

Committee Meeting	
Meeting Date	13 th September 2023
Report Title	Procurement of energy supplies
EMT Lead	Emma Wiggins – Director of Regeneration and Neighbourhoods
Head of Service	Joanne Johnson - Head of Regeneration, Economic Development and Property and Interim Head of Planning
Lead Officer	Eva Harris, Estates Officer
Classification	Open
Recommendations	<ol style="list-style-type: none"> 1. That the council continues to purchase energy supplies via Laser Buying Group for the period 1 October 2024 to 30 September 2028 on a two year renewing basis for both electricity and gas. This will provide flexibility and leaves open the opportunity to apply a full assessment of other Frameworks should the information required be made available by them. 2. To support Swale Borough Council's ambition to achieve net zero within its operations by 2025 it is proposed that the Council continue to purchase renewable energy via Laser Buying Group, paying the additional surcharge for renewable electricity and gas at an estimated additional total cost of £30,000 per annum. 3. That Members delegate authority to the Head of Regeneration, Economic Development and Property and Interim Head of Planning, in consultation with the Head of Finance & Procurement and Chair of Regeneration and Property Committee to vary the contract during this term. This would be subject to consideration of the financial and environmental benefits of any such change.

1 Purpose of Report and Executive Summary

- 1.1 This report makes a recommendation to Committee regarding the purchase of energy supplies and associated management services for the period 1 October 2024 to 30 September 2028.

2 Background

- 2.1 Swale Borough Council currently purchases its energy via a framework agreement Laser reference Y18003 (electricity) & Y18002 (gas) which expires on 30 September 2024. It is usual for purchasers to have a supplier in place approximately a year in advance of supply, as this advance commitment has historically been required to secure best value from the market. The Council therefore will benefit from securing a new supplier this autumn. This supply will cover the majority of the Council's portfolio of assets.
- 2.2 The Pan-Government Energy Project, sponsored by the Ministry of Defence, recommends that all public sector organisations adopt **aggregated, flexible and risk-managed energy procurement**. With the increasing cost in wholesale energy prices, it is important to ensure that any future provider selected has a strong trading strategy (dedicated hedge funding to mitigate peaks and troughs). This approach needs technical knowledge of the energy markets and resource.
- 2.3 Public Buying Organisations (PBOs) are a recognised way of benefitting from local authorities' collective buying power. The expertise that PBOs offer is not only price negotiation but includes contract management with suppliers, billing management and energy management.
- 2.4 The Council's current supplier, The Laser Energy Buying Group, is listed in the Local Government Association, National Energy Category Strategy for Local Government 2022, as one of the few PBOs that offer an energy service framework. The Energy Buying Group was set up by Kent County Council's Commercial Services Unit and currently purchases energy on behalf of over 200 public sector bodies.
- 2.5 The Laser Energy Buying Group framework has a range of purchasing arrangements which have already been tendered through the Find a Tender service (FTS). This means that contracting through such a framework arrangement is compliant with procurement legislation and the Council's own Contract Standing Orders.
- 2.6 Where trusts and community groups have taken on the management of council buildings, they have also been permitted to purchase their energy supplies from Laser thereby allowing them to benefit from the collective purchasing arrangements.
- 2.7 Total spend for the past three years is set out in the table below

	2020/21 consumption cost	2021/22 consumption cost	2022/23 consumption cost
Gas	£31,191.72	£48,716.46	£62,308.34
Electricity	£84,292.47	£110,029.81	£184,036.56
Total	£115,484.19	£158,746.27	£246,344.90

- 2.8 As part of the current commissioning process, other organisations were approached, including another framework supplier and a broker. Unfortunately, despite repeated attempts to secure adequate information, this has not been forthcoming, and a full comparison has not been possible.
- 2.9 Although information received on other frameworks has been limited, based on what is currently known Laser remains a favourable framework, with many Kent local authorities still choosing to purchase through Laser.
- 2.10 Laser will continue to offer access to renewable energy. The cost of Renewable Electricity Guarantee of Origin (REGO) will have a surcharge of 1.179p/kwh from 1 October 2023 which equates to approximately £9,425 per annum across the Council's portfolio consumption. The cost of Renewable Gas Guarantee of Origin RGGO is a surcharge of 2.7p/kwh which equates to approximately £21,250 per annum. These prices are subject to market volatility.

3 Proposals

- 3.1 It is proposed that the council continues to purchase energy supplies via Laser Buying Group for the period 1 October 2024 to 30 September 2028 on a two year renewing basis for both electricity and gas. This will provide flexibility and leaves open the opportunity to apply a full assessment of other Frameworks should the information required be made available by them.
- 3.2 To support Swale Borough Council's ambition to achieve net zero within its operations by 2025 it is proposed that the Council continue to purchase renewable energy via Laser Buying Group, paying the additional surcharge for renewable electricity and gas at an estimated additional total cost of £30,000 per annum.
- 3.3 It is proposed that Members delegate authority to the Head of Regeneration, Economic Development and Property and Interim Head of Planning, in consultation with the Head of Finance & Procurement and Chair of Regeneration and Property Committee to vary the contract during this term. This would be subject to consideration of the financial and environmental benefits of any such change.

4 Alternative Options Considered and Rejected

- 4.1 Laser Energy Buying Group offers a four-year contract. This could potentially provide a greater financial saving but is not recommended at this time due to the limited information provided from other Framework agreements.
- 4.2 Not securing a renewable energy supply to minimise costs. This is not recommended, as whilst it attracts an additional surcharge which is subject to market volatility, these additional costs need to be considered against the Council's targets for net zero within its own operations and, in turn, any cost of offsetting that might be required against non-renewable energy consumption. These costs can remain under review, in the context of the recommendation at 3.3.

- 4.3 The Council could opt not to renew with any provider and have all meters on general business accounts, allowing each department to choose what supplier they wish to proceed with. This is not recommended as this approach would not allow the Council to access the wholesale prices that Laser is able to obtain through aggregating the demand of 200 public sector customers. According to calculations provided by Laser, the frameworks have so far achieved cost avoidance for Swale of £73,800 per annum. The new framework retains all the benefits and features of the existing framework, so similar cost avoidance can be expected if the purchase of the supply remains aggregated.
- 4.4 Alternative energy purchasing frameworks that could be used require further investigation. From the investigations so far, there is no indication that an alternative will provide better value for money than Laser Energy Buying Group. As Laser already has a successful track record of working with Swale Borough Council, it is considered that there would be little to no benefit to changing to another buying group now. However, Members could delegate authority to the Head of Regeneration, Economic Development and Property and Interim Head of Planning, in consultation with the Head of Finance and Procurement and Chair of Regeneration and Property Committee to appoint a supplier for the purchasing of energy via any Framework Agreement for the period of 1st October 2024 – 30th September 2028

5 Consultation Undertaken or Proposed

- 5.1 The Head of Finance and Procurement has been consulted and is of the opinion that the Laser framework provides value for money. The option of disaggregating the contracts will undoubtedly increase the cost of energy consumption, so this is not recommended. Providing delegation to the Head of Regeneration, Economic Development and Property and Interim Head of Planning, alongside the Head of Finance and Procurement and Chair of Regeneration and Property Committee, to appoint a supplier does allow the Council the flexibility to move should a more advantageous offer become available from an alternative framework after the initial two-year period. Early confirmation to Laser will strengthen their position in securing good prices as part of the framework.

6 Implications

Issue	Implications
Corporate Plan	The Council's use of energy is critical to the delivery of services. Cost is important and needs to be balanced against the Council meeting its ambitions to be carbon neutral in its operations by 2025, to which the source of supplies makes a considerable contribution.
Financial, Resource and Property	Securing energy supplies through as favourable deal as possible contributes substantially to the Council controlling its costs. Using a buying group to purchase energy provides value for money advantages, both in terms of savings achieved through bulk

	<p>purchasing, and in much reduced staff time in tendering for supplies for each site. Securing a supplier a year in advance as recommended also provides more clarity in a volatile market and supports future budget setting.</p> <p>The direct, additional costs associated with the purchase of renewable energy, at an estimated £30,000 per annum should be considered against the potential cost of any offsetting required to meet carbon reduction targets. These are not yet fully understood but could be substantial.</p>
Legal, Statutory and Procurement	Statutory requirements are met using the Laser framework, as all energy procurement is carried out in line with the Public Contracts Regulations 2015. Use of frameworks for procurements is supported in the council's commissioning and procurement policy and approved in contract standing orders.
Crime and Disorder	None at this stage
Environment and Climate/Ecological Emergency	The purchase of green gas and electricity to contribute to the council's net zero carbon declaration by 2025 within council operations will be at a cost, but these need to be considered alongside wider offsetting obligations.
Health and Wellbeing	None at this stage
Risk Management and Health and Safety	Use of an established framework provider of energy means their inhouse expertise and trading strategies helps 'hedge' against future market volatility, seeking to buy energy at the right time to the benefit of its customers.
Equality and Diversity	None at this stage
Privacy and Data Protection	None at this stage

7 Appendices

7.1 None

8 Background Papers

8.1 None