



## Mayor and Cabinet

### Corporate energy contracts

**Date:** 16 September 2020

**Key decision:** No

**Class:** Part 1

**Ward(s) affected:**

**Contributors:** Executive Director Housing, Environment and Regeneration. Head of Law. Head of Finance.

### Outline and recommendations

This report provides Mayor and Cabinet with an information report on the Council's corporate energy contracts, as required by the Council's Constitution.

The Council's approach seeks to reduce exposure to the volatility of energy markets by purchasing through a framework agreement with Crown Commercial Services (CCS), through which suppliers purchase gas and electricity in advance on the wholesale markets over a six-month period to establish prices that are then fixed for supply of energy during the following twelve months.

The Mayor and Cabinet are invited to note the contents of the report and the overall approach to corporate energy contracts.

## 1. Summary

- 1.1. The Council's Contract Procedure Rules state the following in relation to energy and water contracts:

**13.6** An information report shall be presented to Mayor & Cabinet once each year. The report will summarise the contracts awarded during the previous 12 months and the financial implications for budget holders. The parameters for the delegation will also be reviewed at the same time.
- 1.2. This document provides that information report.
- 1.3. Lewisham Council's current electricity and gas supplies are procured through a framework agreement with Crown Commercial Services (CCS). The Council's approach seeks to reduce exposure to the volatility of energy markets through CCS purchasing in advance on the wholesale markets over a six month period to establish prices that are then fixed for the following twelve months.
- 1.4. The next six month buying period commences in October 2020 and will fix gas and electricity prices in relation to supply during the period from April 2021 to March 2022. Officers will review procurement options ahead of the subsequent buying period that starts in October 2021.

## 2. Recommendations

- 2.1. Mayor and Cabinet are invited to note the contents of the report and the overall approach to corporate energy contracts.

## 3. Policy Context

- 3.1. Reducing the Council's exposure to the financial risks of rising energy costs supports delivery of Lewisham's Corporate Strategy 2018-22 as a whole. Reducing carbon emissions from the Council's corporate estate supports the commitments in the Corporate Strategy to Make Lewisham Greener.
- 3.2. In March 2020 Mayor and Cabinet adopted a new Climate Emergency Strategic Action Plan setting out the Council's plans to deliver on the aspiration for the borough to be carbon neutral by 2030. The Action Plan includes stretching commitments in relation to the management of the Council's buildings including a new target for the Council to be carbon neutral by 2030 and an interim target of a 50% reduction in corporate carbon emissions by 2025.

## 4. Corporate electricity and gas contracts

- 4.1. The Council's Contract Procedure Rules state the following in relation to energy and water contracts:

**13.4** Volatility in prices requires a different approach for the award of energy and water contracts.

**13.5** At the "Submission of tenders and the "Evaluation" stages, officers shall undertake proper checks and analysis and prepare a report to the decision maker on the outcome with a recommendation for the award of contract.

**13.6** An information report shall be presented to Mayor & Cabinet once each year. The report will summarise the contracts awarded during the previous 12 months and the financial implications for budget holders. The parameters for the delegation will also be reviewed at the same time.

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- 4.2. This document provides that information report.
- 4.3. The Council's electricity and gas contracts for corporate sites, Lewisham Homes' managed sites, streetlighting and schools are purchased jointly with other London boroughs and public sector organisations as a way to use scale to get value for money. Lewisham Council purchases energy through a framework agreement with Crown Commercial Services (CCS).
- 4.4. CCS is the largest non-supplier buyer of electricity and gas, which creates opportunities for economies of scale for its customers. The Council's current energy suppliers through the CCS framework are EDF for electricity and Total Gas & Power (TGP) for gas.
- 4.5. Table 1 below shows expenditure in 2019/20 across the Council's corporate energy contracts:

2019/20 Energy supplies by area	Electricity	Gas
Corporate sites	£1.6m	£0.5m
Schools	£1.3m	£0.8m
Streetlights/unmetered supplies	£0.3m	
Lewisham Homes managed properties	£1.7m	£0.7m
<b>Total</b>	<b>£4.9m</b>	<b>£2.0m</b>

Table 1 expenditure in 2019/20 across Lewisham gas and electricity supplies

- 4.6. Comparable figures for the previous year are shown below in table 2:

2018/19 Energy supplies by area	Electricity	Gas
Corporate sites	£1.3m	£0.6m
Schools	£1.4m	£0.8m
Streetlights/unmetered supplies	£0.3m	
Lewisham Homes managed properties	£1.1m	£0.3m
<b>Total</b>	<b>£4.1m</b>	<b>£1.7m</b>

Table 2 expenditure in 2018/19 across Lewisham gas and electricity supplies

- 4.7. The key differences between 2018/19 and 2019/20 are
- Corporate sites: resolution of historic debt with British Gas on electricity
  - Schols: implementation of centralised consolidated billing in 19/20 reducing costs including late payment charges
  - Lewisham Homes properties: significant increase in supplies brought onto the contracts in 19/20, ensuring they end out of contract rates
- 4.8. Suppliers on the CCS framework purchase energy in advance on wholesale markets over a period of 6 months. Purchasing in advance over a period of time reduces the exposure to price volatility in energy markets.
- 4.9. The current prices are fixed from April 2020 until March 2021. The next six month buying period commences in October 2020 and will fix prices from April 2021 to March 2022.
- 4.10. In March 2020 Mayor and Cabinet agreed a recommendation to switch Lewisham's

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corporate electricity supplies for corporate sites, schools and street lighting to supplies from renewables under the Renewable Energy Guarantees of Origin (REGO) scheme. This decision was implemented through the Council's contract with EDF to supply electricity under the CCS framework agreement.

- 4.11. The current arrangements offer the most practical way to ensure continued compliance with procurement regulations and achieve the benefits from scale and risk minimisation that purchasing through CCS offers. Other procurement routes will be assessed by officers in discussion with the Council's Procurement Team ahead of the next buying period in October 2021. This review will include the relevant frameworks available to public sector organisations and options in relation to fixed/flexible purchasing options, the use of Power Purchase Agreements, fixed/pass-through non-commodity charges and the length of purchasing window.

## 5. Carbon and energy management

- 5.1 Lewisham's Climate Emergency Strategic Action Plan sets out the Council's approach to responding to the Climate Emergency and deliver on the ambition of making the borough carbon neutral borough by 2030.
- 5.2 The Council's own estate and operations will be a significant part of that work and are an opportunity to demonstrate the Council's commitment and leadership on the Climate Emergency, such as the decision in March 2020 to switch corporate electricity supplies to renewable energy.
- 5.3 In June 2020 London Councils' Transport and Environment Committee (TEC) agreed a proposal that boroughs should use the methodology set out under the the Carbon Reduction Commitment (CRC) as the basis for calculating and reporting carbon emissions on a consistent basis across the capital.
- 5.4 Lewisham's carbon emissions for 2019/20 based on the CRC methodology are set out below.

	Total energy supply	Unit	Total CRC emissions	Unit
Electricity	10,703,580	kWh	2,736	tCO <sub>2</sub>
Gas	9,443,583	kWh	1,929	tCO <sub>2</sub>
Sub total	20,147,163	kWh	4,665	tCO <sub>2</sub>

## 6. Financial implications

- 6.1. This report summarises the Council's current approach to procurement of energy contracts. In 2019/20 the Council corporate electricity and gas contracts incurred expenditure of £4.1m on electricity supplies and £1.7m on gas supplies.

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## 7. Legal implications

- 7.1. The requirements of the Council's Contract Procedure Rules are set out in the report (paragraph 4.1). This report fulfils the requirement for an information report.
- 7.2. The Council has a public sector equality duty (the equality duty or the duty - The Equality Act 2010, or the Act). It covers the following protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. In summary, the Council must, in the exercise of its functions, have due regard to the need to:
- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
  - advance equality of opportunity between people who share a protected characteristic and those who do not.
  - foster good relations between people who share a protected characteristic and those who do not.
- 7.3. It is not an absolute requirement to eliminate unlawful discrimination, harassment, victimisation or other prohibited conduct, or to promote equality of opportunity or foster good relations between persons who share a protected characteristic and those who do not. It is a duty to have due regard to the need to achieve the goals listed above. The weight to be attached to the duty will be dependent on the nature of the decision and the circumstances in which it is made. This is a matter for the decision maker, bearing in mind the issues of relevance and proportionality. The decision maker must understand the impact or likely impact of the decision on those with protected characteristics who are potentially affected by the decision. The extent of the duty will necessarily vary from case to case and due regard is such regard as is appropriate in all the circumstances.
- 7.4. The Equality and Human Rights Commission (EHRC) has issued Technical Guidance on the Public Sector Equality Duty and statutory guidance. The Council must have regard to the statutory code in so far as it relates to the duty. The Technical Guidance also covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value. The statutory code and the technical guidance can be found on the EHRC website.
- 7.5. The EHRC has issued five guides for public authorities in England giving advice on the equality duty. The 'Essential' guide provides an overview of the equality duty requirements including the general equality duty, the specific duties and who they apply to. It covers what public authorities should do to meet the duty including steps that are legally required, as well as recommended actions. The other four documents provide more detailed guidance on key areas and advice on good practice.

## 8. Equalities implications

- 8.1. There are no specific equalities implications arising directly from this report but a changing climate and more extreme weather events are likely to negatively impact already vulnerable communities and individuals. The Council's Climate Emergency Strategic Action Plan emphasises the importance of focusing action on climate change as action on social justice and the Council's management of its corporate estate and approach to procurement of corporate energy contracts is important in demonstrating commitment and leadership on this agenda.

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## **9. Climate change and environmental implications**

- 9.1. In March 2020 Mayor and Cabinet adopted a new Climate Emergency Strategic Action Plan setting out the Council's plans to deliver on the aspiration for the borough to be carbon neutral by 2030. The Action Plan includes stretching commitments in relation to the management of the Council's buildings including a new target for the Council to be carbon neutral by 2030 and an interim target of a 50% reduction in corporate carbon emissions by 2025.

## **10. Crime and disorder implications**

- 10.1. There are no specific crime and disorder implications arising directly from this report.

## **11. Health and wellbeing implications**

- 11.1. There are no specific health and wellbeing implications arising directly from this report.

## **12. Background reports**

- 12.1. Corporate Energy Contracts Strategy, report for Mayor and Cabinet 11 March 2020  
<https://councilmeetings.lewisham.gov.uk/documents/s72523/Corporate%20energy%20contracts.pdf> [martin.o'brien@lewisham.gov.uk](mailto:martin.o'brien@lewisham.gov.uk)

## **13. Report author and contact**

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