

	<h2>Policy & Resources Committee</h2> <h3>9 July 2015</h3>
<p style="text-align: center;">Title</p>	<h2>Authorisation of Energy Review and Forward Procurement of Energy Requirements</h2>
<p style="text-align: center;">Report of</p>	<p>Claire Symonds, Commercial and Customer Services Director</p>
<p style="text-align: center;">Wards</p>	<p>All</p>
<p style="text-align: center;">Status</p>	<p>Public</p>
<p style="text-align: center;">Enclosures</p>	<p>Appendix 1 Energy Review Business Case</p>
<p style="text-align: center;">Officer Contact Details</p>	<p>Susan Lowe, Business Partner Corporate and Street Scene susan.lowe@barnet.gov.uk Nigel Bell, Energy Asset Manager, Estates nigel.bell@barnet.gov.uk</p>

<h2>Summary</h2>
<p>This report highlights an Energy Review which has been undertaken to inform options for future procurement of energy (gas/electricity) for the Council’s civic estate and schools who opt to be part of the corporate energy contract arrangement.</p> <p>The report identifies options and seeks authorisation from the committee to proceed with entering into a contract with LASER for the period October 2016 to September 2020 which will enable purchase of energy on behalf of the authority and achievement of efficiencies through forward purchase of energy during optimal market conditions</p>

<h2>Recommendations</h2>
<ol style="list-style-type: none"> 1. That the committee approve procurement of energy requirements through LASER for the period October 2016 to September 2020, subject to mid-term performance review.

1. WHY THIS REPORT IS NEEDED

- 1.1 This report highlights an energy review which has been undertaken to inform options for procuring energy for the Council. The energy review was undertaken following receipt of London Energy Project's (LEP) benchmarking update on energy provision which compared energy arrangements delivery by LASER and Crown Commercial Services. This review has informed the options for procuring energy going forward and these are presented both within this report and in the supporting Energy Review Business Case.
- 1.2 This report seeks authorisation based on the outcome of the energy review to procure energy with LASER past October 2016 which is when the existing energy contract arrangements end.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The reasons for the recommendations are to accept the energy review business case and to authorise procurement of energy from October 2016 to September 2020 subject to mid-term review and authorisation will enable the opportunity of forward purchase of energy during optimal market conditions.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Alternative options were considered but were not recommended as these would represent an approach which does not conform to the Pan Government Energy Project recommendation that all Public Sector organisations adopt aggregated, flexible and risk managed energy procurement.

4. POST DECISION IMPLEMENTATION

- 4.1 Presentation of the energy review business case with this report to the Policy & Resources Committee authorises the Commercial and Customer Services Director to authorise the energy review business case.
- 4.2 Upon receipt of approval of the recommendation to proceed with energy procurement authorisation will be given to LASER to enter into a rolling Fully Managed Contract to enable forward purchase of energy which will enable optimal early market engagement to meet the authority's energy requirements.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 This report and the delivery of energy supply to the Council's civic estate and schools accessing the contract supports the Corporate Plan priorities to maintain a well designed attractive and accessible place, with sustainable infrastructure across the borough and the right environment for a strong and diverse local economy

5.1.2 The continued provision of energy supply to the Council's civic estate endorses the delivery of the Health and Wellbeing Strategy.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

5.2.1 The recommendation to authorise procurement through LASER will ensure that energy supply does not place a demand on the internal resource of the Council, delivers value for money due to the volume of energy purchased through LASER this reduces the cost across stakeholders. It also supports variation to estate size without loss of savings achieved through forward market purchases.

5.2.2 The following table indicates the current costs for energy provision based on the existing estate

Contract Consumption and Value Current Usage	Annual Consumption kWhs	Annual Contract Value	Two Year Contract Value	Four Year Contract Value
Electricity	24,280,557	£2,571,797	£ 5,143,594	£10,287,188.0
Street Lighting	12,884,695	£1,617,215	£ 3,234,430	£ 6,468,864.0
Gas	67,366,331	£1,904,319	£ 3,808,638	£ 7,617,276.0
Total	104,531,583	£6,093,331	£12,186,662	£24,373,328.0

5.2.3 The table below highlights predicted energy costs post civic estate reduction with savings

Projected Annual Contract Value	Annual Consumption kWh	Annual Contract Value	Saving over market average price	Projected Annual Cost Saving	Two Year Contract Value	Four Year Contract Value
Electricity	19,047,905	£2,017,554	1.20%	£24,211	£4,035,108	£8,070,216
Street Lighting	12,884,695	£1,617,215	4.90%	£79,244	£3,234,430	£6,468,860
Gas	67,366,331	£1,904,319	0.40%	£7,617	£3,808,638	£7,617,276
Total	99,298,931	£5,539,088		£111,071	£11,078,176	£22,156,352

5.2.4 Based on the LEP percentage savings analysis the net benefit for LBB would be a saving of approximately £110K annually over compared with the average annual price as noted in the table in 5.2.3 above. The exact apportionment of the savings would be dependent on the method of choosing various energy baskets

5.2.5 The energy review did consider the continuation of managed service delivery however this continues to prove to be beneficial both on internal resources.

The LASER Fully Managed Service has provided a further avoided cost savings of £219k based identifying and correcting overcharges, management queries and consolidated billing service. This is detailed in the following table

Fully Managed Service has provided a further avoided cost savings

Fully Managed Portfolio	Annual Cost Avoidance
Overcharges Corrected	£202,420
Consolidated Billing Saving	£2,900
Available Capacity Savings	£14,589
Total	£219,909

- 5.2.6 The energy review business case highlights that there are options to be considered during the period of a new contract term including alternative procurement approaches and bureau service with period of delivery.
- 5.2.7 The recommendation to enter into a contract with LASER for energy supply over a four year term will enable forward purchase of energy (gas and electricity) when the market is favourable to this activity and also enable schools to join the arrangement should they opt to do so.
- 5.2.8 A contract with LASER will provide security in the purchase of energy and at the same time enable variation to the size of the Council civic estate which is important as the reduction in office accommodation is delivered.
- 5.2.9 By this report seeking authorisation to proceed with procurement the purchase of energy will be compliant in accordance with the Contract Procedure Rules Appendix 1 Table A

5.3 **Legal and Constitutional References**

Report authorisation will enable entry into the LASER energy purchase arrangement and the preparation of a tripartite contract between the Authority, LASER and the energy provider as appropriate. Preparation of the agreement will be supported by HB Public Law. The council's Constitution - Appendix A to Responsibilities for Function, states that Policy and Resources Committee is responsible for the overall strategic direction of the Council including the following specific functions/activities including Corporate Procurement.

And to authorise procurement activity within the remit of the Committee and any acceptance of variations or extensions if within budget in accordance with the responsibilities and Responsibility for Functions – Annex A – May 2015 thresholds set out in Contract Procedure Rules

Under Contract Procedure Rule 8.6 where the Council accesses an existing

Framework Agreement, the Framework Agreement terms and conditions of contract must be used, amended as appropriate as permitted by the Framework Agreement. Before entering into a Framework Agreement due diligence checks must be carried out to demonstrate that the Council can lawfully access the Framework Agreement and that it is fit for purpose and provides value for money.

- 5.3.1 This report seeks authorisation in accordance with Contract Procedure Rules 7.2 and Appendix 1 Table A which requires acceptance by the Policy and Resources Committee

5.4 Risk Management

- 5.4.1 A review of risks and benefits associated with the energy review and authorisation to procure energy is detailed in the Energy Review Business Document attached to this report.

5.5 Equalities and Diversity

- 5.5.1 The 2010 Equality Act outlines the provisions of the Public Sector Equalities Duty which requires Public Bodies **to have due regard** to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010
- advance equality of opportunity between people from different groups
- foster good relations between people from different groups

These have been considered with regard to the recommendation for authorisation to procure energy and it is not considered that an Equalities Impact is required for this procurement.

5.6 Consultation and Engagement

- 5.6.1 Authorisation to proceed with procurement will enable communication with school stakeholders who already use the energy arrangements and further engagement to promote the opportunity of accessing the energy contracts established.

6. BACKGROUND PAPERS

- 6.1 Cabinet Resources Committee 17 December 2012 Agenda Item 10 authorised Delegated Powers Report No 1675 18 May 2012 and continued participation in the LASER Energy Procurement Framework and entry into a tripartite agreement for the supply of gas and electricity. <http://barnet.moderngov.co.uk/ieSearchResults2.aspx?SS=laser&SD=01%2f11%2f2012&ED=31%2f12%2f2012&DT=3&CI=151&ADV=1&CA=false&SB=true&CX=504726136&PG=1>