

REPORT FOR: **CABINET**

Date of Meeting:	18 October 2011
Subject:	Energy Purchasing Strategy for 2012-16
Key Decision:	Yes <i>[As it will result in the Council incurring expenditure which is approx. £5m per year for the four years of the contract.]</i>
Responsible Officer:	Brendon Hills, Corporate Director Community and Environment
Portfolio Holder:	Councillor Thaya Idaikkadar, Portfolio Holder for Property and Major Contracts
Exempt:	No
Decision subject to Call-in:	Yes
Enclosures:	Appendix A – Purchasing Strategy Appendix B – Appendix D to Purchasing Strategy

Section 1 – Summary and Recommendations

This report sets out the proposed future arrangements for purchasing energy across the council estate – including schools.

Recommendations:

Cabinet is requested to:

1. Agree to appoint LASER for the procurement of energy for all council properties for the period October 2012 to September 2016;
2. Authorise the Corporate Director – Community & Environment, in consultation with the Portfolio Holder for Property and Major Contracts, to take all necessary actions to formalise the appointment.

Reason: (For recommendation)

The council has previously agreed to purchase all gas and electricity centrally to ensure value for money. The current arrangement with LASER (a central purchasing organisation) expires on 30 September 2012. Renewing this arrangement now ensures that LASER can purchase energy over the next twelve months in advance of anticipated price rises thereby ensuring that the costs are as low as possible.

Section 2 – Report

2.1 Introduction

LASER is a central purchasing organisation which purchases energy via the wholesale market on behalf of local authorities and other public bodies

The council entered into a four year contract with LASER in October 2008 for the purchase of all its electricity and gas supplies.

2.2 Options Considered - Purchasing Strategy

The attached Purchasing Strategy has been developed jointly with the Council's procurement officers and analyses the issues and options.

2.3 Financial Implications

The proposed purchasing strategy will ensure that the council obtains its energy supplies at a competitive price within the market. By using a Central Purchasing Organisation the council has access to the wholesale energy market and enjoys the benefits of buying its energy as part of a large consortium – as set out in Appendix A.

Energy prices are expected to rise significantly during this period. Based on current market projections, prices for 2012/13 are expected to be 29% higher for gas and 19% higher for electricity. Appendix A shows indicative price rises for the period of the contract based on current market projections. The proposed course of action will provide the council with the maximum protection against these price pressures. However it should be noted that energy is a very volatile market.

Any pressures will be reported as part of the annual MTFS process.

2.4 Legal Implications

It is anticipated that the framework agreement entered into by LASER with energy suppliers will be procured in accordance with the Public Contracts Regulations 2006. The Council's purchase of energy supplies via that framework agreement will therefore be in conformity with EU procurement law.

2.5 Performance Issues

These are set out in Appendix A.

2.6 Environmental Impact

There are no adverse environmental impacts related to this proposal as it relates only to the purchasing of gas and electricity. Appendix A considers the options with regard to green electricity and it is proposed to continue with the status quo (i.e. purchasing green electricity for street lighting only).

Managing energy demand has the potential to have a major environmental impact by reducing the carbon footprint of the energy we use. However this consideration is outside the scope of this proposal.

2.7 Risk Management Implications

A risk assessment has been carried out as part of the Purchasing Strategy and is attached as Appendix B.

2.8 Equalities implications

An Equalities Impact Assessment has been carried out and confirms that there are no equality issues related to this proposal as it relates to the purchasing of energy for the council's corporate estate and schools.

2.9 Corporate Priorities

This proposal incorporates the following corporate priorities

- **Keeping neighbourhoods clean, green and safe.**
Not applicable
- **Supporting and protecting people who are most in need**
This proposal will mean that council tenants and leaseholders who are billed for landlord energy supplies will receive lower bills than would otherwise be the case.
- **United and involved communities: a Council that listens and leads**
Centralised purchasing for corporate buildings and schools ensures that the overall costs are minimised
- **Supporting our Town Centre, our local shopping centres and our businesses**
Not applicable

Section 3 - Statutory Officer Clearance

Name: Kanta Hirani	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 5 October 2011		
Name: Matthew Adams	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 5 October 2011		

Section 4 – Performance Officer Clearance

Name: Liz Defries	<input checked="" type="checkbox"/>	on behalf of the Divisional Director Partnership, Development and Performance
Date: 16 September 2011		

Section 5 – Environmental Impact Officer Clearance

Name: Andrew Baker



on behalf of the
Divisional Director
(Environmental Services)

Date: 15 September 2011

Section 6 - Contact Details and Background Papers

Contact: Andrew Baker, Head of Climate Change

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andrew.baker@harrow.gov.uk

Background Papers: None

**Call-In Waived by the
Chairman of Overview and
Scrutiny Committee**

NOT APPLICABLE

[Call-in applies]