

OPERATIONS DEPARTMENT



REPORT FOR AUDIT COMMITTEE			
To:	Executive – 22 November 2023 Audit Committee – 14 December 2023		
Contact Officer:	Laura Swann – Assistant Director of Operations Strategy Jason Kelly – Head of Facilities Management		
Risk Reference:	CR20		
Risk Description:	Increasing Energy Prices		
Reason for Briefing Note:	Information <input type="checkbox"/>	Analysis & Discussion <input checked="" type="checkbox"/>	Decision <input type="checkbox"/>

1.0 Context

Due to a series of major and unexpected events across the world over recent years, there has been a swift and unprecedented shift in the availability and pricing of energy in the UK.

Bury Council have been working closely with suppliers and YPO (our Framework Energy Provider) to mitigate price rises, but the energy market continues to be unpredictable and difficult to navigate even for specialist teams, which has led to price uncertainty.

2.0 Key Potential Impacts

The increase in energy costs over the last few years has had a significant impact on both the Council's budgets and the Local Authority school budgets. The Energy team have been working closely with Finance to provide regular impact forecasts to the Exec team since April 2022.

3.0 Current Forecast

The table below shows the actual gas and electricity costs for the council in 2022/23 and the latest forecasts for 2023/24.

Actual costs for 2022/2023 have been added in the table below using invoiced data. A forecast for 2023/24 with invoiced costs to date and a forecast to the end of the financial year has also been included. All costs are exclusive of VAT.

Period	Costs
Gas Costs 2022/23	£1,646,875
Electricity costs 2022/23	£4,445,619
Gas Forecast 2023/24	£1,794,552
Electricity Forecast 2023/24	£5,468,419
Total energy costs for 2022/23	£6,092,494
Total energy forecasted costs for 2023/24	£7,262,971

NB The above forecasts for 2023/24 include the **Energy Bills Discount Scheme** (EBDS) which runs from **1 April 2023 to 31 March 2024**.

Please note this only includes corporate sites. Schools are responsible for their own energy bills and are therefore not included in the forecast but will be subject to the same increases. Schools have been kept informed throughout in conjunction with Children's Services.

The price increases will result in a current projected increase in energy costs for the council from 2022/23 to 2023/24 of £1,170,477. The final increase will be dependant on gas and electricity usage for the remainder of the financial year.

4.0 Current Controls

The Government has launched the Energy Bills Discount Scheme to provide support to those on non-domestic contracts, including businesses, voluntary sector and public sector organisations, between 1 April 2023 and 31 March 2024. Non-domestic customers will receive a discount on gas and electricity unit prices, calculated by comparing the estimated wholesale portion of the unit price to a baseline 'government supported price' which is lower than currently expected wholesale prices this winter.

5.0 2024/25 Energy Price Forecasts

Bury Council have been provided indicative costs for the financial year 2024/25 (From YPO). The prices indicate a 70% reduction in the cost of gas compared to 2023/24 and a 39% reduction in the cost of electricity, which would result in a significant reduction in energy costs for 2024/25.

However, these figures need to be looked at with caution, as only 79% of gas and 59% of electricity has been purchased by YPO to date for 2024/25 and prices remain volatile, so costs could increase on the above figures provided. The Energy team will be able to provide more accurate energy price forecasts in January for the next financial year, to understand likely cost implications for 2024/25 (at this point the majority of gas and electricity should have been purchased for 2024/25 to help provide the price certainty).

Based on the prices provided by YPO for the gas and electricity purchased to date the current estimate is that the budget held for energy in 2024/25 will be sufficient and the MTFs has used this assumption in the current modelling.

6.0 Mitigation of rising energy costs

Following the increases in price last year a working group was set up to review, monitor and mitigate the rising energy costs. The group have carried out and created a set of actions to be implemented across the Council's estate:

- Report agreed by Cabinet in September 2022 to utilise the YPO Framework for the purchase of electricity for the next 4 years starting in April 2023.
- Regular updates provided to Exec Team and to Schools in relation to costs.
- Newly developed Carbon Literacy Training module available for staff and now mandatory.
- Team Bury away day on Climate Change and impact of rising energy costs.
- Internal communications campaign to highlight energy saving opportunities within corporate buildings.
- 68.72% streetlights converted to LED lanterns.
- £500K bid submitted to Swimming Pool Grant Fund, however, unfortunately this bid was unsuccessful.
- New water supply contract procured and commenced on 01/11/23. This includes schools, all corporate buildings and selected 3rd party organisations.
- Further street lighting LED replacement programme approved as a further savings option for delivery during 2023/24 and 2024/25.

7.0 Conclusion

Based on the projected rates for 2024/25, the risk of rising energy costs will reduce significantly in the next financial year. Based on the prices provided by YPO for the gas and electricity purchased to date the current estimate is that the budget held for energy in 2024/25 will be sufficient and the MTFs has used this assumption in the current modelling. However, there is still a risk around the energy not yet purchased and costs for 2024/25 will be confirmed in Jan 2024.

Update for Deep Dive regarding CR19 to follow