

# Public Document Pack

## Overview and Scrutiny Management Committee

Thursday, 12th August, 2021  
at 5.30 pm

### **PLEASE NOTE TIME OF MEETING**

Council Chamber - Civic Centre

This meeting is open to the public

#### **Members**

Councillor Fielker (Chair)  
Councillor Chaloner  
Councillor Cooper  
Councillor Fuller  
Councillor Guthrie  
Councillor Renyard  
Councillor Savage (Vice-Chair)  
Councillor Stead  
Councillor Vaughan

#### **Appointed Members**

Nicola Brown, Primary Parent Governor  
Catherine Hobbs, Roman Catholic Church  
Francis Otieno, Primary Parent Governor  
Claire Rogers, Secondary Parent Governor  
Rob Sanders, Church of England

#### **Contacts**

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## PUBLIC INFORMATION

### Overview and Scrutiny Management Committee

The Overview and Scrutiny Management Committee holds the Executive to account, exercises the call-in process, and sets and monitors standards for scrutiny. It formulates a programme of scrutiny inquiries and appoints Scrutiny Panels to undertake them. Members of the Executive cannot serve on this Committee.

#### **Role of Overview and Scrutiny**

Overview and Scrutiny includes the following three functions:

- Holding the Executive to account by questioning and evaluating the Executive's actions, both before and after decisions taken.
- Developing and reviewing Council policies, including the Policy Framework and Budget Strategy.
- Making reports and recommendations on any aspect of Council business and other matters that affect the City and its citizens.

Overview and Scrutiny can ask the Executive to reconsider a decision, but they do not have the power to change the decision themselves.

**Use of Social Media:-** The Council supports the video or audio recording of meetings open to the public, for either live or subsequent broadcast. However, if, in the Chair's opinion, a person filming or recording a meeting or taking photographs is interrupting proceedings or causing a disturbance, under the Council's Standing Orders the person can be ordered to stop their activity, or to leave the meeting. By entering the meeting room you are consenting to being recorded and to the use of those images and recordings for broadcasting and or/training purposes. The meeting may be recorded by the press or members of the public. Any person or organisation filming, recording or broadcasting any meeting of the Council is responsible for any claims or other liability resulting from them doing so. Details of the Council's Guidance on the recording of meetings is available on the Council's website.

#### **Southampton: Corporate Plan 2020-2025 sets out the four key outcomes:**

- Communities, culture & homes - Celebrating the diversity of cultures within Southampton; enhancing our cultural and historical offer and using these to help transform our communities.
- Green City - Providing a sustainable, clean, healthy and safe environment for everyone. Nurturing green spaces and embracing our waterfront.
- Place shaping - Delivering a city for future generations. Using data, insight and vision to meet the current and future needs of the city.
- Wellbeing - Start well, live well, age well, die well; working with other partners and other services to make sure that customers get the right help at the right time

#### **Procedure / Public Representations**

At the discretion of the Chair, members of the public may address the meeting on any report included on the agenda in which they have a relevant interest. Any member of the public wishing to address the meeting should advise the Democratic Support Officer (DSO) whose contact details are on the front sheet of the agenda.

**Smoking Policy:-** The Council operates a no-smoking policy in all civic buildings.

**Mobile Telephones:-** Please switch your mobile telephones to silent whilst in the meeting

#### **Fire Procedure:-**

In the event of a fire or other emergency a continuous alarm will sound and you will be advised by Council officers what action to take.

**Access is available for disabled people.** Please contact the Democratic Support Officer who will help to make any necessary arrangements.

#### **Dates of Meetings: Municipal Year 2019/20**

2021	2022
10 June	13 January
15 July	3 February
12 August	10 March
9 September	14 April
14 October	
11 November	
16 December	

## **CONDUCT OF MEETING**

### **TERMS OF REFERENCE**

The general role and terms of reference for the Overview and Scrutiny Management Committee, together with those for all Scrutiny Panels, are set out in Part 2 (Article 6) of the Council's Constitution, and their particular roles are set out in Part 4 (Overview and Scrutiny Procedure Rules – paragraph 5) of the Constitution.

### **RULES OF PROCEDURE**

The meeting is governed by the Council Procedure Rules and the Overview and Scrutiny Procedure Rules as set out in Part 4 of the Constitution.

### **BUSINESS TO BE DISCUSSED**

Only those items listed on the attached agenda may be considered at this meeting.

### **QUORUM**

The minimum number of appointed Members required to be in attendance to hold the meeting is 4.

## **DISCLOSURE OF INTERESTS**

Members are required to disclose, in accordance with the Members' Code of Conduct, **both** the existence **and** nature of any "Disclosable Pecuniary Interest" or "Other Interest" they may have in relation to matters for consideration on this Agenda.

### **DISCLOSABLE PECUNIARY INTERESTS**

A Member must regard himself or herself as having a Disclosable Pecuniary Interest in any matter that they or their spouse, partner, a person they are living with as husband or wife, or a person with whom they are living as if they were a civil partner in relation to:

- (i) Any employment, office, trade, profession or vocation carried on for profit or gain.
- (ii) Sponsorship:

Any payment or provision of any other financial benefit (other than from Southampton City Council) made or provided within the relevant period in respect of any expense incurred by you in carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.

(iii) Any contract which is made between you / your spouse etc (or a body in which the you / your spouse etc has a beneficial interest) and Southampton City Council under which goods or services are to be provided or works are to be executed, and which has not been fully discharged.

(iv) Any beneficial interest in land which is within the area of Southampton.

(v) Any license (held alone or jointly with others) to occupy land in the area of Southampton for a month or longer.

(vi) Any tenancy where (to your knowledge) the landlord is Southampton City Council and the tenant is a body in which you / your spouse etc has a beneficial interests.

(vii) Any beneficial interest in securities of a body where that body (to your knowledge) has a place of business or land in the area of Southampton, and either:

- a) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body, or
- b) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you / your spouse etc has a beneficial interest that exceeds one hundredth of the total issued share capital of that class.

## **Other Interests**

A Member must regard himself or herself as having an, 'Other Interest' in any membership of, or occupation of a position of general control or management in:

Any body to which they have been appointed or nominated by Southampton City Council

Any public authority or body exercising functions of a public nature

Any body directed to charitable purposes

Any body whose principal purpose includes the influence of public opinion or policy

## **Principles of Decision Making**

All decisions of the Council will be made in accordance with the following principles:-

- proportionality (i.e. the action must be proportionate to the desired outcome);
- due consultation and the taking of professional advice from officers;
- respect for human rights;
- a presumption in favour of openness, accountability and transparency;
- setting out what options have been considered;
- setting out reasons for the decision; and
- clarity of aims and desired outcomes.

In exercising discretion, the decision maker must:

- understand the law that regulates the decision making power and gives effect to it. The decision-maker must direct itself properly in law;
- take into account all relevant matters (those matters which the law requires the authority as a matter of legal obligation to take into account);
- leave out of account irrelevant considerations;
- act for a proper purpose, exercising its powers for the public good;
- not reach a decision which no authority acting reasonably could reach, (also known as the "rationality" or "taking leave of your senses" principle);
- comply with the rule that local government finance is to be conducted on an annual basis. Save to the extent authorised by Parliament, 'live now, pay later' and forward funding are unlawful; and
- act with procedural propriety in accordance with the rules of fairness.

## AGENDA

### **1 APOLOGIES AND CHANGES IN PANEL MEMBERSHIP (IF ANY)**

To note any changes in membership of the Panel made in accordance with Council Procedure Rule 4.3.

### **2 DISCLOSURE OF PERSONAL AND PECUNIARY INTERESTS**

In accordance with the Localism Act 2011, and the Council's Code of Conduct, Members to disclose any personal or pecuniary interests in any matter included on the agenda for this meeting.

NOTE: Members are reminded that, where applicable, they must complete the appropriate form recording details of any such interests and hand it to the Democratic Support Officer.

### **3 DECLARATIONS OF SCRUTINY INTEREST**

Members are invited to declare any prior participation in any decision taken by a Committee, Sub-Committee, or Panel of the Council on the agenda and being scrutinised at this meeting.

### **4 DECLARATION OF PARTY POLITICAL WHIP**

Members are invited to declare the application of any party political whip on any matter on the agenda and being scrutinised at this meeting.

### **5 STATEMENT FROM THE CHAIR**

### **6 MINUTES OF THE PREVIOUS MEETING (INCLUDING MATTERS ARISING)**

(Pages 1 - 4)

To approve and sign as a correct record the Minutes of the meetings held on 15<sup>th</sup> July, 2021 and to deal with any matters arising.

### **7 FORWARD PLAN** (Pages 5 - 16)

Report of the Service Director, Legal and Business Operations enabling the Overview and Scrutiny Management Committee to examine the content of the Forward Plan and to discuss issues of interest or concern with the Executive.

### **8 MONITORING SCRUTINY RECOMMENDATIONS TO THE EXECUTIVE**

(Pages 17 - 20)

Report of the Service Director, Legal and Business Operations, enabling the Overview and Scrutiny Management Committee to monitor and track progress on recommendations made to the Executive at previous meetings.



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SOUTHAMPTON CITY COUNCIL  
OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE  
MINUTES OF THE MEETING HELD ON 15 JULY 2021

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Present: Councillors Fielker (Chair), Cooper, Fuller, Guthrie, Renyard, Savage and Vaughan  
Appointed Members: Rob Sanders

Also in attendance: Councillor Moulton, Cabinet Member for Growth  
Councillor Fitzhenry, Leader of the Council  
Councillor Vassiliou, Cabinet Member for Communities, Culture and Heritage

5. **MINUTES OF THE PREVIOUS MEETING (INCLUDING MATTERS ARISING)**

**RESOLVED:** that the minutes for the Committee meeting on 10<sup>th</sup> June, 2021 be approved and signed as a correct record.

6. **THE REOPENING OF BEDFORD PLACE TO TRAFFIC**

The Committee received the report of the Chair of the Overview and Scrutiny Management Committee requesting that the Committee discuss with the Cabinet Member for Growth the decision to reopen Bedford Place to traffic from the week commencing 19<sup>th</sup> July, 2021.

Councillor Moulton, Cabinet Member for Growth, Kate Martin, Executive Director for Place and Wade Holmes, Transport Delivery Team Lead were in attendance and with the consent of the Chair addressed the meeting.

In addition, the Committee received representations from Councillors Noon, Bogle, Paffey and Kataria as well as residents living in the vicinity of Bedford Place and interested parties.

The Committee discussed:

- The impact of the scheme on businesses, visitors and local residents;
- The evidence obtained from the 3 surveys that had been conducted on the scheme and how this had influenced the decision to reopen;
- Issues of safety and anti-social behaviour in the area and how this had changed since the introduction of the scheme;
- Views of the wider community, not just those of the businesses and how these were being considered;
- Timing of the decision – implications of delaying the decision until after the summer;
- Impact of the Night Time Economy on local residents;
- Future design of the area;
- How communication with businesses and residents was conducted;
- The introduction of a temporary traffic regulation order.

**RESOLVED** that the Cabinet Member gave consideration to utilising the residual funding within the Late Night Levy account to improve the cleanliness and appearance of Bedford Place.

7. **REMOVAL OF EVENING PARKING CHARGES AND SUSPENSION OF OFF STREET SUNDAY PARKING CHARGES**

The Committee considered the briefing paper of the Cabinet Member for Growth detailing the proposal to remove evening parking charges and the suspension of off-street Sunday parking charges.

Councillor Fitzhenry, Leader of the Council, Mary D'Arcy, Executive Director for Communities, Culture and Homes and Richard Alderson, Service Manager, Parking and Itchen Bridge were in attendance and with the consent of the Chair addressed the meeting.

In addition, the Committee received representations from Councillors Bogle and Kataria and Mrs Lindsi Bluemel (Southampton Cycling Campaign) and Claire Ransom (Unite).

The Committee discussed:

- The impact on environmental issues and attempts to increase the uptake of active and sustainable travel options;
- The effect of car park increases on spend in the City;
- Monitoring the change in parking habits in the short and longer term;
- Potential revenue impacts on West Quay and the wider City offering;
- How bus and taxi companies have responded to the proposal.

**RESOLVED:**

- (i) That the Executive outlines the success measures against which the proposals to remove evening and Sunday parking charges would be judged; and
- (ii) That parking returns to the Committee later this year to enable consideration of the Council's new Parking Plan and the impact of the removal of parking charges. The Committee would welcome feedback from stakeholders on the removal of parking charges to be available to inform this discussion.

8. **BUDGET 2021-22 AND BEYOND - UPDATE**

The Committee noted the briefing paper of the Cabinet Member for Finance and Capital Assets updating the Committee on 2021-22 Budget and beyond,

Councillor Fitzhenry, Leader of the Council and Steve Harrison, Head of Financial Planning and Management were in attendance and with the consent of the Chair addressed the meeting.

The Committee discussed the new Administrations approach to how the 2021/22 budget gap was being addressed.



9. **SOUTHAMPTON'S DESTINATION MANAGEMENT PLAN 2021-2031**

The Committee received the briefing paper of the Cabinet Member for Communities, Culture and Heritage detailing the Southampton's Destination Management Plan.

Councillor Vassiliou, Cabinet Member for Communities, Culture and Heritage, Mary D'Arcy, Executive Director for Communities, Culture and Homes and Carolyn Abel, Head of Culture and Tourism were in attendance and with the consent of the Chair addressed the meeting.

**RESOLVED:**

- (i) that officers, when drafting the initial action plan to deliver the objectives within the Destination Management Plan, include the key outputs that the DMP are seeking to deliver;
- (ii) that officers inform the Scrutiny Manager when the action plan had been drafted to enable it to be discussed at a future meeting of the Committee; and
- (iii) that the Committee were provided with an explanation of what the additional resource to support the delivery of the Destination Management Plan, that was considered by the Cabinet Member but not chosen, would have delivered, including outputs.

10. **MONITORING SCRUTINY RECOMMENDATIONS TO THE EXECUTIVE**

The Committee noted the report of the Service Director – Legal and Business Operations enabling the Overview and Scrutiny Management Committee to monitor and track progress on recommendations made to the Executive at previous meetings.

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# Agenda Item 7

<b>DECISION-MAKER:</b>	OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE		
<b>SUBJECT:</b>	FORWARD PLAN		
<b>DATE OF DECISION:</b>	12 AUGUST 2021		
<b>REPORT OF:</b>	SERVICE DIRECTOR - LEGAL AND BUSINESS OPERATIONS		
<b><u>CONTACT DETAILS</u></b>			
<b>Executive Director</b>	<b>Title</b>	<b>Deputy Chief Executive</b>	
	<b>Name:</b>	<b>Mike Harris</b>	<b>Tel: 023 8083 2882</b>
	<b>E-mail</b>	<b>Mike.harris@southampton.gov.uk</b>	
<b>Author:</b>	<b>Title</b>	<b>Scrutiny Manager</b>	
	<b>Name:</b>	<b>Mark Pirnie</b>	<b>Tel: 023 8083 3886</b>
	<b>E-mail</b>	<b>Mark.pirnie@southampton.gov.uk</b>	
<b>STATEMENT OF CONFIDENTIALITY</b>			
<b>BRIEF SUMMARY</b>			
This item enables the Overview and Scrutiny Management Committee (OSMC) to examine the content of the Forward Plan and to discuss issues of interest or concern with the Executive to ensure that forthcoming decisions made by the Executive benefit local residents.			
<b>RECOMMENDATIONS:</b>			
	(i)	That the Committee discuss the items listed in paragraph 3 of the report to highlight any matters which Members feel should be taken into account by the Executive when reaching a decision.	
<b>REASONS FOR REPORT RECOMMENDATIONS</b>			
1.	To enable Members to identify any matters which they feel Cabinet should take into account when reaching a decision.		
<b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>			
2.	None.		
<b>DETAIL (Including consultation carried out)</b>			
3.	The Council's Forward Plan for Executive Decisions from 16 August 2021 has been published. The following issues were identified for discussion with the Decision Maker:		
	<b>Portfolio</b>	<b>Decision</b>	<b>Requested By</b>
	Environment	Energy procurement contract renewal	Cllr Fielker
4.	Briefing papers responding to the items identified by members of the Committee are appended to this report. Members are invited to use the papers to explore the issues with the decision maker.		

<b>RESOURCE IMPLICATIONS</b>	
<b><u>Capital/Revenue</u></b>	
5.	The details for the item identified in paragraph 3 are set out in the Executive decision making report issued prior to the decision being taken.
<b><u>Property/Other</u></b>	
6.	The details for the item identified in paragraph 3 are set out in the Executive decision making report issued prior to the decision being taken.
<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
7.	The duty to undertake overview and scrutiny is set out in Part 1A Section 9 of the Local Government Act 2000.
<b><u>Other Legal Implications:</u></b>	
8.	The details for the item identified in paragraph 3 are set out in the Executive decision making report issued prior to the decision being taken.
<b>RISK MANAGEMENT IMPLICATIONS</b>	
9.	The details for the item identified in paragraph 3 are set out in the Executive decision making report issued prior to the decision being taken.
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
10.	The details for the item identified in paragraph 3 are set out in the Executive decision making report issued prior to the decision being taken.
<b>KEY DECISION</b>	No
<b>WARDS/COMMUNITIES AFFECTED:</b>	None directly as a result of this report
<b><u>SUPPORTING DOCUMENTATION</u></b>	
<b>Appendices</b>	
1.	Briefing Paper – Energy procurement contract renewal
<b>Documents In Members’ Rooms</b>	
1.	None
<b>Equality Impact Assessment</b>	
Do the implications/subject of the report require an Equality and Safety Impact Assessments (ESIA) to be carried out?	Identified in Executive report
<b>Data Protection Impact Assessment</b>	
Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out?	Identified in Executive report
<b>Other Background Documents</b> <b>Equality Impact Assessment and Other Background documents available for inspection at:</b>	

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)	
1.	None	

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## BRIEFING PAPER

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**SUBJECT:** ENERGY PROCUREMENT CONTRACT RENEWAL  
**DATE:** 12 AUGUST 2021  
**RECIPIENT:** OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE

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### THIS IS NOT A DECISION PAPER

#### SUMMARY:

Southampton City Council (Council) procures £9 million of electricity and gas per annum covering all corporate and housing assets. All of the council gas and electricity is procured via the Kent County Council's Energy Buying Group (LASER) as part of a 2016-2021 Flexible Energy Official Journal of the European Union (OJEU) compliant framework.

The current Council electricity and gas contracts will expire on 30th September 2021. This paper proposes to continue the procurement of electricity and gas through LASER from October 2021 utilising their OJEU compliant framework.

The existing contracts are separated between corporate and housing portfolios, then gas and electricity contracts are separated within each of the housing and corporate portfolios. This will continue as part of the recommended route outlined within this paper.

This paper provides evidence of the recommended option to be taken forward from October 2021.

#### RECOMMENDATION:

A report to approve the recommended route to secure gas and electricity supply contracts from October 2021, for a minimum period of 2 years with an option to extend for a further 2 years via the Kent County Council LASER Framework, will be considered at Cabinet and Council in September 2021. Council will be recommended to approve the following delegations of authority to:

- i. the Executive Director Finance & Commercialism (S151) with agreement with the Executive Director of Place to enter into appropriate Customer Access Agreements through the LASER framework for the supply of electricity, gas and ancillary services.
- ii. the Executive Director Finance & Commercialism (S151) and the Executive Director of Place to procure and award a call off contract under a LASER framework agreement for the Council's (including partners) gas and electricity supplies for a term of up to 4 years for the period 2021-2025.
- iii. Decide on the in-contract purchasing option and additional ancillary services under the LASER framework, including green options, to the Executive Director Finance & Commercialism (S151) and the Executive Director of Place.

# BRIEFING PAPER

- iv. To procure 'green electricity' on both housing and corporate contracts via the LASER framework.

## **BACKGROUND and BRIEFING DETAILS:**

### **Who is LASER?**

1. LASER acts like a 'buying club', whereby the council joins together with other public sector bodies and the tender of prices on the energy market takes place based on energy supplies worth £450m (approximately 2% of the UK's non-domestic energy demand) rather than with just the Council's £9m. The approach is compliant with procurement regulations (PCR15). LASER provides the aggregated, flexible, and risk-managed approach recommended by Government, and expertise in energy-buying for local authorities.
2. The LASER framework contracts have been awarded to NPower for electricity and Total Gas and Power for gas. These are the Council's current energy suppliers and would provide continuity across the contracts.
3. LASER uses a governance process managed by representatives from its members from London Boroughs, County and unitary authorities. The governance panel helps to set buying strategy and provides an audited record of each buying decision.
4. LASER currently procures energy for over 200 public organisations including 130 local authorities, representing over £450m of energy contracts every year. It has completed the procurement to appoint the energy providers for the period October 2021 to September 2024.

### **Why the council procure from LASER?**

5. The council has procured its electricity and gas supplies in this way since 2009. This provision of energy and procurement services by LASER in the current 2016-2021 contract was previously independently benchmarked and shown to be best value.
6. The aggregation of energy demand from the contracted public authorities within the Laser buying group is attractive to the energy market and promotes the lowest 'cost to serve'.
7. The LASER contract provides flexible procurement which means rather than be tied to the cost of energy at the time of the tender return, LASER buy portions (clips) of energy at the most economical time during the rise and fall in the market. This approach is proven to take advantage of market variation in order to procure at the best price. LASER have delivered, under the procurement in advance option, an average cost of -7.05% and -4.88% for electricity and gas purchasing respectively, less than the market benchmark price between 2016 and 2021.
8. This report recommends that the Council commits to signing a two year with 2 x 12 month tripartite contract rather than signing up to a full (2021-2025) agreement as the two year forward commitment provides greater flexibility to manage changes within SCC's scope, status and assets, at a time of significant change.
9. It is estimated that the benefits achieved through the current LASER flexible frameworks, including through market purchases and aggregation, reduces SCC's energy spend by circa £188k per annum.



# BRIEFING PAPER

10. The electricity provided by NPower under the LASER framework will enable SCC to procure renewable electricity. The council can procure Renewable Energy Guarantees of Origin (REGO) certificates to ensure that all councils assets are supplied with renewable electricity. The corporate electricity account has been procured under this route since 2019.
11. It is recommended to ensure continuity and visibility that council continues to procure REGOs to cover the corporate electricity contracts and include housing electricity usage from October 2021.
12. Ofgem, the energy regulator, administer the REGO scheme, which provides transparency to consumers about the proportion of electricity that suppliers source from renewable generation. There is an increased cost per unit consumed, with estimated Npower maximum costs shown below. Further information is provided in Annex 1.

*Table 1 - Annual REGO Cost distribution between Corporate and Housing*

Portfolio	Annual REGO Cost	% of total cost
Corporate	£15,080	0.4%
Housing	£24,160	0.5%
Total	£39,241	0.5%

13. There are also other green power options within the LASER framework that could enable SCC to procure proportions of energy direct from renewable energy generators. These options are summarised in Annex 1. These have the potential to offer a number of advantages compared to the purchase of REGOs and it is recommended that within two years of the contact date a review of the options is undertaken to identify the most effective medium/long-term strategy for supporting the decarbonisation of the supply network.
14. Market liquidity (the availability of raw gas and electricity within the wholesale market) beyond the front 2-3 years is limited, therefore, a rolling two to three year buying window is sufficient to enable LASER to effectively manage price risk on a continuous basis.
15. There are a number of procurement options within the LASER framework that will enable SCC to procure energy using the most effective buying option to suit each meter consumption profile. This will help smooth the risks associated with a fluctuating energy market.
16. Circa 50% of the electricity cost charged to the council comes from fixed and other non-raw energy related costs, which will continue to see significant changes over the coming years. By being part of a central purchasing body like LASER we can mitigate or reduce the risk of price increases, and market volatility, and help to lessen some of the fixed pricing mechanisms more easily, leading to a lower delivered price.

## **RESOURCE/POLICY/FINANCIAL/LEGAL IMPLICATIONS:**

# BRIEFING PAPER

17. The daily operation of council corporate and housing energy contracts is undertaken by resources located in Property within the Energy and Neighbourhoods Payment Teams. This daily management is spread across 4 FTEs – 2 x Neighbourhood Team (Housing Contract) and 2 x Energy Team (Corporate Contract). The energy contract management covers part of the roles identified. The two teams work closely together and provide support and backup where necessary to ensure the smooth running of the contract. There is also support from the finance teams where required. The Energy Team are responsible for the procurement of the contract.
18. Energy related invoicing has been centralised and is managed electronically. This has significantly reduced administration of the contract.
19. The team deliver the energy managed service to corporate sites, including all leisure centres under the Active Nation contract and schools. This service includes centralised payment, bill validation, contract management, management of billing and existing metering queries. It involves ensuring costs are managed and savings identified as part of the service. This service has identified and delivered £800K of savings to the corporate gas and electricity contract over the lifetime of previous framework 2016 to date. On the corporate energy account only, this will be offset by approximately 1.5% fees which the council levies to energy costs to cover the added value energy managed services delivered as part of the contract management.<sup>1</sup>
20. Based on current consumption, under the new framework, LASER's procurement only management fees would be approximately £85k (less than 1%) per annum (subject to CPI increases).
21. Green City implications - The LASER energy supply frameworks have been drawn up to serve public sector organisations, many of whom have declared a climate emergency. As such, they have been specifically designed to provide a large degree of flexibility to the customer, within the contracted period, to allow a range of actions to be taken that will reduce its carbon emissions. Under the LASER framework a green tariff can be selected in advance of the 2021 supply period start – or at any point thereafter for subsequent supply years within the contract. There is currently much debate around the additionality and climate change benefits of such an approach however, and the LASER framework also provides significant flexibility to take further decisive and ambitious action to reduce the Council's carbon emissions in line with any recommendations from the Green City Programme Board.
22. Flexibility to reduce purchased energy volumes significantly: One of the most effective means of reducing carbon emissions is to reduce grid imported energy consumption significantly (through investment in energy efficiency projects and/or self-supply from on-site renewable energy installations). Many energy supply contracts contain punitive terms ('take or pay clauses') which penalise customers for significant reductions in purchased volumes (typically in excess of 10% volume variation). Due to the flexible procurement strategies employed by LASER, their large portfolio and longer-term supply periods, it is able to absorb variances in volumes and in doing so critically provide the flexibility for the customer to reduce its purchased consumption significantly. This is considered to be a major benefit of the LASER contract over

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<sup>1</sup> This includes monitoring of energy consumption for reduction purposes, electronic invoice payment & management, price checking and validation, along with contract and query management.

# BRIEFING PAPER

alternative arrangements, paving the way for decisive action on energy and carbon reduction.

23. Energy market price volatility has increased substantially since January 2021. This has pushed gas and electricity prices up to an all-time high and has a bearing on the prices secured from October 2021, which will be the contract pricing start period. Energy is sold in the market like any other commodity, which means we are at the mercy of the price at the time of entering the market. That is why the flexible procurement route has always proved to be the least risky purchasing strategy for the council. See procurement from Section 25 and risks outlined in Section 35 below for further information.

## TIMESCALES & PROCUREMENT

24. Timescales – The decision paper to award contracts will be taken to Full Council in September 2021 to ensure we secure contracts before the new pricing period from 1 October 2021.
25. Procurement – The two market options that the Procurement Business Partnering Team explored were; run an Open Find a Tender Service (FTS) procedure or utilise a framework. The Open option for all supplies has been ruled out as the Council’s commitment alone would not attract a favourable economy of scale. There would also be an additional cost from procuring a broker to leverage the market on the Council’s behalf. This option didn’t offer any value for money and would be a time-consuming and costly exercise. The Council will gain a greater benefit from an established framework which it can call off from as part of a commitment cohort with similar organisations. This will allow the Council to achieve better pricing for its gas and electricity. Of those available, the LASER framework demonstrated best value and aligned to the Council’s objectives. It also provides a fantastic future option for the Council to explore “Green” baskets as part of the Green City Programme.
26. Total costs of energy in financial year 2019-20 is shown in Table 2 below. Costs of energy during 2020-21 have reduced due to the impact of Covid 19, meaning site closures or reduced occupation.

*Table 2 – Total Council gas and electricity costs.*

PORTFOLIO	UTILITY	COST
<b>Corporate</b>	ELEC	£3,488,312
	GAS	£744,182
	<b>Total Corporate</b>	<b>£4,232,494</b>
<b>Housing</b>	ELEC	£4,501,261
	GAS	£241,410
	<b>Total Housing</b>	<b>£4,742,671</b>
	<b>Total</b>	<b>£8,975,165</b>

27. Within the contracts there are several different purchasing options which balance cost against risk.
28. Historically all housing and medium to low consuming corporate sites are within the ‘Purchase in Advance’ (PIA) option (basket). This means all energy is purchased at intervals prior to the pricing start date, which was historically 1 October each year. This gives a fixed price electricity and gas price certainty over a twelve month period.

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29. The larger consuming meters have been procured on a 'Purchase within Period' (PWP) option. This is where a proportion of energy is purchased pre pricing period with the remainder being purchased (circa 20%) within a six month pricing period. A fixed price is charged within each six month pricing period with a reconciliation at the end of each period. As price volatility is high and the outlook also looking volatile, its proposed that the purchase in advance basket is chosen for all meters. This will provide a lower risk basket that will provide more price certainty within each financial year. There has also been some confusion from service areas on the six monthly PWP pricing periods, which have meant significantly higher winter prices and lower summer prices.
30. It's also proposed to move the annual price period from October to September to April to March. At the moment a fixed energy price is provided from October for either six (under PWP) or twelve (under PIA) months. But moving forward the fixed price will be set over a financial year (April to March) as requested by our schools and finance during a consultation process. This means that the first six months of the contract from October 2021 will be procured on a fixed term fixed price route.
31. There is also the option to procure ancillary services under the framework, such as metering, data and wider energy services. The council will utilise these services if it is cost effective to do so. Historically metering and data has been procured via these arrangements. However, these will be procured separately if there are better value alternatives.

## RISK MANAGEMENT IMPLICATIONS:

32. Risk has been identified as high in relation to Financial and Green City Policy:
  - Failure to enter gas and electricity supply contracts runs the risk of facing out of contract pricing, which can attract premiums in excess of 100%.
  - The energy market has seen significant rises on gas and electricity wholesale prices on both the spot and forward purchasing market. At the time of writing market prices for gas and electricity are at all-time highs and this is going to affect the price of energy supplied to SCC from October 2021. A purchasing strategy is being assessed for the year ahead from October 2021 which will hopefully reduce the impact on the council, but gas and electricity prices will rise from October. At the moment it's impossible to quantify this increase but it will very likely be in double percentages figures on all supplies. Cost rises will be reported in November 2021 once prices are validated and finalised for the year ahead from October.
  - Locking into certain contracts can also penalise future energy reductions, making them uneconomical and effectively blocking significant potential future cost and carbon reduction activities. Furthermore, failure to enter supply contracts in advance, minimises the window for forward buying and within that market opportunity.

<b>Further Information Available From:</b>	<b>Name:</b>	Jason Taylor – Energy Manager
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## Annex 1 – Green Electricity Future Contract Options

### 1. **Flexibility to utilise/purchase energy directly from renewable energy installations**

A means of reducing an organisation's carbon emissions is to purchase renewable energy directly from a known off-site installation (e.g. a solar farm in Hampshire or anywhere else in the country). The LASER framework has been set up to facilitate such arrangements via specialist flexible mechanisms such as sleeving or Power Purchase Agreements. LASER is actively promoting collaboration between its customers to increase development and subsequent benefits from new renewable energy installations. This may range from providing land, to investing in an installation, to selling renewable energy to other customers or to simply committing to purchase renewable energy from an installation. The end result of this is additional renewable energy generation – as is urgently needed to mitigate against further climate change. Critically, energy purchased under such arrangements can be seen as additional and is therefore less likely to be challenged if reported as zero carbon. If decision makers wish to progress this option, it is recommended a detailed assessment is undertaken post contract signing as the timelines required to agree terms on a power purchase agreement will take us past 1 October, when contract renewal needs to be in place.

### 2. **Flexibility to purchase a green tariff**

A course of action the Council currently uses for its main corporate assets to address the climate emergency is to purchase electricity via a "green tariff". Under such tariffs, for every Megawatt hour (MWh) of electricity purchased for a customer, the supplier also purchases a Renewable Energy Guarantee of Origin (REGO) certificate, which is issued by Ofgem for every MWh of renewable electricity fed into the grid. As such REGOs are traded in a secondary market to the main energy commodity at a fraction of the price. In its assessment of the value of green tariffs, Ofgem stated that it has seen no evidence that green tariffs "could materially support the production of renewable energy over and above what is already in place." Further to this there is a lack of consistency and clarity in guidance for organisations reporting their carbon emissions. The Government's latest guidance for its own departments specifically precludes counting energy purchased through a green tariff as zero carbon. This would appear to limit the benefits of adopting such green tariffs. That said, under the LASER framework a customer may choose to pay a relatively small premium to adopt a green tariff. This has been selected previously under the existing contract for the corporate portfolio only. A consultation is being undertaken within the housing portfolio to assess the option for future electricity contracts to be supplied by green tariff under a REGO arrangement. This option can be selected in advance of the contracted period or prior to any given supply year within the contract, if considered appropriate via the consultation process (e.g. as a short-term measure or following updated Government guidance).

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# Agenda Item 8

<b>DECISION-MAKER:</b>	OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE		
<b>SUBJECT:</b>	MONITORING SCRUTINY RECOMMENDATIONS TO THE EXECUTIVE		
<b>DATE OF DECISION:</b>	12 AUGUST 2021		
<b>REPORT OF:</b>	SERVICE DIRECTOR - LEGAL AND BUSINESS OPERATIONS		
<b><u>CONTACT DETAILS</u></b>			
<b>Executive Director</b>	<b>Title</b>	<b>Deputy Chief Executive</b>	
	<b>Name:</b>	<b>Mike Harris</b>	<b>Tel: 023 8083 2882</b>
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<b>Author:</b>	<b>Title</b>	<b>Scrutiny Manager</b>	
	<b>Name:</b>	<b>Mark Pirnie</b>	<b>Tel: 023 8083 3886</b>
	<b>E-mail</b>	<b>Mark.pirnie@southampton.gov.uk</b>	
<b>STATEMENT OF CONFIDENTIALITY</b>			
None			
<b>BRIEF SUMMARY</b>			
This item enables the Overview and Scrutiny Management Committee to monitor and track progress on recommendations made to the Executive at previous meetings.			
<b>RECOMMENDATIONS:</b>			
	(i)	That the Committee considers the responses from the Executive to recommendations from previous meetings and provides feedback.	
<b>REASONS FOR REPORT RECOMMENDATIONS</b>			
1.	To assist the Committee in assessing the impact and consequence of recommendations made at previous meetings.		
<b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>			
2.	None.		
<b>DETAIL (Including consultation carried out)</b>			
3.	Appendix 1 of the report sets out the recommendations made to the Executive at previous meetings of the Overview and Scrutiny Management Committee (OSMC). It also contains a summary of action taken by the Executive in response to the recommendations.		
4.	The progress status for each recommendation is indicated and if the OSMC confirms acceptance of the items marked as completed they will be removed from the list. In cases where action on the recommendation is outstanding or the Committee does not accept the matter has been adequately completed, it will be kept on the list and reported back to the next meeting. It will remain on the list until such time as the Committee accepts the recommendation as		

	completed. Rejected recommendations will only be removed from the list after being reported to the OSMC.	
<b>RESOURCE IMPLICATIONS</b>		
<b><u>Capital/Revenue</u></b>		
5.	None.	
<b><u>Property/Other</u></b>		
6.	None.	
<b>LEGAL IMPLICATIONS</b>		
<b><u>Statutory power to undertake proposals in the report:</u></b>		
7.	The duty to undertake overview and scrutiny is set out in Part 1A Section 9 of the Local Government Act 2000.	
<b><u>Other Legal Implications:</u></b>		
8.	None	
<b>RISK MANAGEMENT IMPLICATIONS</b>		
9.	None.	
<b>POLICY FRAMEWORK IMPLICATIONS</b>		
10.	None	
<b>KEY DECISION</b>		No
<b>WARDS/COMMUNITIES AFFECTED:</b>		None directly as a result of this report
<b><u>SUPPORTING DOCUMENTATION</u></b>		
<b>Appendices</b>		
1.	Monitoring Scrutiny Recommendations – 12 August 2021	
<b>Documents In Members' Rooms</b>		
1.	None	
<b>Equality Impact Assessment</b>		
Do the implications/subject of the report require an Equality and Safety Impact Assessments (ESIA) to be carried out?		No
<b>Data Protection Impact Assessment</b>		
Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out?		No
<b>Other Background Documents</b>		
<b>Equality Impact Assessment and Other Background documents available for inspection at:</b>		
Title of Background Paper(s)		Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	None	



# Overview and Scrutiny Management Committee: Holding the Executive to Account

Scrutiny Monitoring – 12 August 2021

Date	Portfolio	Title	Action proposed	Action Taken	Progress Status
15/07/21	Growth	Reopening of Bedford Place to traffic	1) That the Cabinet Member gives consideration to utilising the residual funding within the Late Night Levy account to improve the cleanliness and appearance of Bedford Place.	The Late Night Levy decision making process has been circulated to the Committee - 04/08/21. A response to the recommendation will be provided at 9 September OSMC meeting.	
15/07/21	Growth	Removal of parking charges	1) That the Executive outlines the success measures against which the proposals to remove evening and Sunday parking charges will be judged.	Regular car park occupancy surveys of key sites to include vehicle registration data to establish whether different users are making use of the facilities.	1 <sup>st</sup> survey done 24/7/2021
			2) That parking returns to the Committee later this year to enable consideration of the Council's new Parking Plan and the impact of the removal of parking charges. The Committee would welcome feedback from stakeholders on the removal of parking charges to be available to inform this discussion.	Agreed - We will engage with stakeholders for feedback.	
15/07/21	Communities , Culture & Heritage	Destination Management Plan	1) That officers, when drafting the initial action plan to deliver the objectives within the Destination Management Plan, include the key outputs that the DMP is seeking to deliver.	Noted – Key Performance Indicators will be part of the action plan formed by the Destination Partnership once posts have been recruited to.	
			2) That officers inform the Scrutiny Manager when the action plan has been drafted to enable it to be discussed at a future meeting of the OSMC.	Noted – The action plan will be formed by the Destination Partnership once posts have been recruited to.	
			3) That the Committee are provided with an explanation of what the additional resource to support the delivery of the Destination Management Plan, that was considered by the Cabinet Member but not chosen, would have delivered, including outputs.	The additional resource was a post that focused on operational delivery/ training and business support. It was felt at this time that the need for this work could be revisited as part of the business planning process going forward.	

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