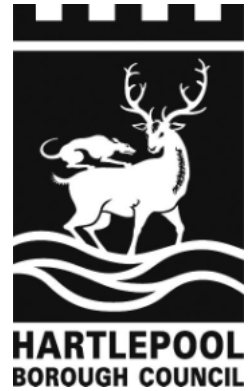


FINANCE AND PROCUREMENT PORTFOLIO

DECISION SCHEDULE



Thursday 4 November 2010

at 10.00 am

**in Committee Room C,
Civic Centre, Hartlepool**

Councillor R Payne, Cabinet Member responsible for Finance and Procurement will consider the following items.

1. KEY DECISIONS

No items

2. OTHER ITEMS REQUIRING DECISION

- 2.1 Energy Billing Cost Recovery – *Assistant Director (Resources)*
- 2.2 Crown House – Short Term Let – *Assistant Director (Resources)*

3. ITEMS FOR INFORMATION

No items

FINANCE AND PROCUREMENT PORTFOLIO

Report To Portfolio Holder

4th November 2010



Report of: Assistant Director (Resources)

Subject: ENERGY BILLING COST RECOVERY

SUMMARY

1. PURPOSE OF REPORT

To inform Portfolio Holder of the potential to reclaim hidden charges in the Half Hourly electricity contract and to seek approval to appoint a Cost Management consultant to seek to identify and recover supplier savings.

2. SUMMARY OF CONTENTS

The report details the background of the service being offered by a Cost Management Energy Consultant company and outlines the steps required if the Council was to pursue the opportunity.

3. RELEVANCE TO PORTFOLIO MEMBER

The Portfolio Holder is the Council's Procurement Champion

4. TYPE OF DECISION

Non Key

5. DECISION MAKING ROUTE

Portfolio Holder Only

6. DECISION(S) REQUIRED

The Portfolio Holder authorises the appointment of a Cost Management company to assess any potential refund from the current electricity supplier

Report of: Assistant Director (Resources)

Subject: ENERGY BILLING COST RECOVERY

1. PURPOSE OF REPORT

- 1.1 To inform Portfolio Holder of the possibility to reclaim hidden charges in the Half Hourly electricity contract and to seek approval to appoint a Cost Management consultant to seek to identify and recover supplier savings.

2. BACKGROUND

- 2.1 Hartlepool Borough Council uses the North East Purchasing Organisation (NEPO) contract to procure its electricity supplies. The preferred utility supplier offers Hartlepool through NEPO a set price per kWh for the energy it supplies.
- 2.2 This means that the energy supply contract contains hidden chargeable elements that our energy supplier is collecting on behalf of the supply chain. These elements include charges relating to the transportation and distribution of electricity through the grid network and associated infrastructure charges.
- 2.3 The energy supplier has no incentive to examine the accuracy of these costs and simply passes them on as part of their supply arrangement.
- 2.4 Over recent years there has been a growth in companies who analyse utility accounts. Starting with the telecommunication industry, they have now developed software to challenge the pass through costs (DUOS – “Distribution use of Systems”) and recover any over charging within the electricity market.

3. PROPOSALS

- 3.1 The increasing requirement to scrutinise all cost centres and to minimise all expenditure has focused attention on the possibility of identifying and recovering past overpayments and to reduce future payments.

4. FINANCIAL CONSIDERATIONS

- 4.1 Hartlepool Council spent £600,000 in the financial year 2009/2010 on electricity supplies to its 12 Half Hourly sites, any potential savings

could be beneficial to the Council. The “Half Hourly” sites are those sites whose electricity consumption passes through a threshold of 100kW per hour. These sites include the Civic Centre, Mill House, Borough Hall and Sports Centre, Central Library, Lynn St Depot, Hartlepool Maritime Experience and all of the Secondary Schools. Due to the large amounts of electricity used at these sites, the Cost Management companies specifically target these sites as they offer the greatest opportunity for cost recovery. Those sites which fall below the threshold are seen to offer little scope to achieve a worthwhile return on investment.

- 4.2 There is no financial risk to the Council as the service is free of charge with the cost management organisations operating on a fixed percentage of any costs recovered. This percentage will be determined as part of a competitive procurement process.
- 4.3 Bids will be received and judged in a similar way to the Ratings Review exercise i.e. the “commission” fee percentage together with an assessment of the financial stability, expertise and references from other Local Authorities.
- 4.4 The intention is to seek quotations from a range of organisations who can provide this service.
- 4.5 The possibility of the Council conducting its own review of the build up of electricity charges has been examined. However due to the complexities of the utility infrastructure and the bespoke software required, the appointment of a specialist cost management organisation is recommended.

5. RECOMMENDATIONS

- 5.1 That the Portfolio Holder authorises the appointment of a Cost Management Consultant to investigate the possibility of recovering any overcharging within the Electricity contract

6. CONTACT OFFICER

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FINANCE AND PROCUREMENT PORTFOLIO

Report To Portfolio Holder

4th November 2010



Report of: Assistant Director (Resources)

Subject: CROWN HOUSE – SHORT TERM LET

SUMMARY

1. PURPOSE OF REPORT

To seek approval for a short term let of the Crown House site for car parking purposes.

2. SUMMARY OF CONTENTS

Outline of the current position and proposals

3. RELEVANCE TO PORTFOLIO MEMBER

Portfolio Holder is responsible for the Council's property portfolio

4. TYPE OF DECISION

Non Key

5. DECISION MAKING ROUTE

Portfolio Holder only

6. DECISION(S) REQUIRED

Approval for a short term let of the site as a car park pending development of the property.

Report of: Assistant Director (Resources)

Subject: CROWN HOUSE – SHORT TERM LET

1. PURPOSE OF REPORT

- 1.1 To seek approval for a short term let of the Crown House site for car parking purposes.

2. BACKGROUND

- 2.1 The Crown House site was acquired in October 2009, the purpose of the acquisition being both general regeneration of the area and specifically the eventual development of the site for the Hartlepool Innovation Connectors project. The site is shown hatched on the plan at **Appendix 1**.
- 2.2 Funding of the purchase came from One North East. The building frame that was on the site at the time of purchase has recently been demolished and the site cleared, leaving only the original basement car park surface in place.
- 2.3 At present funding is not available for the proposed development but it is hoped to have funding and all necessary consents in place by June 2012.
- 2.4 In the interim period, it is proposed to let the site as a car park. Discussions have taken place with 2 interested parties and it is now proposed to let the site to Cleveland College of Art and Design, who have a much increased need for parking provision following the expansion of their Hartlepool campus on Church Square. The timescales requested by the other party did not fit in with the Council's plans.
- 2.5 Development Control have recently confirmed that no planning permission is required for use of the site as a car park.

3. PROPOSALS

- 3.1 It is proposed to let the property on licence for car park use until 30th June 2012 on terms contained in confidential **Appendix 2** **This item contains exempt information under Schedule 12A Local Government Act 1972 (as amended by the Local Government**

(Access to Information) (Variation) Order 2006) namely, (para 3) information relating to the financial or business affairs of any particular person (including the authority holding that information.

- 3.2 It also proposed that the revenue from the letting will contribute towards the funding for development of the Hartlepool Innovation Connectors scheme.
- 3.3 The college are currently considering options in relation to cost effective management and lighting of the site. One option being considered is management of the site by the Council's Parking Services team; as part of this arrangement, the car park would be open as a public pay and display car park on Saturdays and Sundays but be restricted to college use Monday to Friday. The college will probably install a barrier to control access Monday to Friday, but the barrier will be left up to allow access at weekends.
- 3.4 The college plan to layout 55 car spaces, and to use a permit system. The principal users will be students, and the college intend to make a charge sufficient to cover their costs.

4. RISK AND FINANCIAL CONSIDERATIONS

- 4.1 Cleveland College of Art and Design are considered to represent a good tenant covenant. The site is well fenced and will thus be secure.
- 4.2 The revenue from the letting will contribute towards the purpose for which the site was acquired.

5. LEGAL CONSIDERATIONS

- 5.1 As a condition of the grant from One North East for the purchase there is a clawback arrangement in place that would take effect on any disposal of the property. One North East have confirmed that the proposed letting will not be regarded as a disposal for these purposes, but they have indicated that their preference would be for the revenue to contribute to the funding for the Hartlepool Innovation Connectors development.

6. ASSET MANAGEMENT CONSIDERATIONS

- 6.1 The attention of the Portfolio Holder is drawn to the Asset Management element of the Business Transformation programme. The decision by Cabinet of January 2009 requires a commercial, proactive approach to be taken on Asset Management issues.

- 6.2 The decision to adopt a commercial approach to asset management requires the Council to realise the full value of any properties or property rights that it disposes of.

7. SECTION 17

- 7.1 It is considered that the letting of the site to the college will contribute towards the general security of the area.

8. RECOMMENDATIONS

- 8.1 Approval for a short term let of the site as a car park pending development of the property.

9. REASONS FOR RECOMMENDATIONS

- 9.1 Funding is not yet available for the proposed development and this proposal will both ensure use of the property in the interim period and contribute financially towards the scheme.
- 9.2 The expansion of the college has given them an increased requirement for parking spaces which the Crown House site can satisfy, at least for a period, thus relieving some of the pressure on parking spaces in the area.

10. CONTACT OFFICER

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APPENDIX 1

2.2

Finance and Procurement Portfolio – 4th November 2010

