

Slough Borough Council

REPORT TO: Cabinet

DATE: 18th March 2024

SUBJECT: Energy Contracts

CHIEF OFFICER: Pat Hayes, Executive Director Regeneration, Housing and Environment

CONTACT OFFICER: Jason Newman, Group Manager Carbon & Sustainability

WARD(S): All

PORTFOLIO: Cllr Chahal, Deputy Leader of the Council and Lead Member for Financial Oversight, Council Assets, Procurement, and Revenues and Benefits

KEY DECISION: Yes

EXEMPT: No

DECISION SUBJECT TO CALL IN: Yes

APPENDICES

- A: Gas & Electricity Risk Management Strategy 24/25
- B: Flex Energy Contracts Assets and forecasts 24/25
- C: NHH Energy Contracts and forecasts 24/25
- D: UMS Energy Contracts and forecasts 24/25
- E: HH, Gas and NHH Housing Energy Contracts and forecasts 24/25
- F: Sensitivity Analysis Cap (Stop-Loss) Strategy

1 Summary and Recommendations

The wholesale energy markets are stabilising after 2 years of significant volatility with price fluctuations following the invasion of Ukraine, Russia's capping of gas supplies to Europe, emergency EU regulations to control gas demand and the establishment of new LPG supplies to the EU and UK markets. The wholesale cost of energy has fallen more than 50% over the past 12 months. The Council is entering the final year of its **flex** and **fixed** rate energy contracts; these will all expire on 31st March 2025.

To limit the Council's exposure to potential future energy price fluctuations during 24/25, and to provide opportunity to obtain additional market value, Cabinet is requested to delegate authority to the Executive Director of Regeneration, Housing and Environment to purchase energy below an approved cap price. Cabinet is also recommended to approve the procurement of new energy contracts to start on 1st April 2025 for a 3-year period.

1 Recommendations:

1.1 Cabinet is recommended to:

- i. Adopt and approve the Gas & Electricity Risk Management Strategy (Appendix A) as follows:
 - a. Approve the purchase of electricity on a 'month ahead' basis and gas on a 'day ahead' basis on the open wholesale energy market price.
 - b. Set wholesale energy market **price caps for power for the summer 24 period** (April 24 to September 24) to **£90/MWh** and the **winter 24** (October 24 to March 25) to **£110/MWh**.
 - c. Set wholesale energy market **price caps for gas for the summer 24 period** (April 24 to September 24) to **£35 MWh** and the **winter 24** (October 24 to March 25) to **£40/MWh**.
 - d. If the wholesale energy markets price increase such that the cap is expected to be exceeded, or is exceeded, then Cabinet approves the purchase strategy for eEnergy to buy the remaining energy volume in that summer and/or winter period to limit further cost exposure.
- ii. Delegate authority to the Executive Director of Regeneration, Housing and Environment, in consultation with the Executive Director of Finance and Commercial (the S151 officer) and the Lead Member (Financial oversight, council assets, procurement, and revenues and benefits) to purchase energy in line with the Gas & Electricity Risk Management Strategy.
- iii. Approve the compliant procurement of new energy supply contracts with an estimated **contract value between £8m and £11m** for the period 25/26, 26/27 and 27/28. The procurement will be based on the most competitive price, supplier performance, bill validation and meter services, and flexibility to amend volume to align with the Estate Strategy. Council officers will be required to report back to Cabinet by 31st December 2024 and seek approval to award new energy contracts for the period 25/26 – 27/28.

Reason: To achieve the best value for energy costs and maintain budgetary control.

Commissioner Review

The commissioners are content with the recommendations in this report, recognising that there remains risk associated with the proposed contracting arrangements which cannot be fully mitigated. Energy prices reflect the live market and price evolution in the spot market can be very volatile. Whilst we have seen a drop in wholesale prices and rates by 50% since October 2023, they are still materially higher than pre-pandemic levels. How prices will change in the future cannot be guaranteed and prices could continue to vary dramatically for as long as global market conditions remain so unpredictable.

2 Report

Purchasing Strategy Options Flex Contracts, HH and Gas:

2.1 The Council has considered three options:

- Option 1 – ‘**Do nothing**’ and allow the market to dictate unit price. Energy is procured under the flex contract, if the Council does not buy it in advance, the strategy will revert to ‘**default**’ purchasing, the supplier will purchase the energy on the market the day before delivery for gas and a month before delivery for electricity. The Council allows the market to dictate cost of energy which may be lower or high at the time of purchase each day/month. No price caps or floor price points are proposed. **This option is not recommended it is considered too risky and provides no budget certainty.**
- Option 2 – ‘**Purchase all energy volume in advance**’ for the 2024/25. This option is worth considering if the energy market prices are favourable below a **pre-approved floor price**, as was the case for our 23/24 strategy. The cost of energy is dependent on the energy market price at the time of trading, if it is high, the Council will pay more for its energy. A comparison on the past year energy prices would suggest buying energy early **below an agreed floor price** came at a premium as energy prices continued to fall, and therefore additional value was not obtained, although this approach does provide budget certainty it does not maximise value on the ‘supply side.’ **This option is not recommended for our 24/25 purchases as energy wholesale prices have fallen more than 50% and if this trend continues it will not maximise value within the final year of the flex contract.**
- **Option 3 – ‘Purchase 24/25 energy using a cap price (stop/loss) strategy’**, Stop loss is a trigger point that is set within a Risk Management Strategy that instructs our energy traders, eEnergy, to buy a predetermined volume should the market Gas or Power market trigger point be exceeded. This approach allows the trader to secure the Council ‘summer’ and ‘winter’ volume following Cabinet approval, at below the trigger point, based on purchasing gas a ‘day ahead’ and power a ‘month ahead’ at the market price within that period i.e., at the ‘**default**’ spot price basis, but only subject to the wholesale price remaining below the (stop/loss trigger) for summer and winter volume as outlined in the Gas & Electricity Risk Management Strategy (Appendix A). The risk with this option relates to any sudden increases in wholesale energy price that could mean the stop-loss trigger is breached and the broker executes the trade at a higher price well above the trigger level and thus presenting higher energy cost to the Council. To mitigate this risk the energy market is constantly monitored, and the broker will inform the Council in advance, if the trigger point is likely to be breached. **This option is recommended as maximises value but also sets a cap to mitigate against significant price rises.**

2.2 In Option 3 is based on achieving value when the wholesale market is stable, and prices remain well below the stop-loss trigger but also some protection if energy wholesale prices do suddenly increase. If the wholesale energy price increases such that the trigger is **likely to be breached**, then Cabinet approves the Executive Director in consultation with the S151 and Lead Member to purchase energy in line with the Gas &

Electricity Risk Management Strategy. If the trigger is breached than cabinet authorises eEnergy through the RMS to buy the remaining energy volume for that ‘summer’ or ‘winter period’ when the cap is breached, to limit further cost exposure. Once a season starts, the Stop Loss Trigger for the season will cascade to quarters and months if necessary. The brokers monitor the wholesale prices hourly, if the price starts to climb and move towards the trigger point, they will inform the Council to proceed to buy out the remaining volume, before the trigger is breached. This option is recommended as it provides value in buying at wholesale price below the cap price. This approach can save money for the Council if the market prices remain low or drop further; energy prices are currently well below the trigger level. It ensures that we meet best value within our contracts, but also provide a sufficient buffer to prevent escalating energy costs.

Background

Slough Borough Council Energy Contracts

2.3 Slough Borough Council (SBC) procured 8 new energy contracts in early April and May 2022 to cover its operational, highway and housing assets. The energy supply contracts are outlined in the Table 1 below.

Table 1: SBC Energy Contracts

Energy Contract Type	Assets Covered	Contract Term	Energy Supplier
Fixed			
Non half hourly (NHH) Commercial Contract	Small corporate operational assets, parks and allotments, EV (Electric Vehicle) chargers and Air quality stations etc...	3 years	SSE
Non half hourly (NHH) Housing Contract	Communal lighting for housing blocks and amenity lighting of housing estates	3 years (3 x 12-month contracts)	SSE
Half-Hourly (HH) Housing Contract	Pendeen Court, Brook House	1 year (annual renewal)	Centrica
Gas (Housing)	Housing communal heating of housing blocks	1 year (annual renewal)	Corona
Unmetered Supply (UMS) Housing	TV Aerials on housing land	3 years	EDF
Unmetered Supply (UMS) Contract	Street Lighting, Traffic lights, CCTV, bollards	3 years	EDF
Flexible			

Half-Hourly (HH) Commercial Contract	Operational assets, OH, Depot, Crematorium, Curve, Chalvey Hub, Private Finance Initiative (PFI) schools etc...	3 years	EDF
Gas Commercial Contract	Operational assets, OH, Depot, Crematorium, Curve, Chalvey Hub, PFI schools etc.	3 years	Corona

The types of energy contracts, the assets they cover and the forecast energy costs for 24/25 are covered in detail within Appendix B, C, D and E.

Fixed Energy Contracts

- 2.4 Six contracts are based on fixed unit price and term. The unit rates and standing charges are fixed each year for the full term of contract, these terms vary between (1 to 3 years). HMRC taxes Climate Change Levy (CCL) & VAT are passed through at cost. As the unit price is fixed the cost of energy is dictated **by energy consumption**, thus measures to reduce energy consumption will reduce the cost of energy and the reverse is also true.
- 2.5 Most of these energy contracts are fixed for a period of 3 years, with the housing energy contracts made up of 3 x 12-month Non-Half Hourly (NHH) meter contracts and an annual Half Hourly (HH) and gas contract which is due to be renewed on 1st April 2024. The actual 22/23 and forecast 23/24 and 24/25 annual cost of energy for these fixed rate contracts are shown in **Table 2 below**.
- 2.6 We are on track for over **£320,000 of fixed energy contract savings in 23/24 compared with 22/23** most of these savings resulting from the renewal of the housing HH and gas contracts in March 23 for a period of 1 year and the reduction in energy costs of Year 2 of the housing NHH contract. **We are currently forecasting a further £116,000 reduction in fixed contract energy costs in 24/25 and these will contribute towards the MTFs and HRA savings targets.** All costs are exclusive of VAT.

The savings will be achieved through:

- Procurement of annual Gas, HH housing energy contracts for 24/25;
- Reduced cost of the NHH housing energy contract;
- Adaptive lighting trials on the UMS street lighting contract.

Table 2 SBC Fixed Energy Contract costs (Actuals and Forecasts)

Fixed Energy Contracts	Forecast Annual Cost of Energy 24/25	Forecast Annual Cost of Energy 23/24	Actual Cost of Energy 22/23
	£000s	£000s	£000s
Non half hourly (NHH) Commercial Contract	220	220	241
Non half hourly (NHH) Housing Contract	550	590	799
Half-Hourly (HH) (Housing) Contract	27	30	47
Gas (Housing) Contract	187	220	328
Unmetered Supply (UMS) (Housing) Contract	1	2	1
Unmetered Supply (UMS) Contract	941	980*	948
Total Fixed Energy Contract Costs	1,926	2,042	2,364

* the slight increase in street lighting forecast costs is due to an increase in consumption of energy in the first six months of 23/24 due to repairs and increase in inventory (more street lights).

Flexible Energy Contracts

- 2.7 The two-flex energy contracts cover gas and HH supplies for 60 Council operational assets and 3 PFI schools in 22/23. The PFI schools left the contract on 31st March 2023. These two contracts allow the Council to purchase its energy volume in advance of supply, and over various forward periods (i.e., day ahead, month ahead, season ahead, year ahead) to attempt to extract value from the energy market. In addition, flexible contracts also allow the Council to readjust volume, within agreed tolerances, thus allowing the removal and/or addition of assets to the contract.
- 2.8 The risk with flexible energy contracts, are that they do not fix out the **unit rate p/kWh** the customer pays for their gas and power; this unit rate changes monthly in line with the wholesale market cost of power and gas that have been purchased in advance, the fixed costs built into the supply contract (metering, and standing charges) and the **reference cost of energy** (i.e., the contract rate). The contract value is based on an average cost of energy over the 36-month term.
- 2.9 The actual cost of energy for these flex contracts for 22/23 and the current forecasts for 23/24 and 24/25 (with the price cap) are shown in the Table 3 below. We are

forecasting a slight increase in energy costs in **23/24 of £49,000** on our flex contracts, followed by a **saving of £169,000 in 24/25 based on the recommended RMS strategy and this will contribute towards MTFS savings for 24/25.**

The increase in costs in 23/24 are due to:

- A slight increase in consumption of energy across our operational assets compared with 22/23.
- Removal of the Government Energy Bill Relief Scheme on 31st March 2023.
- Some of the 22/23 energy costs being paid in 23/24.

The saving in energy costs forecast in 24/25 are achieved through:

- A reduction in wholesale costs of energy;
- Implementation of the RMS, a competitively priced cap (Stop-loss trigger); and

Table 3 SBC Flex Energy Contract costs (excludes PFIs) Actuals and Forecasts

Flex Energy Contract	Forecast Annual Cost of Energy 24/25 Cap (stop/loss strategy)	Forecast Annual Cost of Energy 23/24 (floor price strategy)	Actual Cost of Energy 22/23 (includes EBRS relief)	Forecast Annual Cost of Energy 22/23 (excluding EBRS relief)
	£000s	£000s	£000s	£000s
Half Hourly (HH) Commercial Contract	1,260	1,385	1,141	1,528
Gas Commercial Contract	256	320	495	668
Total Flex Energy Contract Costs	1,516	1,685	1,636	2,196

These forecasts and costs do not include PFI school.

Energy Bill Relief Scheme (EBRS) impact on 22/23 energy costs

2.10 Due to the spiralling cost of energy over summer 2022 on all consumers the UK Government announced, in September 2022, the **Energy Bill Relief Scheme (EBRS)** to provide bill relief for non-domestic customers in Great Britain and Northern Ireland. The scheme applied discounts to energy usage between the **1st of October 2022 and 31st March 2023**. The discount was applied automatically to the supply bill. The scheme covered public sector organisations (schools and local authorities), businesses and charities. The supported price was set at:

- Electricity - £211/MWh (21.1p/kWh)
- Gas - £75/MWh (7.5p/kWh) (equivalent to 219p/therm gas is bought in p/therm)

2.11 The Council and PFI schools benefited from this scheme. Prior to its implementation, the forecast annual energy costs presented to Cabinet in July 2022 was just **under £6m for 22/23**. The forecast energy cost presented to Cabinet in February 23 demonstrated the positive impact EBRS had on the Council and PFI energy costs with forecast of a **£700k reduction in annual energy costs at £5.2m**. The **actual cost of energy for 22/23** has been confirmed through analysis of cost and consumption reports, and the **final energy costs were £4.95m**, the EBRS relief **exceeded £1m**. The **breakdown of forecast energy and actual costs for 22/23** are shown in Table 4 below:

2.12 There are no EBRS schemes for 23/24 and 24/25 that the Council will be eligible for, therefore savings can only be secured through 'supply side' and 'demand side', with most savings achieved through a reduction in energy consumption across its estate and in compliance with the evolving Housing and Estate Strategies.

Table 4 – SBC Energy Forecast and actual energy costs 22/23

Contract & Type	Forecast Spend 22/23 (Pre-EBRS)	Forecast Spend 22/23 (Includes EBRS)	Actual Spend 22/23 (Includes EBRS)
Presented to:	July 22 Cabinet	February 23 Cabinet	March 24 Cabinet
	£000s	£000s	£000s
Housing Revenue Account Funded			
HH Housing (Fixed)	47	46	47
NHH Housing (Fixed)	754	739	799
Gas Housing (Fixed)	410	382	328
Total	1,211	1,167	1,174
PFI Schools*			
Gas Commercial (Flex)	635	430	306
HH (Flex)	777	576	619
Total	1,412	1,006	925
General Funded			
Unmetered supplies (Fixed)**	887	921	948
NHH Commercial (Fixed)	275	268	242
Gas Commercial (Flex)	668	637	495
HH (Flex)	1,528	1,216	1,141
Total	3,358	3,042	2,826
Total Energy cost	5,981	5,215	4,925

*PFI left the contract on 31st March 23 ** Street lighting consumption increased by more than 10%

Energy Purchase Strategy 23/24 (Floor Price)

2.13 The Council executed its trades on 9th March 2023 purchasing the power and gas below an agreed **floor price** for the entire budget year 23/24 and in line with the risk management strategy approved by cabinet in February 2023. This strategy was based on two key objectives:

- securing energy budget certainty over 23/24, and
- obtaining best value and hence where possible a reduction in the overall cost of energy across its contracts

2.14 The Council reprocured its HH and Gas contracts for housing with Centrica and Corona on 28th March 2023 and entered the second year of its NHH contract with SSE at a reduced rate. The combined savings forecast across all energy **contracts for 23/24 is £273 k** when compared with the actual costs for 22/23 (noting those costs included more than £1m EBRs relief) **Table 5** combines the fixed contract table 2 and flex contract table 3:

Table 5 SBC Energy costs 23/24 and 22/23 (excludes PFIs)

Energy Contracts	Forecast Annual Cost of Energy 23/24	Actual Cost of Energy 22/23 (Includes more than £1m of EBRs mitigation)
	£000s	£000s
Fixed Contracts	2,042	2,364
Flex Contracts	1,685	1,636
Total Energy Costs	3,727	4,000

2.15 This forecast saving is set against a slight overall increase in volume, gas consumption across our operational and housing assets and electricity consumption across our operational assets. The increase in consumption for gas is forecast to be 286,000 kWh or (1.79% of the total portfolio). Any increase in consumption offsets the 'supply side' savings, focus should now turn to 'demand side' savings to secure further cost avoidance (i.e., that is the optimisation of buildings and street lighting, aimed at reducing energy consumption to save on energy costs).

Energy Purchase Strategy 24/25 (Stop/Loss trigger cap price)

2.16 The strategy proposed for 24/25 considers a risk/reward approach that is focussed on extracting further value from our flex energy contracts. The approach is to cap wholesale energy costs to a maximum level **cap price** (called stop/loss trigger) but with the specific aim to reducing energy cost exposure through purchasing our volume at lower market prices daily for gas and monthly for power. This approach offers the best opportunity for additional 'supply side' savings, but is of course subject to energy market conditions, which fall outside our control.

2.17 The wholesale cost of gas and power has reduced by more than 50% over these past 12 months, enabling the Council to set lower wholesale **'trigger values'** to buy its energy (gas and power) with sufficient head room to extract value from the market. This approach will sustainably reduce the average cost of the flex gas and HH contracts over the total contract duration of 3 years. However, noting the Council is entering the final year of both its gas and HH contracts, and noting the contract value is based on average cost of energy, the 'supply side' savings achieved in 24/25 will be limited by the fact the Council has already purchased two-thirds of its contracted volume for year 1 and year 2. Therefore, it only has the final one-third of volume to try and extract further value and cost reduction. Appendix F illustrates the Sensitivity Analysis of various Wholesale price scenarios at 5% increase and 5% reduction intervals against the price cap proposed.

2.18 The sensitivity analysis is based on using the 23/24 forecast energy consumption data and assumes **'no additional demand reduction'** or energy efficiency measures being implemented. It can be seen a 5% reduction in gas prices below the cap price leads to a reduction of £8,054 in energy gas costs and 5% reduction in power prices below the cap price leads to a reduction of £16,531 in energy electricity costs and conversely a 5% increase in gas prices leads to an increase of £8,054 in energy cost and 5% increase of power prices leads to an increase of £16,531 in energy costs

2.19 Table 7 illustrates the Cap Price with both the risk scenario of wholesale prices increasing at 5% and 10% intervals above the cap price and 5%, 10%, 15% and 20% below the Cap price along with the forecast costs. If the Council managed to purchase gas and energy at average wholesale price 20% below the cap price (stop/loss trigger) through the 'summer' and 'winter' period, this may lead to an additional 'supply side' saving **just under £100k**. Gas and power are currently trading around 20% below the Cap price.

Table 7 Cap (Stop/loss trigger) and wholesale cost scenarios flex energy contracts 24/25

Market Prices	Flex HH contract Cost	Flex Gas Contract Cost	Total contract Cost
	£	£	£
10% above Cap Price	1,292,945	272,220	1,565,165
5% above Cap Price	1,276,415	264,165	1,540,580
Cap Price*	1,259,884	256,111	1,515,995
5% below Cap price	1,243,353	248,057	1,491,410
10% below Cap price	1,226,822	240,003	1,466,825
15% below Cap price	1,210,292	231,949	1,442,241
20% below Cap price	1,193,761	223,895	1,417,656

*Trigger price set at £35/MWh Summer Gas, £40MWh Winter Gas, £90/MWh Summer Power, £110/MWh Winter Power

2.20 Additionally, we are also tendering energy contract renewals for the Housing gas and HH contracts. As the market is more stable and prices have reduced significantly over the past year, it is predicted we will save at least an additional **£36,000** in 24/25 on these housing contracts as reflected in Table 2.

Forecast Energy Costs 24/25

2.21 Forecast Energy costs for 24/25 are based on purchasing 100% of the volume at the cap price, securing savings through renewal of housing energy contracts, and reducing consumption of street lighting through an adaptive lighting policy by reducing our street lighting consumption by 1% in 24/25 through street lighting dimming trials across residential ward in Slough, see Table 8 for the forecast costs for 24/25, 23/24 and 22/23.

Table 4 Slough portfolio forecast energy cost 24/25, 23/24 and 22/23

Year	Fixed Contracts	Flex Contracts Cap Price	Total Energy Cost
3 (2024/25)	£1.926m	£1.516m	£3.442m (forecast)
2 (2023/24)	£2.042m	£1.685m	£3.727m (forecast)
1 (2022/23)	£2.364m	£1.636m	£4.000m (Actual)

2.22 The objective is to buy our energy volume well below the cap price, but we cannot guarantee the wholesale price at the time of reporting and approval. By reporting the costs at the 'cap price' Members will be aware of the potential energy costs the Council will be incurring in 24/25 and this should present a worst-case scenario.

2.23 Table 9 below shows the breakdown of these actual and forecast costs for 22/23, 23/24 and 24/25 between General Fund and Housing Revenue Account (HRA) Fund.

Table 9 Forecast Cost Portfolio breakdown

Portfolio	(2022/23) (EBRS) Relief Actual	(2023/24) Floor Price Strategy Forecast	(2024/25) Cap Price (stop/loss) Strategy Forecast
General Fund	£2.825m	£2.885m	£2.676m
HRA	£1.175m	£0.842m	£0.766m
Energy Cost	£4.000m	£3.727m	£3.442m

Energy Budgets, Savings and Pressure (24/25)

2.24 The cost exposure to the **General Fund for 2024/25** based on the purchase strategy at the 'cap price' proposed is **£2.676m**. The cost exposure for the HRA assets is **£0.766m** based on re-procurement of HH and Gas contracts and the reduced cost of the NHH contract.

2.25 Supply side savings on the flex contracts will be achieved if day ahead 'gas' and month ahead 'power' is purchased below the 'cap price.' The current forward market price trend for gas and power are trading around 20% below the cap price is possible and an additional 'supply saving' of **£98,000** achievable, but this cannot be guaranteed as

market prices fluctuate daily. In 2024/2025 an MTFS energy saving proposals to reduce energy costs across our operating estate of **£275,000** have also been submitted. An MTFS street lighting saving of **£175,000** has also been submitted. We are committed to achieve at least **£450,000** of savings on the General Fund.

2.26 The energy budgets were consolidated in 23/24. Table 10 show the consolidated energy budgets. A budget saving of **£508k** is forecast in 23/24.

Table 10 - Energy Budgets 2023/24

Portfolio	2023/24 Budget	Forecast Costs	Saving
General Fund	£3.035m	£2.885m	£0.150m
HRA	£1.200m	£0.842m	£0.358m
Total	£4.235m	£3.727m	£0.508m

3. Financial implications

3.1 The 24/25 general fund energy budget includes an MTFS saving proposal of £0.275m across the estate and £0.175m for street lighting resulting in a total general fund budget reduction of £0.450m to **£2.585m**. The budget reduction is based on a combination of 'supply side' i.e. purchasing cheaper energy and 'demand side' i.e. reducing consumption, transferring assets, disconnecting meters, and adopting a new adaptive street lighting strategy. Supply side savings will offer significant mitigation. There is potential for further savings in energy costs if all 'demand side' measure and 'supply side' savings can be secured. The 'supply side' are forecast costs for **£2.676m** based on adopting the stop-loss cap strategy. There is potential for additional 'supply side savings if wholesale market prices remain stable and significantly below the cap (stop/loss trigger) price.

3.2 The 24/25 Housing Revenue Account energy budget as reflected in the HRA Business Plan is reduced to **£0.802m** plus inflation to meet the forecast energy costs for communal lighting and heating, a significant reduction from the 23/24 budget of **£1.2m**. This reflects the savings forecast in 23/24 of **£0.358m** and additional savings forecast in 24/25 of **£0.076m** through the re-procurement of HH and Gas contracts and reduced cost of the NHH contract. The HRA forecast costs for 24/25 is £0.766m based on procurement of housing energy contracts and demand reduction. An energy efficiency programme focussed on communal heating and lighting will help mitigate these costs further in future years.

4. Legal implications

Recommendation 1.1 (i):

In relation to Recommendation 1.1 (i), relating to adopting and approve the Gas & Electricity Risk Management Strategy, this is permissible in accordance Part 3.5 of Responsibility for

Executive Functions and The Local Authorities (Functions and Responsibilities) (England) Regulations 2000.

Recommendation 1.1 (ii):

In relation to Recommendation 1.1 (ii), relating to the delegation of the purchase energy in line with the Gas & Electricity Risk Management Strategy to the Executive Director of Regeneration, Housing and Environment (in consultation with the Executive Director of Finance and Commercial (the S151 officer) and the Lead Member for Finance, Council Assets, Procurement and Revenues & Benefits), this is permissible under section 9E of the Local Government Act 2000.

Recommendation 1.1 (iii)

The Public Contracts Regulations 2015 (PCRs 2015) Council's Contract Procedure Rules, specifically Slough Borough Council Procurement Application and Authorisation Table (Services), are applicable to this procurement. As the value exceeds £500,000 then authorisation must be via a Cabinet Report; a mini business case to be approved by Strategic Procurement Review Board; and a full business case to the relevant Procurement Review Board.

Due to the value of the services being procured the procurement strategy must comply with the PCRs 2015 and the Council's Contract Procedure Rules. Council Officers must consult with HB Public Law and the Procurement Service to agree a compliant procurement method prior to any procurement commencing.

5. Risk management implications

5.1 Risks

The risks of energy procurement and forecasted increase in energy prices for 2024/25 have been identified on the corporate risk register.

There are three key risks relating to this corporate energy purchase strategy and the cost of energy going forward.

Risk	Rating	Mitigation	Residual Risk
Further price increases in the energy market	Very High	Adopt a 'stop-loss' cap risk management strategy to mitigate the risk – to control the range of costs, costs will remain high.	High
Budget Pressure due to high energy costs	High	Estate Strategy will be essential in determining which assets should remain in the Council portfolio.	Medium

High Energy costs for remaining assets	Medium	Implement an energy optimisation and efficiency programme aimed at reducing consumption, carbon, and financial costs across the estate and streetlighting	Low
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6. Environmental implications

6.1 The disposal and or transfer of assets will result in a reduction in energy consumption which in turn will reduce the Council's carbon emissions over the period of the contract. This can be quantified through an energy and carbon audit. The dramatic increase in energy prices acts as an imperative for the Council to find ways to reduce consumption both for its own activities and those where it passes the cost of energy onto its residents and customers. However, this report focuses on the setting of strategy for purchasing energy, not on reducing consumption of energy.

7. Equality implications

7.1 There are no impacts on any group because of this decision on the RMS is from the general fund perspective. However, the wider impact on tenants in social housing (HRA) will be felt as communal lighting and heating costs are passed through to tenants and leaseholder, the Council may use some of the HRA reserve to absorb some of this additional cost. The Council buys communal energy for social housing tenants to limit fees and other charges associated within this collective purchasing process. These costs are forecast to reduce by another £76,000 in 24/25.

8. Procurement implications

8.1 The Council has adhered to its Contract Procedure Rules and the Public Contracts Regulations by submitting and obtaining procurement approval for the Gas and Electricity contracts up to 31st March 2025.

9. Workforce implications

9.1 There are no workforce implications relating to this report.

10. Property implications

10.1 There are no direct property implications relating to this report, but the energy purchase strategy does align with the estate strategy to maximise cost avoidance.

11. Background Papers

[Corporate Energy Procurement Strategy and Contracts \(April 2022 - March 2025\)](#)

[Cabinet - Urgency procedure - Leader's Action - 27 July 2022](#)

[Agenda item - Energy Flex Purchases 23/24 \(Purchase Strategy\) \(slough.gov.uk\)](#)

