS) supplies. As with the NHH supplies, this is due Non Electricity Costs which the government levies on supplied to help incentivise the low-carbon economy, as well as the cost of delivering the electricity.

For this year's supplies, the electricity contract was procured with 100% of its volume from renewable sources at £0.05/p/kWh (Supplier A) and £0.11p/kWh (Supplier B)

The contracts for all supplies is for a twelve month period commencing from April 2020 to March 2021.

The Council will explore the adoption of PPAs for the 2021/22 Electricity Procurement exercise. If Electricity is procured via PPAs, the Council will continue with CCS to procure energy for the gas contracts.

ALTERNATIVE OPTIONS (CONSIDERED AND REJECTED)

Previous Business Case reports and in particular the one considered and approved by Cabinet Procurement Committee in March 2016 detailed the options available to the Council for procuring its energy supplies contracts. The risk managed flexible purchasing of energy in advance of contract start date was and is still preferred to other types of purchasing arrangements.

9 ANY OTHER UNRESTRICTED BUSINESS THE CHAIR CONSIDERS TO BE URGENT

There were no items of unrestricted urgent business.

NOTED

10 DATE OF FUTURE MEETINGS

NOTED – meetings of the Cabinet Procurement Committee commencing at 5.00pm for the remainder of the Municipal Year 2020/21 as follows:

7 September 2020
5 October 2020
9 November 2020
7 December 2020
18 January 2021
8 March 2021
12 April 2021
10 May 2021

11 EXCLUSION OF THE PUBLIC AND PRESS

RESOLVED

THAT the press and public be excluded from the proceedings of the Cabinet Procurement Committee during consideration of Exempt items 12-13 on the agenda on the grounds that it is likely, in the view of the nature of the business to be transacted, that were members of the public to be present, there would be disclosure of exempt information as defined in paragraph 3 of Schedule 12A to the Local Government Act 1972 as amended.

SUMMARY OF EXEMPT PROCEEDINGS

12 EXEMPT MINUTES OF THE PREVIOUS MEETING OF CABINET PROCUREMENT COMMITTEE HELD ON 8 JUNE 2020

AGREED the exempt minutes of the Cabinet Procurement Committee held on 8 June 2020.

13 Information Item - RENEWAL OF GAS & ELECTRICITY SUPPLY CONTRACTS - UPDATE ON CONTRACT APPROVAL Non key decision

RESOLVED

AGREED to note the exempt appendix 1 in relation to agenda item 8.

14 ANY OTHER EXEMPT BUSINESS THE CHAIR CONSIDERS TO BE URGENT

There were no exempt items of urgent business.

NOTED

Duration of the meeting: 18:00HRS – 18:40HRS

Contact:

Clifford Hart - Senior Governance Officer - Clifford.hart@hackney.gov.uk
Clifford.hart@hackney.gov.uk

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