

Report to: Lead Member for Resources and Climate Change

Date of meeting: 15 July 2024

By: Chief Operating Officer

Title: Procurement of Supply of Gas and Electricity to East Sussex County Council Assets

Purpose: To seek Lead Member approval for the procurement of gas and electricity supply to East Sussex County Council Properties and Assets.

RECOMMENDATIONS

The Lead Member for Resources and Climate Change is recommended to:

- 1) Approve East Sussex County Council (ESCC) continuing to purchase electricity and gas via the Crown Commercial Services Energy Framework following an energy market review;
 - 2) Delegate authority to the Chief Operating Officer to take all actions considered appropriate to give effect to the above recommendation including, but not limited to, agreeing the contract for purchase of electricity and gas; and
 - 3) Delegate authority to the Chief Operating Officer to undertake a further review within 24 months to ensure the Council is securing value for money.
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1 Background

1.1 East Sussex County Council's current arrangements for the supply of gas and electricity are procured through the Crown Commercial Services Energy Supply Frameworks as outlined in the Lead Member's decision of 20 September 2019 ([Agenda for Lead Member for Resources and Climate Change on Friday, 20th September, 2019, 11.00 am | East Sussex County Council](#)).

1.2 The Council currently procures gas and electricity for the following assets:

- Corporate Buildings (including Social Care Buildings and Libraries):
- Schools.
- Street Lighting.
- Academies.

Academies and Schools pay their sites energy invoicing direct to the supplier.

Table 1 - shows the energy consumption (in megawatt hours) used in 2023/2024 for the different areas shown above.

| Department | Gas MWh | Electricity MWh |
|-----------------|---------------|-----------------|
| Corporate | 6,233 | 4,505 |
| Schools | 11,644 | 9,216 |
| Street Lighting | - | 6,088 |
| Academies | 13,659 | 6,398 |
| Total | 31,536 | 26,207 |

1.3 The annual cost for the supply of gas and electricity across all the assets above will change according to demand and wholesale market cost.

- 1.4 The Council's Property team are working with site managers regarding best practice on how to reduce energy usage and this is an important role to aid the reduction of energy consumption. The Council also has an established programme of capital investment including heat decarbonisation projects, LED lighting and solar PV panel installation programme. The Business Services Department Portfolio Plan had a target for 23 energy efficiency projects in 2023/2024 to reduce energy consumption; however, this was surpassed by achieving 25 projects in that period.
- 1.5 Due to the nature of the market and to obtain best value, the Council procures energy in advance. The contract for the gas and electricity supply is pivotal to ensure all services are maintained in a way to support the requirements of East Sussex County Council in monitoring consumption, carbon reporting and spend of energy. This is because East Sussex County Council's [Climate Emergency Plan 2023-25](#) recognises the impact of energy usage on the environment.
- 1.6 The energy industry has made progress in developing a greater mix of energy produced via renewable sources, such as wind, solar, hydro and wave for example. Consequentially, the carbon intensity of energy supplied by the national grid has reduced since East Sussex County Council's current arrangements for the supply of gas and electricity were procured in 2019.
- 1.7 East Sussex County Council's corporate estate electricity and street lighting currently procures REGO's (Renewable Energy Guarantees of Origin) and the ongoing purchase will be subject to a separate review.

2 Supporting information.

- 2.1 Officers from Energy and Procurement across East Sussex County Council, Surrey County Council and Brighton & Hove City Council have been working together to review the current energy market. This work has included extensive research and analysis into the various options available as well as comparison of various buying strategies, as gas and electricity are traded as a commodity within the market. The market review outlined three routes to market:
 1. Option 1: To jointly review and procure with other local organisations using a national framework.
 2. Option 2: A full standalone procurement.
 3. Option 3: Adopt a 'do-nothing' approach.
- 2.2 Within Local Government, one way to secure optimum value for money in respect of procurement for the supply of utilities, is to purchase through a Central Purchasing Body (CPB); see for example the Local Government Association's [National Energy Category Strategy for Local Government 2022 – energising procurement](#).
- 2.3 A review was undertaken of the following frameworks within the marketplace; Crown Commercial Services (CCS), Laser, Yorkshire Purchasing Organisation, and the North East Procurement Organisation. It was subsequently determined that CCS Commercial Services Energy 2 framework' continues to provide the best governance, value, experience, and resources to deliver the services required by East Sussex County Council. The commercial aspects of the procurement are outlined in an exempt report later in the agenda. Under the Crown Commercial Services Framework [Supply of Energy 2 - CCS \(crowncommercial.gov.uk\)](#) energy is provided by 2 suppliers: Total Energies for gas and EDF for electricity. This framework is in place from 2023 until 2027 running for 4 years.
- 2.4 Under the current Crown Commercial Services framework [Supply of Energy 2 - CCS \(crowncommercial.gov.uk\)](#), there are various energy trading strategies which a customer can adopt.

- 2.5 Information provided by CCS, and analysis of current purchasing strategies employed by the Council against the assets described in paragraph 1.2, support East Sussex County Council in achieving targets in line with the Council Plan ([Council Plan 2024/25 | East Sussex County Council](#)).

Financial Appraisal

- 2.6 The cost of utilities is included within the Council's operating budget for services and adjusted on an annual basis to consider fluctuations in price.
- 2.7 The proposed approach of purchasing gas and electricity through the CCS framework will meet the Council's statutory duty to ensure best value and is consistent with East Sussex County Council's Energy strategy.

3 Conclusion and reasons for recommendations

- 3.1 The Council needs to provide value for money and a secure supply of gas and electricity for its assets and properties, including schools. On its own, the Council does not have the appropriate demand and leverage to gain an optimum price and value for this supply independently. It will benefit from continuing to purchase with Crown Commercial Services, who undertake aggregated buying of approximately £51 billion of public sector energy to achieve this.
- 3.2 Due to the nature of the energy markets, to obtain best value, the Council procures energy in advance via an energy strategy. The supply of gas and electricity are subject to wider geo-political factors as seen with the energy crisis in 2022.
- 3.3 The Lead Member for Resources and Climate Change is therefore recommended to:
- 3.3.1 Approve the Council continuing to purchase gas and electricity via the Crown Commercial Services Energy framework in accordance with the Council's energy strategy.
 - 3.3.2 Delegate authority to the Chief Operating Officer to take all actions considered appropriate to give effect to the above recommendation including, but not limited to, agreeing the contract for purchase of electricity and gas.
 - 3.3.3 Delegate authority to the Chief Operating Officer to undertake a further review within 24 months to ensure the Council is securing value for money.

ROS PARKER
Chief Operating Officer

Contact Officer: Andrea Shearing, Energy Account Manager
Tel: 01273 481482 | Mobile: 07552286716
Email: Andrea.Shearing@eastsussex.gov.uk

LOCAL MEMBER

All

BACKGROUND DOCUMENTS

None