

DERBYSHIRE COUNTY COUNCIL

CABINET

10 FEBRUARY 2015

Report of the Strategic Director Corporate Resources

ENERGY CONTRACT AND CUSTOMER FEE

(Council Services)

1. Purpose of the Report

To seek Cabinet approval to add a customer fee onto the existing energy contract to recover costs of managing the energy contract from schools and other County Council sites.

2. Information and Analysis

The Corporate Property Carbon & Energy Management Team (C & EMT) has responsibility for the day to day management of the Council's energy contract, which was procured through the Crown Commercial Services (CCS) energy framework. This includes dealing with and resolving any site supply, metering or billing issues; ensuring new supplies are included on the contract and any disconnected supplies or disposed buildings are removed from the energy contract.

The C & EMT manage the Council's energy management system, which enables the monitoring, targeting and performance reporting on the Council's energy consumption, spend and resulting carbon emissions, which contributes to the Council's quarterly and annual carbon reduction target reporting. In addition to this, schools receive an annual report comparing year on year consumption, many of which use this as part of their internal auditing and performance reporting. The C & EMT currently has 3.5 FTE staff and operates at a cost of £121,000.

As part of the CCS framework, the Council is able to add a customer fee on to the gas and electricity unit prices reflected in the Council's energy contract, for which the Council would then invoice the supplier at the end of each contract

year for the customer fee to be paid back to the Council as a rebate. Essentially, this will lead to a small increase in the unit price incurred by the customers, in this instance schools and corporate sites. Many other Local Authorities already take advantage of this to cover the cost of managing the contract. For local authorities that already take advantage of this, the customer fee is typically set between 0.05p/kWh and 0.2p/kWh.

In light of the Council's budget reduction targets, it is necessary to consider areas of income generation. It is proposed that the Council's option to charge a customer fee through the relevant supplier, should be exercised to recover the costs of managing the energy contract and to enable the provision of energy management services to schools and the corporate estate to continue.

We propose to write to all schools who currently purchase their energy via the CCS framework to advise them of the levy.

With regards to DCC corporate buildings, the extra cost will be absorbed from building revenue budgets.

3. Financial Considerations

The table below sets out the potential customer fee rebate that could be achieved based on 2013/14 consumption. The table differentiates the potential customer fee rebate between corporate sites and schools.

| | 0.05p/kWh £ | 0.1p/kWh £ | 0.15p/kWh £ | 0.2p/kWh £ |
|--------------------------------|----------------|----------------|----------------|----------------|
| Schools | 59,520 | 119,040 | 178,561 | 238,081 |
| <i>Average cost per school</i> | <i>151</i> | <i>302</i> | <i>453</i> | <i>604</i> |
| Corporate | 27,104 | 54,207 | 81,311 | 108,415 |
| <i>Average cost per site</i> | <i>74</i> | <i>149</i> | <i>223</i> | <i>297</i> |
| DCC total rebate | 86,624 | 173,247 | 259,872 | 346,496 |

It is recommended the Council add an additional 0.05p/kWh to the gas and electricity unit prices, which based on 2013/14 consumption data could amount to annual rebates in the region of £86,624 of which £59,520 would be from schools, and £27,104 from corporate sites.

4. Environmental Considerations

Within Derbyshire's Sustainable Community Strategy and Council Plan, there is a strong commitment to reduce the impact of climate change through reducing

carbon emissions and supporting schools to become more energy efficient. This commitment is reinforced by the Council's commitment to reduce its carbon emissions from its operations, including from its buildings. Therefore, the ongoing energy monitoring, targeting and management work undertaken by the Carbon and Energy Management Team, including the performance reporting continues to be required to meet these Council objectives.

5. Other Considerations

In preparing this report the relevance of the following factors has been considered; prevention of crime and disorder, equality and diversity, human resources, legal, health and transport considerations.

6. Key Decision **NO**

7. Call-in

Is it required that call-in be waived for any decision on this report? **NO**

8. Background Papers

None.

9. Officer's Recommendation

That Cabinet:

- 9.1 approves the addition of a customer fee of 0.05p/kWh to the gas and electricity prices in the Council's energy contract to cover the cost of managing the contract.
- 9.2 agrees that the income should be used to offset the costs to the Council of providing energy management services to schools and the corporate estate.

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