



ADVANCE PUBLICATION OF REPORTS

This publication gives five clear working days' notice of the decisions listed below.

These decisions are due to be signed by individual Cabinet Members
and operational key decision makers.

Once signed all decisions will be published on the Council's
Publication of Decisions List.

- 1. PROCUREMENT CORPORATE HOUSING SCHOOLS GAS AND
CORPORATE AND SCHOOLS ELECTRICITY 2024 TO 2028
HRD2324_030 (Pages 1 - 10)**

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London Borough of Enfield

Report Title	HRD2324_030 Procurement Corporate Housing Schools Gas and Corporate and Schools Electricity 2024 to 2028
Report to	Fay Hammond, Executive Director Resources
Cabinet Member	Cllr Leaver, Cabinet Member for Finance and Procurement
Executive Director / Director	Nick Denny, Director of Property
Report Author	James Wheeler
Ward(s) affected	All
Key Decision Number	KD3984
Classification	Part I
Reason for exemption	n/a

Purpose of Report

1. The Council has a requirement to maintain an electricity supply for the corporate buildings and gas supplies both for Corporate and Housing Buildings.
2. The purpose of this report is to approve the direct award of the corporate gas and electricity contracts from 1st October 2024 to 30th September 2028 through the LASER energy procurement frameworks.

Recommendations

3. Approve the direct award of the corporate gas and electricity contracts for the 4-year period commencing 1st October 2024 to 30th September 2028 through the LASER Flexible Procurement as follows:
 - a) Total Gas and Power for gas using Framework Y22008
 - b) Npower for electricity using Framework Y22009

Background and Options

4. The current contract was procured through LASER, with a contract start of 1st October 2016 for an initial period of 2 years ending 30th September 2018 with the option of two-year extensions thereafter, every two years until September 2024 when the framework expires.
5. The purchase of energy through a flexible framework enables LASER to purchase energy in tranches in advance of the period it is used. This means that by using their expert knowledge they can manage the volatility in the market by buying when the market is lower and avoiding the peaks. Pricing for individual supplies is then set from 1st October annually for one contract year calculated on the tranches purchased in the previous year/s.
6. The total value of the contract is approximately £44 million over a 4-year term: £18 million for corporate properties, £4 million for Housing gas and £22 million for schools. The market is extremely volatile, due to current market forces including political influences such as the situation in Ukraine, so these should be treated with caution.
7. It is expected that increased costs will, in part, be mitigated by energy saving measures, increased energy generation by Enfield, the Build the Change Programme etc.
8. If the proposal is not approved and no alternative contract was in place, then our supplies would be put on out of contract rates which are significantly higher than contracted rates.

Options Considered

9. Purchase via another consortia – Crown Commercial Services: Using this option would change the supplier for electricity, resulting in a cost of change plus additional administration and contract management. This would also take away the advantages of a single point to call for any gas and electricity queries. There would be switching costs, time, resources and potential disruption to services. Along with this, there is no Bureau Service as provided by LASER.

10. Purchase via another consortia – Yorkshire Purchasing Organisation: Using this option would change the supplier for gas, resulting in a cost of change plus additional administration and contract management. This would also take away the advantages of a single point to call for any gas and electricity queries. There would be switching costs, time, resources and potential disruption to services. Along with this, there is no Bureau Service as provided by LASER.
11. Procure directly outside a consortium – This is likely to have an impact on consumption costs because we would not benefit from the economies of scale obtained through a consortium. There would also be significant resources required to complete a Public Contracts Regulations 2015 compliant procurement exercise.
12. Procure through LASER Energy Flexible Procurement Frameworks (Y22008 and Y22009) which cover the period 1st October 2024 to 1st September 2028. To achieve best value and security of supply for the Council and its customers which cover the period 1st October 2024 to 30th September 2028.

Preferred Option and Reasons for Preferred Option

13. Direct award of the corporate gas and electricity contracts from 1st October 2024 to 30th September 2028 through the LASER Flexible Procurement Frameworks Y22008 and Y2209 to Total Gas and Power (for gas) and Npower (for electricity). This is to achieve best value and security of supply for the Council and its customers which cover the period 1st October 2024 to 30th September 2028.
14. Officers have considered several options (see above section Options Considered) in respect of achieving best value in respect of securing corporate gas and electricity supplies. Upon reviewing the current approach and given the instability of markets, the proposal is that the Council commits to the contract procured via LASER (a local authority led energy buying consortium) because:
 - LASER provide risk-managed, Public Contracts Regulations 2015 compliant flexible contracts as recommended by the Office of Government Commerce (OGC).
 - LASER complies with the Pan Government Energy Project, part of OGC, further recommends that “all public sector organisations adopt aggregated, flexible and risk-managed energy procurement”.
 - LASER has performed well in the past and continues to perform well and is seen as the best option for the Council in terms of value for money and service delivery.
 - LASER offers a ‘Bureau’ service including, but not exclusively a choice of procurement options, management services and access to an energy management database.

- LASER offer a number of pricings 'baskets'. These baskets reflect different methodology for buying the gas and electricity. We would be buying under the PIA (Purchase in Advance) basket. This method involves LASER buying in tranches when the market is best placed. All the gas and electricity are bought by the 30th of September each year. The individual price for each supply is calculated and applied for the following year 1st October to 30th September. This methodology means LASER can avoid the highest of pricing and smooth out the peaks and troughs of what are a volatile market; they have a proven record in this respect
- The contract enables us to purchase green REGO (Renewable Energy Guarantees Origin) backed electricity in line with Enfield Council's Climate Action Plan. We would also be able to swap purchasing "baskets" should a better, greener option become available such as a Power Purchase Agreement. It may also include Green Gas which is currently not a viable option due to cost.
- Whilst the contract does commit us to a volume of consumption, this is reviewed every year rather than being a set figure for the full contract term. Therefore, we can reduce the consumption bought to reflect any installation of onsite generation (e.g., solar PV), connections to a heat network, insulation and other energy saving measures
- We can direct award to Npower and Total Energy and Power who are our incumbent suppliers. Thus, saving the significant costs of changing supplier.
- This option is considered the best financially and keeps the procurement process simple giving added value by reducing administration.

Relevance to Council Plans and Strategies

15. Target resources smartly and reinvest income to deliver excellent value for money in all that we do. The recommended decision delivers value for money by using a recognised procurement framework.
16. Ensure that all decisions we make will help us to become carbon neutral; create good health for local people; safeguard children and vulnerable adults; enhance equality of opportunity and tackle discrimination and inequality whilst providing value for money and not significantly increasing the financial burden for our tenants.

Financial Implications

17. This report is recommending approving the direct award for the corporate gas and electricity contracts, through the LASER Flexible Procurement Framework for the period between October 2024 to September 2028.

18. The current contract has an estimated value of £44m for a four-year period: £22m for corporate properties, £4m for Housing gas and £22m for schools.
19. Energy costs in that last couple of years have been volatile and prices have been on the increase, however in this situation has started to stabilise and price decreases are forecast. The forecast for the 2024/25 year reflects these conditions, however the actual price is not guaranteed and therefore forecast can only be a guide. It is estimated that the new contract value will increase due to current market conditions. Prices are at unprecedented levels and continue to show extreme volatility, which makes reliable future price forecasting exceptionally difficult.
20. LASER, the Energy procurers, will purchase gas and electricity on behalf of the Council by the 30th of September for each year of the contract. The energy will be purchased in tranches when they think the market is best placed.
21. The estimated contract values have been split into the individual departments, shown in the tables below. It is expected that both energy saving measures and the asset rationalisation programme will reduce the energy costs in the future.

A. General Fund

22. The report proposes that the Council continues in the contractual agreement with LASER through a forward-purchase energy contract. The Council has faced significant inflationary pressures and additional budget was built into the Budget for 2023/24 and a further smaller increase in 2024/25 through the Medium-Term Financial Plan.
23. The table below provides an update on the budget, actuals, and forecasts.

	Budget	Actual/ forecast	Low estimate	Medium estimate	High estimate
2020/21 actual	1,439	1,438			
2021/22	1,339	1,418			
2022/23	1,490	3,306			
2023/24	3,320	3,759			
2024/25	3,451		3,520	3,605	3,774

24. These are still early forecasts for 2024/25 but show that energy costs will continue to cause a financial pressure, albeit not as significant as what the Council has faced in the last two years. As such energy consumption and energy saving initiatives will need to be closely managed throughout the

Councils assets. Plus recent changes at the Civic Centre should have a positive impact on energy consumption, along with the asset rationalisation programme should mitigate any forecast pressure. Updates on the forecasts will be provided at each of the regular revenue monitoring reports to Cabinet.

B. HRA

25. The electricity for the HRA is purchased through a separate LASER Framework on a yearly basis so is not affected by this report.
26. HRA gas is purchased in the same way as the General Fund. There are 39 gas connections for HRA at present (11 community halls and 28 blocks)
27. The table below provides a summary of the Gas charges to date and estimates provided by LASER for 2024/25.

Gas	Budget	Actual/ Forecast	Low estimate	Medium estimate	High estimate
2020/21 actual	380	227			
2021/22 actual	178	259			
2022/23 actual	182	525			
2023/24 actual	218	818			
2024/25 estimate	865		616	656	696

28. The low/medium and high estimates for 2024/25 show that the HRA has adequate budget provision in the worst-case scenario (high). These costs will be fully recovered from tenants and leaseholders through a service charge. Any increases in the charges to tenants and leaseholders will be approved in the annual Rent Setting Report.

C. Schools

29. Schools have the option to purchase through the Enfield/LASER contracts (this is only for maintained schools not academies) and will manage the cost of energy within their individual school budgets. The outlook however is the same as the General Fund in that the prices are expected to fall in the second half of 2024/25.
30. The forecasts provided demonstrate the significant impact of recent energy price increases and the need for consumption and usage to be tightly managed. Using the medium forecasts there is a circa £0.2m pressure on the General Fund which mitigations from recent accommodation moves and property rationalisation is expected to mitigate. Schools will also feel the impact on, with the estimated increase to be managed across individual school budgets.

31. LASER will continually review the market to ensure that energy is purchased at the optimum price.

Legal Implications

32. The Council has the power to procure the supply of gas and electricity under s.111 Local Government Act (1972) which enables the Council to carry out any activity that is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions. The Council also has a general power of competence under s.1(1) Localism Act (2011) to do anything that individuals may do, provided it is not prohibited by legislation and subject to Public Law principles.
33. The contract is a public supply contract under the Public Contracts Regulations 2015 (PCR 2015) and the estimated contract value exceeds the threshold under Part 2 of the PCR 2015 (currently £213,477 inclusive of VAT). The Council must therefore ensure compliance with Contract Procedure Rules ("CPRs"). Both the PCR 2015 and the CPRs permit the use of Framework agreements. CPR 14.4 states that Frameworks, where they exist, should be used provided Best Value can be demonstrated and managers are required to retain sufficient evidence to demonstrate compliance. A due diligence exercise must be carried out by the Procurement and Commissioning Hub prior to calling off from a Framework and the Council must be clearly identified as a contracting authority able to use the Framework when the Framework was set up.
34. Officers should consider whether specific requirements should be inserted into the call-off contract as per the following section of the LASER Customer Information pack: *'There is the option to include specific customer requirements within the Call Off Contracts for any of the suppliers. An example of this could be used where if an incumbent supplier is not currently meeting the tender commitments, this framework gives you the ability to specify which of these must be rectified prior to the contract commencing. If the supplier is then unable to demonstrate this within good time, prior to contract start, the customer is permitted to exit the Call Off Contract and transfer any energy purchases already made by LASER to another provider on the framework.'*
35. Officers must be mindful of the requirements in the CPRs regarding security. Under CPR 7.2, where contracts have a value of £500,000 to £1m, sufficient security (e.g., a performance bond or parents company guarantee) from the Supplier should be considered to manage risk. For contracts of £1m or over, the Supplier must be required to provide sufficient security. Evidence of the form of security required, or why no security was required, must be stored, and retained on the E-Tendering Portal for audit purposes.
36. As this constitutes a Key Decision the Council must ensure it follows the Key Decision process in the Constitution.

37. The Council must continue to comply with its obligations relating to obtaining best value under the Local Government (Best Value Principles) Act 1999.

Equalities Implications

38. A complete EQIA was not required in this instance due to no areas of potential discrimination/concern being identified
39. Regarding social value the LASER framework includes a clause stating "Additional Social Value provisions, including up to £130k per annum to spend on initiatives on behalf of LASER customers."
40. In terms of compliance with national legislation (for example modern slavery and equalities), it is assumed that suppliers comply as these are legal requirements.

Environmental and Climate Change Implications

41. The proposed procurement will include an option to purchase 100% REGO certified electricity. REGO provides transparency to consumers about the proportion of electricity coming from renewable sources) certified electricity which is in line with actions in the Council's Climate Action Plan. There will also be opportunities for alternative green electricity purchasing such as Power Purchase Agreements and Green Gas.
42. It should be noted that securing 100% REGO certified electricity will not in itself reduce the Council's direct emissions. However, it will support decarbonisation of the grid which in the long term reduces the carbon factors associated with electricity consumption.
43. In addition, alongside securing 100% REGO certified electricity, there will be ongoing work to reduce consumption, which will have a direct positive impact on the Council's carbon emissions.
44. For context, the last two years carbon figures for the Corporate, Housing and Schools are as follows:
45. These figures show a drop in green-house gas emissions which is primarily due to the steep trend of decarbonisation of the electrical grid in the UK. The grid is projected to continue to decarbonise with ongoing investment of renewables, and a national move away from fossil fuels such as coal. The grid carbon factor (kgCO₂e/kWh) for the upcoming reporting year has dropped by a further 9% which is expected to be reflected in the carbon emissions reporting for 2021/22. For reference below are the last 3 years UK grid carbon conversion factors (kgCO₂e/kWh) from BEIS:
 - 2019 = 0.256
 - 2020 = 0.233
 - 2021 = 0.212

- 2022 = 0.193 (2022/2023)

Public Health Implications

46. No direct implications identified. There will be indirect benefits to long term public health due to the existing contract allowing for the procurement of green electricity, which helps mitigate climate change and air pollution from fossil fuel combustion.

Property Implications

47. **There** are not direct property implications that arise from the proposals in this report. An indirect implication is that there is a continuation of existing efficiencies in the energy costs of LBE controlled properties through economies of scale and bulk management. However, it may be worth identifying that energy purchased via the LASER framework covers many, but not all, LBE controlled properties. Further efficiencies could be gained if the basket of properties benefiting from the arrangement could be enlarged.

Procurement Implications

48. Any procurement must be undertaken in accordance with the Councils Contract Procedure Rules (CPR's) and the Public Contracts Regulations (PCRs) (2015). This procurement activity will also be subject to the Procurement Services Assurance process and the necessary Gate Reports will be prepared for endorsement.
49. Procurement Services have carried out due diligence on the Framework which will be utilised (LASER Energy Flexible Procurement Frameworks (Y22008 and Y22009) and confirm these are an approved route, ensuring the Council is in adherence with the CPR's and Public Contracts Regulations.
50. It is the expectation that the contracts will be fully managed in line with the Council's Contract Management Framework. This will include evidence of contract management including contract / performance reviews, financial checks (supplier resilience) and regular risk assessments.
51. The Service Area has completed the Contract Management Tiering tool and the project has been classified as Gold. The lead officer will meet with the Contract and Supplier Relationship Manager within Procurement Services, who will go through the contract management requirements for the management of the Contract prior to its commencement.
52. The service must ensure by utilising this framework agreement, the contract award is compliant with the defined rules and procedures of the Framework Agreement.
53. The service must ensure that authority to procure has been obtained and must be uploaded onto the London Tenders Portal.

54. The award of the contract, including evidence of authority to award, promoting to the Councils Contract Register, and the uploading of executed contracts must be undertaken on the London Tenders Portal including future management of the contract.
55. The awarded contracts must be promoted to Contracts Finder to comply with the Government's transparency requirements.

Other Implications

56. As noted, the use of LASER as a route to procuring energy supplies is well established and offers good value.
57. Consideration has been given as to the potential for a supplier to fail, which is considered very low risk. LASER have confirmed that they run credit ratings for all suppliers, and in case of any of them not meeting the strict criteria our credit team would request additional information, such as parent company/ director guarantee, and others if deemed necessary by our credit control. Even if they do fail another supplier would be expected to take on the supply so there would not be disruption to service.

Report Author: James Wheeler
Head of CMFM
James.wheeler@enfield.gov.uk
07929 185629

Appendices

None

Background Papers

None

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