

	<h2>Cabinet</h2>
<b>Title</b>	Authorisation for the procurement of energy supplies & ancillary services
<b>Date of meeting</b>	14 November 2023
<b>Report of</b>	Councillor Barry Rawlings, Leader of the Council and Cabinet Member for Resources & Effective Council
<b>Wards</b>	All
<b>Status</b>	Public with Exempt Section by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 as amended
<b>Key</b>	Key This decision will affect all wards. The decision is significant as it involves expenditure in excess of £500,000 revenue expenditure.
<b>Urgent</b>	No
<b>Appendices</b>	Appendix A – Review of the Energy TPI Market On Behalf of London Local Authorities -Cornwall Insight Appendix B – Leaders Cabinet Briefing Document (Contains exempt information)
<b>Lead Officer</b>	Chris Smith – Assistant Director of Estates and Decarbonisation
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<h3>Summary</h3>	
<p>The Council currently procures contracts for its corporate electricity and gas supplies, amounting to £9.6 million annually (including associated services) through the LASER Energy Buying Group Framework (Kent County Council). The contracts cover supply of gas and electricity to its Civic /</p>	

Operational Estate, Street Lighting and some larger Barnet Homes sites; together with providing the option for Barnet maintained schools to utilise the supply contract.

The current electricity and gas supply contract expires 31<sup>st</sup> March 2025, and the Council is working to have a new contract in place towards the end of 2023, to permit sufficient time to allow forward purchases of energy to be made prior to commencement of the new supply period in 2025.

This report highlights the findings of a recent review of the energy TPI (Third Party Intermediaries) market undertaken on behalf of LEPP (London Energy Procurement Partnership), a collaborative initiative on behalf of London Local Authorities (Appendix A

The research undertaken by Cornwall Insight, an independent energy research consultancy, provides an insight into the prevailing UK energy market landscape, trends, key players and the services offered by the TPis and the PBOs (Public Sector Buying Organisations). The survey found that for those Local Authorities such as L.B. Barnet which are currently supplied under the LASER Energy Procurement Framework, there is unlikely to be any material advantage to be gained by moving to another provider.

Historically the Council has purchased renewable energy when it has been available on a cost neutral basis. However, as part of the actions the Council is taking to reach net zero carbon by 2030 it is looking to increase its procurement of renewable low carbon energy through the utilisation of green supply tariffs and REGOs (Renewable Guarantees of Origin) Certificated Energy via the LASER Framework, and to potentially direct contract with renewable generators such as solar / wind farms.

The report identifies the preferred option for the Council to continue to utilise the LASER Fully Managed Framework to procure its energy requirement from 01/04/2025 – 31/03/2029 and to potentially procure REGO backed electricity via the LASER Framework, subject to affordability

## Recommendations

### 1. That Cabinet approve the following actions: -

- 1a The Council's participation in the LASER Energy Fully Managed Framework for the flexible procurement of natural gas, electricity & ancillary services for the supply period April 2025 to March 2029. The estimated total expenditure of the supply to be called off under the framework as noted in section 5.3 is approximately £39 million pounds over 4 years.
- 1b To delegate authority to the Deputy Chief Executive, in consultation with the Leader of the Council, to procure and complete gas and electricity supply contracts, via the LASER framework.
- 1c To delegated authority to the Deputy Chief Executive as part of the procurement process, to investigate and prioritise appropriately REGO backed (Renewable Guarantees of Origin) certified renewable electricity supplies, subject to affordability.

### 1. Reasons for the Recommendations

- 1.1. The Council currently contracts for its corporate electricity and gas supplies, including associated services, through the LASER Energy Buying Group Framework, which it has utilised since 1993.
- 1.2. LASER, which is a leading Public Sector Buying Group (PBO) and a division of Kent County Council Commercial Services, undertakes a range of procurement and invoicing management processes on behalf of its members. Service provision includes tendering; appointing energy suppliers; invoicing and managing the portfolio risk strategy on behalf of more than 200 public

bodies, including 28 London boroughs and NHS Trusts with a combined annual energy spend of over £500 million pounds.

- 1.3. The Council currently procures £9.6 million of electricity and gas per annum for supplies under its Corporate Energy Supply Contract for its Civic / Operational Estate, Street Lighting portfolio and some larger Barnet Homes supplies. It also provides the option for Barnet's maintained schools to also utilise the contract arrangement.
- 1.4. In line with the Pan Government Energy project 2007, the council, since 2008, has moved from fixed-term, fixed price procurement to adopt aggregated flexible and risk managed energy procurement. This is now deemed to be the best solution to cost reduction in a complex and volatile market.
- 1.5. The current electricity and gas supply contract expires 31st March 2025, and the council is working to have a new contract in place towards the end of 2023. This will permit sufficient time to allow forward purchases of energy to be made prior to commencement of the new supply period in 2025. This report highlights the findings of a recent review of the energy TPI (Third Party Intermediaries) market, undertaken on behalf of LEPP (London Energy Procurement Partnership), which is a collaborative initiative on behalf of London Local Authorities.
- 1.6. The research undertaken by Cornwall Insight, an independent energy research consultancy provides an insight into the prevailing UK energy market landscape, trends, key players and the services offered by the TPIs and the PBOs (Public Sector Buying Organisations). The survey found that that for those Local Authorities such as the London Borough of Barnet, which currently supplied under the LASER Energy Procurement Framework, there is unlikely to be any material advantage to be gained by moving to another provider.
- 1.7. Historically the council has purchased renewable energy when it has been available on a cost neutral basis, if not better. However, as part of the action the council is taking to reach net zero carbon by 2030, it is looking to increase its procurement of renewable or low carbon energy through the utilisation of green supply tariffs and REGOs (Renewable Guarantees of Origin) certified energy, via the LASER Framework. Concurrently, investigations are underway to potentially contract direct with renewable generators such as solar / wind farms, via a Power Purchase Agreement (PPA)
- 1.8. The Cornwall Insight report identifies that the preferred option for the Council, is to continue to utilise the LASER Fully Managed Framework to procure its energy requirement from 01/04/2025 – 31/03/2029, and to potentially utilise the framework to procure appropriately REGO backed (Renewable Guarantees of Origin) certified renewable generation, subject to affordability.

## **2. Alternative Options Considered and Not Recommended**

- 2.1 The alternative procurement options which were considered and not recommended includes:
  - 2.1.1 Procuring direct from the market with the Council managing its own broker arrangements which is considered a high-risk strategy and requiring a high level of expertise.
  - 2.1.2 Moving provider and procuring through an outsourced Third Party Intermediary (TPI) was considered by the Cornwall Insight Market Assessment Report as not offering any material advantage from Council's existing arrangements.

### 3. Post Decision Implementation

- 3.1 Upon receipt of Cabinet approval to proceed, the Deputy Chief Executive will authorise that both the access agreement and the call-off contracts to be completed. LASER will then commence the process of forward procurement of the appropriate baskets for electricity (conventional or REGO certified green) and gas through the framework suppliers, to ensure that sufficient supply volumes are available for commencement of supply 01/04/2025.

### 4. Corporate Priorities, Performance and Other Considerations

#### Corporate Plan

- 4.1 Following the declaration of a climate and biodiversity emergency in May 2022, delivering and implementing the Sustainability Strategy and Sustainability Action Plan is a key priority for Our Plan for Barnet 2023 – 2026; in caring for Barnet’s people, place and planet.

#### Corporate Performance / Outcome Measures

- 4.2 The Council has committed to becoming a net zero organisation by 2030 and a net zero borough as soon as possible after this, but no later than 2042.
- 4.3 Should the Council switch to REGO backed electricity, this will be a first steps towards transitioning the Council’s energy requirements towards a greener and cleaner supply.

#### Sustainability

- 4.4 Opting for a REGO scheme would demonstrate support for low-carbon energy, in the UK they are seen as a mechanism to provide support to increase the build out of renewable generation. Opting for a REGO backed electricity tariff is not as sustainable as opting for direct contracts with renewable generators such as solar / wind farms, for example through so called Power Purchase Agreements (PPA). However, this is an alternative that is currently being investigated. Procuring through LASER will provide enough flexibility to supplement or exchange energy supply purchased through the framework. This option is still being investigated and will be presented as an option to Cabinet in the future. The Net Zero Tool Summary report is provided below to highlight the impact of the decision.

#### Net Zero Tool Report – Summary

No	Survey Parameters	Survey response (if applicable)	Mitigation (as applicable)
1	Land Use - impact on the installation of non-permeable surfaces	n/a	n/a
2	Biodiversity & Ecosystems - impact on the amount (or type) of wild animals, plants or fungus species present within the borough	n/a	n/a
3	Water Usage - impact on amount of water usage in the borough on a medium/long term basis	n/a	n/a

4	<b>Air Quality</b> - extent of the release of harmful substances or gases into the air and overall impact on air quality	If opting for REGO backed electricity, electric vehicles can be charged with green electricity.	n/a
5	<b>Resource Inputs</b> - implications on the procurement of any goods or materials	Renewable electricity may be procured, which is an intangible resource. However, gas will still be part of the mix until we are fully electrified.	Opt for REGO backed electricity, continue to decarbonise, e.g., replace gas boilers, reduce energy demand by implementing energy efficiency measures.
6	<b>Resource Outputs</b> - impact on materials	n/a	n/a
7	<b>Energy</b> - impact or level of influence on use of energy/power	Energy consumption is a major source of emissions. See below.	The product in question of this decision is energy (electricity and gas).
8	<b>Transport</b> - impact on the use of transport in the borough	If opting for REGO backed electricity, electric vehicles can be charged with green electricity.	Ensure that electric charge points operated by the Council are fed by REGO backed electricity.
9	<b>Sustainable Local Economy</b> - impact on the workforce/businesses within the borough	n/a	n/a
10	<b>Sustainable Local Community</b> - impact on the local community within the borough	The energy contract is open to schools in the borough that which to procure as part of the LASER framework.	n/a
11	<b>Positive Choices &amp; Behaviours</b> - impact on resident's choices and behaviours	Opting for REGO backed electricity, could be communicated to residents and may influence their decision to opt for a green tariff too.	
12	<b>Climate Adaptation / Resilience</b> - Extent of impact of physical climate risk	(Mitigation measure)	By opting for a renewable energy tariff, we are decarbonising our

			energy supply, and are actively reducing the Council's carbon footprint (market-based approach). Opting for the sustainable option supports local, regional, and national net zero targets.
13	<b>Known Carbon Impact</b>	Yes	Over a <u>four-year period</u> , the Council's electricity and gas supply would emit approx. 50,600 tCO <sub>2</sub> e (approx. 12,650 tCO <sub>2</sub> e/annum). When opting for a REGO backed electricity tariff, the Council could report approx. carbon savings of approx. 12,184 tCO <sub>2</sub> e over a period of four years (approx. 3,064 tCO <sub>2</sub> e/annum). (*)
14	<b>Other Environmental Condition</b>	n/a	n/a
15	<b>Have you consulted the Sustainability team</b>	Yes	n/a

**Corporate Parenting**

4.5 No impact anticipated.

**Risk Management**

4.4 A summary of the risks and benefits is provided in the table below:

Risk Ref	Current Risk Profile	Current Risk Rating	Risk Description	Nature of Risk	Risk Status	Benefits
1	Low/Med	Low/Med	Appointment of Energy Suppliers runs from Oct-24 to Sept-28 – T&Cs permit extension	Financial	Treat	Aggregated, flexible and risk managed energy procurement and would
2	Low/Med	Low/Me	Failure of Energy Supplier – Framework appointment includes financial stability test to minimise risk of framework provider failing – Frameworks also include panel of providers offering a compliant route to appoint subject to a failure on non performance	Financial	Treat	Regulatory Compliance including controls - Strong recognition of compliance requirements & risk a of public bodies
3	Low/Med	Low/Med	Non-commitment from school(s) for buy into LASER Framework would reduce annual usage volumes and may impact on contract price – Agglomeration of supplies volumes should limit impact of volume reductions	Financial	Treat	Benefits of aggregation with the v public sector including local auth & NHS trusts in London & South w annual spend of 0.5b p.a.
4	Low/Med	Low/Med	Failure to commit to a compliant framework will limit the scope to forward purchase at the optimum market position	Financial	Treat	
5	Med	Med	Significant changes in consumption can impact on contract pricing – mitigated with agglomeration & early notice	Financial	Treat	

### Insight

4.5 None in the context of this report

### Social Value

4.6 LASER energy framework provides additional Social Value provisions, including: up to £130,000 per annum to spend on initiatives on behalf of LASER customers; the ability to access of “green tariffs” and renewable generation agreements; and sourcing access to net zero suppliers.

## 5. Resource Implications (Finance and Value for Money, Procurement, Staffing, IT and Property)

5.1 The recommendation to authorise the flexible procurement of the Council’s electricity and gas requirements through the LASER Framework and will ensure that supplies are secured through compliant contracts. LASER has a Governance Panel in place which operates to ensure that they develop and execute appropriate buying and risk management strategies for the flexible procurement of energy requirements. The panel comprises a cross-section of LASER customers, the LASER Management team and an independent energy expert.

5.2 Exempt

5.3 Exempt

5.4 Exempt

- 5.5 The utilisation of flexible procurement options enables energy purchases to be hedged over a long period of time and over multiple purchases rather than on a specific day. The use of the framework and its combined spending power also helps to minimise risk; reduces procurement contract operation & back-office costs; and also supports better variations in supply requirements, such as changes in estate size or the move towards decarbonisation.
- 5.6 Budget responsibility is held within Service Areas, in some case so revised costs will be shared as soon as procurement is complete to allow budgets to be correctly forecasted.
- 5.7 By this report seeking authorisation to proceed with procurement the purchase of energy will be compliant in accordance with the Contract Procedure Rules – Authorisation & Acceptance Thresholds, Table B.

## **6. Legal Implications and Constitution References**

- 6.1 Report authorisation will enable utilisation of the LASER energy purchasing framework, via an access agreement. Preparation and award of the specific call-off contracts with the framework energy suppliers will be supported by HB Public Law.
- 6.2 The Council's Contract Procedure Rules specifically Part 4B are applicable to this procurement. As the value exceeds £500,000 authorisation must be either via a Cabinet Report or a Procurement Forward Plan. Furthermore, in accordance with Part 2D - Terms of Reference and Delegation of Duties to the Cabinet, all Key Decisions are the responsibility of Cabinet. The decision being sought is a key decision as it involves expenditure in excess of £500,000 and its effects on communities living or working in an area of two or more wards of the Borough (section 4 of Part 2D).
- 6.4 The report seeks approval to recommission the services under the terms of a LASER Energy Buying Group Framework.
- 6.5 The Council's Contract Procedure Rules (section 5.4) allows Council Officers to call off services from established framework agreements.
- 6.6 Officers may make reprocur the service using the framework as proposed only if:
- The framework agreement was procured in accordance with Public Contracts Regulations 2015.
  - The framework agreement has not expired.
  - The Council was named as a contracting authority that may call-off services from the framework agreement.
  - The Services to be called off fall within the score of the framework agreement.
  - The estimated value of the framework agreement as advertised has not been exceeded.
- 6.7 Once the contract has been entered into this will need to be recorded on the Council's contract register.



6.8 In relation to recommendation 1b above which relates to delegation to the Deputy Chief Executive, this is permissible under section 9E of the Local Government Act 2000.

## **7. Consultation**

7.1 Through the London Energy Procurement Partnership (LEPP), the Council has received independent expert advice to identify the most suitable framework operator or third-party operator (TPI) to meet LEPP's statement of requirements (SoR) (Appendix A).

7.2 Internally, consultation will also take place with Estates, Finance, Legal and Sustainability teams.

## **8. Equalities and Diversity**

8.1 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 services and it is not considered that an Equalities Impact is required for this procurement.

## **9. Background Papers**

9.1 2023/24 Annual Procurement Forward Plan, Policy & Resources Committee 22/02/2023 Agenda Item N0.15

[Agenda for Policy and Resources Committee on Wednesday 22nd February, 2023, 7.00 pm \(moderngov.co.uk\)](https://www.moderngov.co.uk)