



In accordance with the Procurement and Contracts Rules and Procedures (PCRP) (see section 3.1.1): a formal procurement strategy is required for any procurement with a total value above £50,000. The level of approval required for the procurement strategy depends on the type of procurement and total ascertainable value of the contract, as indicated in the table below. Procurement Strategies, requiring Level 2 and 3 approvals, are also subject to review by Procurement Strategic Board (SPB).

State “YES” in the applicable box at either Level 1, Level 2 or Level 3:

1. Level of Approval

Type of Procurement	Level 1		Level 2		Level 3	
	Assistant Director & Director Approval		Executive Approval (NOTE: subject to Procurement Strategic Board Review)		Full Council Approval (NOTE: subject to Procurement Strategic Board Review)	
Goods and Services	£50k – £500k		> £500k		Annual Value >£5m or TAV >£25m (if capital >£15m)	X
Schedule 3 Services	£50k – £663,540 (VAT inclusive)		> £663,540 (VAT inclusive)			
Works	£50k – £5,336,937 (VAT inclusive)		> £5,336,937 (VAT inclusive)			

NOTE:

Level 2 & 3 approvals to be scheduled for Strategic Procurement Board in advance of Executive/Full Council – papers to be scheduled by Procurement. SPB meetings are held monthly.

Executive meetings (Level 2) are held each month but the submission of papers is strictly controlled, resulting in a cycle of at least 6-weeks – speak to Democratic Services for assistance.

Full Council meetings (Level 3) are held every second month and submission of papers is controlled as per Executive meetings – speak to Democratic Services for assistance.

2. Project Information

Please complete all fields in black and forward to the relevant Service to complete fields in red.

Project / Contract Title	Energy Procurement Contract
Project / Contract Description	New Energy Procurement Contract
Expected Start Date & Duration	1/4/2024
Any Extension/s Allowed	Yes, one year extensions permitted through notification and ongoing, rolling (year by year), thereafter. There is a one year notification period to end any contract.
Total Annual Value	£7.5M
Total Ascertainable Value	£15 M over two years

Procurement Advice <i>This section is to be completed by Procurement</i> <i>Summary of the advice, including the type of procedure, and if the PS is for setting up of DPS or framework agreement. Attached / append any written advice previously provided, if appropriate.</i>	Laser offers a compliant forward purchasing arrangement. No clarity on prices until the Council has committed to forward purchasing (see dates below). Service have confirmed intention & benefits below.
If procurement is for software, specify outcome of your consultation with IMT and/or Business Change	N/A
Previous Contract Duration	One year and one year extension possibility
Previous Contract Value	£5M
Sign off <i>To be completed by Procurement – name and signature of the Procurement Specialist providing the advice</i>	Rob Bradfield
Date <i>To be completed by Procurement – date signed off by Procurement</i>	1/3/2023

Finance Advice <i>This section is to be completed by Finance</i> <i>Confirm budget availability and add any comments relevant to the budget.</i>	Budget availability
Source of Funding <i>(revenue/capital or specified other)</i>	Revenue
Sign off <i>To be completed by Finance – name and signature of the Finance Team providing the advice</i>	Mark Thompson
Date <i>To be completed by Finance – date signed off by Finance</i>	1/11/2022

Background:

This is a revised paper from an original planned for Executive in October of 2022. This report was pulled due to government intervention in the energy markets, with a financial aid package on energy costs. WBC feared at the time, that changing supplier would mean that we wouldn't have benefitted from this government assistance package. Given the time allowed we now better understand Government interventions and how this would affect WBC energy procurement, we are now confident that we can proceed with the energy re-procurement contract. However, this is with the caveat that future government intervention will need to be reviewed to understand any impacts and of course, we will act accordingly, in our best interests.

The current energy procurement contract needs reviewing every five years minimum. Over the last two years it has become apparent that we need a more flexible approach to trading our energy procurement.

Whilst CCS are planning to offer what officers within the Council need, they currently do not offer this style of trading yet.

There are no issues with CCS's level of service provision but they are not seen as currently able to provide the type of service we need, going forward. In a turbulent energy market, the methodology of how they buy energy, is not 'flexible' enough for what we need.

3. Project Justification

Link to Service or Corporate Objectives

This project is for the planned migration of the Councils energy buying strategy from the current framework provider (CCS – Crown Commercial Service) to the Laser framework. The decision to move framework suppliers has been taken to ensure best value (energy price) for the Council. In addition, the levels of service offered by the Laser Framework supersede the current CCS offering. In terms of carbon reduction / sustainability, the new Framework provider would be able to offer REGO contracts, which are provided by determined, accredited, proven Green Energy sources. It will enable cost avoidance over the MTFP and help with our response to the Climate Crisis.

Project Specific Objectives, Appraisal of Options and Project Timetable

The Council has historically used the CCS Framework for energy provision. What has become increasingly clear over the last two years, is that the framework suppliers are less able to respond to huge fluctuations / volatility in available energy market rates. The Laser contract operates in a marginally different way to the CCS Framework and whilst still offering an opportunity to 'bulk buy' in advance, similar to the CCS framework, Laser also offer small opportunities for direct 'spot' buying. This is typically 70% to 30% ratios, whereas the CCS framework is typically 100% advance year brought. Direct cost avoidance will be small, estimated at £20,000 on an energy spend circa £5M but the various other opportunities are attractive to the Council. This includes notable opportunities to buy named green energy generation (REGO) and opportunities to embed within the contract 'smaller sites' billing. This should provide an additional cost avoidance c£10,000. The opportunity to buy green energy will help in sustainability / climate emergency targets. The 'top two' framework suppliers are generally acknowledged as CCS and Laser with over 95% of Local Authorities across the UK buying from one of these.

If we choose to stay with the current Framework supplier, CCS, we may marginally lose out on potential cost avoidance. At our level of Energy / Property provision, there really are only two main Framework providers sizeable enough for us to utilise. We need to be in a sizeable buying basket to enable energy market cost avoidance opportunities too. CCS or Laser. As an outside opportunity we might like to compare West Mercia Energy ; www.westmerciaenergy.co.uk but in my opinion they are not yet sizeable enough to cater for WBC.

Option 1 : Stay with CCS. The benefits of this are security of current provision and know price margins. There are some risks though in that many other Local Authorities are moving away from CCS. In the last year of market turmoil their buying strategy has been found wanting slightly and other providers, buy,

marginally, in a different, perceived slightly advantageous way. The offer is very inflexible in a very volatile market.

Option 2 : Switch to Laser. The benefits of this are that Laser buy in a slightly better way in a market of volatility, this could be perceived as more advantageous. According to Lasers own price comparison for the 2021 / 2022 financial year, their Electricity offering would have performed slightly worse than the CCS main contract (c+13% = increased costs of £169,000). However, would have performed better for Gas (c-23% = decreased costs of £253,000). Overall this would have indicated a cost avoidance to WBC of c£84,000. This option is not without risks though and switching frameworks (suppliers) is particularly troublesome. We would need to ensure 'forward' price some six months in advance of switchover. The Laser framework also has 'bolt on' options that would better serve our non-CCS portfolio. Something we are keen to investigate further, in future.

The Energy Team would recommend switching to the Laser framework.

Switching provider is key to opportunities to ensure economic MTFP cost avoidance. One of the stated ambitions of a migration to this framework will be the procurement of 100% green (REGO) energy within a year of joining the framework. Project timescales are tight, six months. We will require to switch by 1/3/2023, we need to provide six months advance notice to both framework providers in this regards.

Analysis

Switching providers is key to opportunities to ensure economic MTFP cost avoidance (inflation on these contracts has been established to date) and broader environmental policy agenda.

Whilst switching framework suppliers does have risks, transferring the energy contract to Laser delivers the following benefits:

- *utilising a supplier who offers more flexibility in purchasing energy with some opportunity for direct spot buying, and therefore more able to react to changing market conditions*
- *direct savings/cost avoidance of circa £300,000 on an energy spend of circa £9M; £80,000 directly attributable to General Fund expenditure, with the balance benefitting schools and HRA*
- *opportunities to embed within the contract 'smaller sites' billing which should provide an additional cost avoidance of circa £10,000.*
- *the ability to buy upto 25% additional named green energy generation (REGO -Renewable Energy Guarantee of Origin) which will contribute to the Council sustainability/climate emergency targets.*
- *The ability to trade flexibly using 'time of use' or variable tariff's.*

One of the stated ambitions of a migration to this framework will be the procurement of 100% green (Renewable Energy Guarantees of Origin: REGO) energy within a year of joining the framework, supporting the Councils' policy agenda including Climate Emergency. This could equate to an indirect carbon reduction value of 11,156 Tonnes of CO2. This equates to an energy REGO 'offset' of 37 GWh's of energy usage, the Councils corporate energy usage volume. This is cost dependant though.

Benefits :

Eventually this Framework contract will permit the utilisation of 100% REGO (Renewable Energy Guarantees of Origin) backed green energy procurement for the Council. In addition the new framework arrangement trades in a quicker / slicker way, enabling the Council to take more advantage of energy market price reductions. It is hoped that this will mean a reduced price for energy procurement, going forward.

- To trade more flexibly and take full advantage of the energy markets.
- We will secure more competitive pricing for energy
- Laser utilise smart procurement methodologies meaning WBC staff are engaged less in administration as was the case for the CCS Framework
- Laser utilise a full smart billing (automated / portal led) arrangement allowing for a reduction in WBC involvement in paper billing
- Laser offer a service whereby we are able to trade in 'time of use' tariffs and this appears more attractive to the Council in the future. This will allow for us to trade any potential renewable energy generation we generate ourselves.

Project timetable:

Key milestones	Dates	Owner
CCS contract – end arrangements	1/4/2023 – 1/4/2024	Ian G
Laser contract – forward purchasing (inclusion in basket): intention	1/10/2023	Ian G
Forward purchasing prices received by WBC (indicative)	1/1/2024	Ian G
Laser contract commence	1/4/2024	Ian G
SPB	ASAP	Ian G
CLT draft report	By 5 th Dec (in Modern Gov)	Ian G
Exec member approval	Advance of 26 th Jan	Ian G
Forward plan	Forward plan – Item Title : Energy re-procurement.	Ian G
	January 2023 (26 th)	Ian G

Executive (required on forward plan for 28 days in advance)		
Full Council	March 2023 (23 rd)	Ian G

Cost Benefit Analysis

Commodity	Year (Oct-Sep)	PIA Price (Base/Gas)	6m Market Average
Electricity	2020-21	43.44	42.51
Electricity	2021-22	59.92	85.94
Gas	2020-21	36.32	32.79
Gas	2021-22	55.28	86.00

The above table has been provided by Laser. This should be treated with caution but this has been utilised by the Energy Team to provide the above corrected figures (outlined in Option 2 above).

Overall cost cost avoidance equate to a combined c£84,000. This is not the only justification for a switch to this Framework supplier though. The Energy Team are convinced that this Framework would be a better provider of levels of service we require moving forward. To take care of other energy buying needs and to assist with our Climate Emergency ambitions. The Laser framework currently offers a far superior opportunity to buy Green REGO energy contracts. It also offers better opportunities to supplies that are deemed 'landlord supplies', of which the authority have many.

Contract Management

The contract will be managed by the Energy Team. Historically this has required one FTE member of staff to deliver and ensure operation. The contract manager will be Ian Gough.

KPI's in relation to the contract sit within the Policy Team (Rhian Hayes) and is an amount of carbon reduction (energy) against the corporate property portfolio. Going forward, we intend to incorporate the estates building profile too. The contract is for an initial one year period with a break clause after year one. If enacted, we could leave the contract within a year. The intention is to move towards a longer contract period, going forward, indicative at three years. We won't need an exit strategy with this contract but we will insist on a break clause for each individual year, meaning we can 'opt out' each year if something better becomes available.

4. Approval

Please fill in the applicable fields according to the level of approval required.

Note: If Level-2 or 3 approval is required, the document should be signed by Assistant Director and Director at Level-1 first, and then presented to the Executive (and Full Council where appropriate) for final approval.

Level 1

<i>Position</i>	<i>Name</i>	<i>Department</i>	<i>Signature</i>
Assistant Director:	Sarah Morgan	Commercial Property	
Director:	Graham Ebers	Deputy Chief Executive	

Level 2

NOTE: Level 1 approval must be completed first.

Please state the date of the relevant Procurement Board & Executive meeting or Individual Executive Member Decision, at which the procurement strategy has been approved.

<i>Date of meeting / approval</i>	<i>Item No</i>
Procurement Board	
Executive Approval	

Level 3

NOTE: Level 1 and 2 approval must be completed first.

Please state the date of the relevant Full Council meeting, at which the procurement strategy has been approved.

<i>Date of meeting / approval</i>	<i>Item No</i>
Full Council Approval	

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