

Report to the Cabinet



Report reference: C/074/2007-08.

Date of meeting: 12 November 2007.

**Epping Forest
District Council**

Portfolio: Finance, Performance Management & Corporate Support Services.

Subject: Bulk Procurement of Energy – Service Level Agreements.

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Democratic Services Officer: Gary Woodhall (01992–564470).

Recommendations/Decisions Required:

- (1) That, in order to seek best prices for energy, the Council should join other Local Authorities within the consortia of the Office of Government Commerce Buying Solutions (OGCBS); and**
- (2) That, subject to the form of agreement being approved, the Director of Corporate Support Services be authorised to enter into a Service Level Agreement with the OGCBS by April 2008 with energy procurement to commence in October 2008.**

Report:

1. The Council currently purchases energy through consortia arrangements which results in a lower tariff than would otherwise be available. The consortia arrangements are with Norfolk Property Services for electricity and Local Authorities South East Region (LASER) for gas.
2. At the Cabinet on 25 April 2005, the Head of Environmental services was authorised to explore any cost advantages which might arise from procuring energy via the Procurement Agency for Essex (PAE). A further report was made to the Cabinet in December 2005, following which officers were authorised to procure energy through the Procurement Agency for Essex (PAE).
3. The Head of Environmental Services commenced negotiations with the PAE in 2006, who referred to their preferred provider, the Office of Government Commerce Buying Solutions (OGCBS). Unfortunately, for a variety of reasons, negotiations with the OGCBS could not be concluded within a reasonable time and therefore the existing contracts for energy procurement were extended until 31 October 2008.
4. In order to obtain the OGCBS energy tariffs from October 2008, the Council needs to enter into a Service Level Agreement (SLA) with them before April 2008. This is to enable the OGCBS to include the Council's energy requirements within their bulk energy bid on the wholesale market during the summer months, when energy costs are historically lower.

Statement in Support of Recommended Action:

5. Given the volume of energy usage in the Council it is more cost effective to purchase bulk energy via a consortium (OGCBS etc) as compared to standard tariff. This is best practice and should ensure the Council obtains the lowest possible energy costs.
6. Although the current consortia arrangements provide the Council with a competitive advantage, using the OGCBS and acting as part of a larger consortium, it is likely that an

additional pricing advantage over existing arrangements will be achieved. Since the OGCBS procures energy at low cost cycles in the wholesale market, by signing a SLA in April 2008, for energy commencement in October, the Council can expect lower energy costs relative to the winter months.

7. The use of a buying consortia in the manner suggested is in accordance with Contract standing order C14.

Other Options for Action:

8. To not seek procurement via the OGCBS beyond October 2008 and to renegotiate with the Council's present energy suppliers. This would be contrary to the Council's current procurement policy and Contract Standing Orders and may not result in the cheapest energy procurement.

Consultation Undertaken:

9. Officers have held discussion with representatives of the PAE and OGCBS on their energy procurement policy.

Resource Implications:

Estimated annual costs for energy procurement through existing suppliers:

- Gas contract with LASER (Kent County Council) - £470,000 plus 10% climate levy plus VAT
- Electricity with NPS (Norfolk Property Services) - £275,000 plus 10% climate levy plus VAT

Budget Provision: Energy charges are paid by individual service area.

Personnel: Nil.

Land: Nil.

Council Plan 2006-10/BVPP Reference: Local Agenda 21; '...acting in such a way so as to preserve our environment for future generations to enjoy'. FL1; '...delivers the Council's key objectives for the future of its leisure facilities, with respect to lower revenue costs...'

Relevant Statutory Powers: Not relevant.

Background Papers: Previous energy procurement reports to the Cabinet.

Environmental/Human Rights Act/Crime and Disorder Act Implications: N/A

Key Decision Reference (if required): Key Decision as the cost of energy procurement is more than £250,000 per annum.