

<b>DECISION NO:</b>	<i>For Member Services use only</i>
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Concurrence No:	066412
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<b>Action under delegated authority of Chief Executive</b>	<b>X</b>
<b>Action under delegated authority of Director of Finance and Cabinet Member for Finance</b>	
<b>Action taken by Chief Executive in consultation with Cabinet Member(s)</b>	

Subject: Renewal of LASER Contract for the Supply of Electricity and Gas

Signature and designation of officer(s) taking action:

03/08/2020	31/07/2020
Chief Executive	Director of Finance
Date	Date
	22/07/20
	Head of Finance
	Date

**Name of Cabinet Member(s) Consulted:**

I have been consulted and concur with the proposals set out below:

Councillor

Cabinet Member for

Signature:

Date:

Councillor

Cabinet Member for

Signature:

Date:

Name of any member who has declared a conflict of interest in relation to this decision:

**THIS DOCUMENT WILL BE PUBLISHED ON THE COUNCIL'S WEBSITE**

The report overleaf sets out the decision to be taken, the reasons for the decision, and the details of alternative options, if any, considered and rejected.

Officer decisions are available for public inspection, both at the Borough Offices and on the Council's website. Officer decisions are kept for a period of six years at the Borough Offices and for six months on the website after the decision is made. Background papers are available for four years.

**RECOMMENDED that:**

**Agreement is given to remain with LASER for the provision of gas and electricity from October 2020 – September 2024**

**Purpose**

To seek approval for the renewal of the Council's contact with the LASER framework for the supply of electricity and gas to the Council's estate.

**The Project**

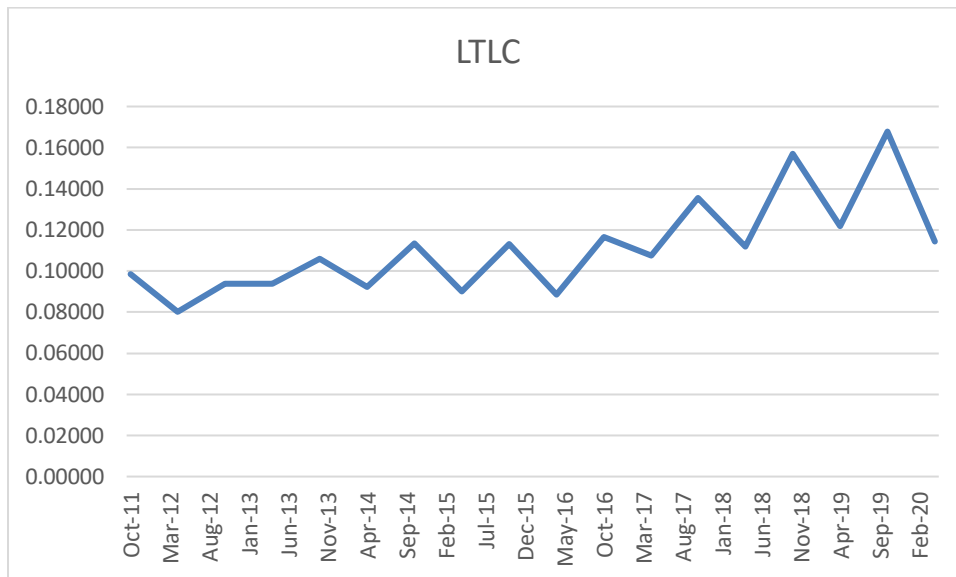
The Council has purchased supplies of electricity and gas from the LASER framework since October 2011. LASER is a public sector energy buying group and part of Kent County Council's (KCC) commercial services division. LASER was founded in 1989 to manage the procurement opportunities created by the deregulation of the electricity and gas markets. LASER purchases energy worth over £450 million per annum for over 200 clients including local authorities, NHS trusts Universities and Colleges. Electricity and gas are currently purchased from Npower and Total GP respectively.

The existing contract ends on 30 September 2020 but the Council needs to commit to renewing now to benefit from advance purchasing of energy supplies. The new contract would apply from 1 October 2020 to 30 September 2024. Energy procurement is a complex arena with a huge amount of risk and the Council simply does not have the level of expertise to undertake this as a stand-alone organisation and would not be able to leverage the price reductions for bulk purchases available to larger consortia (like Laser). The Pan Government Energy Project recommended that all public sector organisations buy their energy through an aggregated, flexible managed framework, managed by energy specialists, which LASER provides.

There are a number of energy consortia in the market but none can guarantee prices in advance of a contract being signed. The Major Energy Users Council (MEUC) is an independent led consumer body representing energy users in the UK and undertakes external benchmarking comparing supplier pricing. For 2018/19 LASER delivered prices 4.5% below the MEUC average for gas and 10.4% below for electricity. For 2019/20 the out turn prices were again well below the MEUC and market average, 10.8% below for gas and 3.2% below for electricity. All the energy frameworks offer the same services and as no pricing is confirmed prior to contracting there is no obvious benefit to changing framework provider. Procurement regulations allow the Council to use existing frameworks which negate the need to enter into an individual procurement exercise.

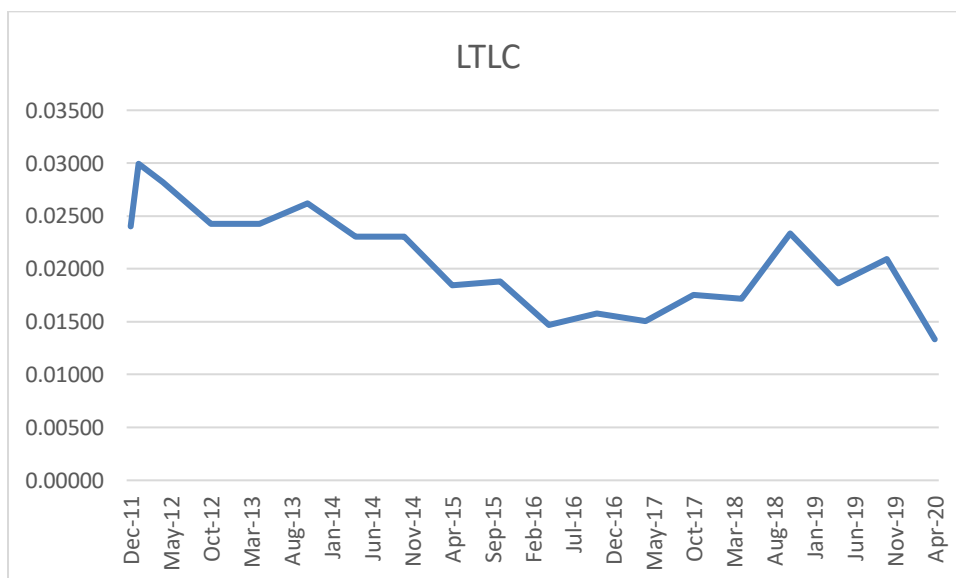
The Laser contract with the Council commenced April 2012. Below is an example of the changes in pricing for electricity and gas since 2011 for Laura Trott Leisure Centre, one of the largest energy consuming buildings the Council operates.

## Electricity



This table shows the trend of electricity prices from October 2011 – April 2020. Since commencement of the LASER contract electricity pricing at April 2020 is 42.5% higher than April 2012.

## Gas



This table shows the trend of gas prices from December 2011 – April 2020. Since commencement of the LASER contract gas pricing at April 2020 is 52.6% below that at April 2012.

Statistical data on non domestic energy pricing produced by the Department of Business, Energy and Industrial Strategy shows that the average electricity price increase for a medium sized business (Laura Trott Leisure Centre) has risen by 57% since 2011 and gas prices have risen by 52.6%. With the price increase via the LASER contract at an increase of 42.5% for electricity and gas a decrease of 52.6% for the same period this demonstrates how effectively the LASER contract has performed for the Council.

The LASER framework is considered the best option for the Council for the reasons outlined below:

- LASER is recognised by the Office of Government Commerce (Cabinet Office) as a Public Purchasing Organisation
- Contracting through the LASER framework fulfils the recommendations from the Pan Government Energy Project
- LASER represents a large number of similar public organisations including over 130 local authorities.
- LASER has performed well since the Council joined delivering prices around 15% below the market prices for electricity and 12.5% below for gas for 2018/19 (Major Energy Users Council data) this in turn has delivered a potential cost saving to Broxbourne Council of £22,091 over the four year contract
- LASER have selected their suppliers through a competitive OJEU compliant tender process
- No pricing guarantee can be provided by any framework and with all sites set up via Laser there is no obvious benefit to changing framework provider. In addition LASER having proven to deliver pricing well below the market average making it a low risk option for the Council.

### **Financial, Legal and Risk Management Implications**

Electric and gas supplies cost the Council £663k for the 2018/19 year. The requirement to forward purchase energy ahead of the required supply period is a key element in any risk managed energy strategy and helps to protect against adverse wholesale market price changes. Financial risk to the Council can be reduced by buying energy via aggregated frameworks such as LASER who closely monitor market prices and drivers purchasing energy in blocks over periods of time. This however does not guarantee that below market prices will always be achieved but that is a risk regardless of who the Council purchases energy from.

The Council purchases its energy through a Central Purchasing Body which LASER is as defined by the Public Contracts Regulations 2015, this negates the need for the Council to undertake its own separate tendering process. In turn this reduces the risk to the Council of price of price fluctuations through increased flexibility in purchasing as well as being part of a bulk buying consortium offering economies of scale.

Procurement regulations allow the use of frameworks to provide any of the Council's supplies and services and the use of these for the provision of energy is positively advocated by the Pan Government Energy Project.

For the reasons outlined an extension is requested to allow the renewal of the LASER agreement for a further four years.

### **Alternative Options Considered and Rejected**

The options available for utility procurement are:

- Renew the contract with LASER for a further four years – the benefits of this are outlined above

- Join an alternative energy procurement framework – there are no guarantees that this would provide any additional benefit to the current contract
- Purchase directly from the suppliers – it is unlikely that the Council on its own will benefit from lower prices as it will not have the bulk capacity available to consortia.

### **Contribution to the Council's Objectives and Environmental Sustainability Priorities**

Good financial and energy management

Be transparent and ensure effective scrutiny and risk management

### **Conclusion**

That agreement is given to contract with LASER for the provision of gas and electricity from October 2020 – September 2014.

Contact Officer: Tracy Brannick

Ext: 5407

Date 22 July  
2020

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Action reported to the Cabinet on:

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