

Board of Directors
Date:30 August 2022
Energy Management Proposal

Agenda Item Number:	
Presented for:	Discussion/Approval
Report of:	Energy Management Proposal
Author (s):	Head of Estates
Report History:	None
Publication Under Freedom of Information Act:	This paper can be made available under the FOI Process
List of HIF's Objectives	
1. Delivering safe, efficient ,compliant, responsive and outstanding quality services	X
2. Being well led and financially sustainable	X
3. Embedding Business Modernisation and service development throughout the Company	X
4. Growing our future Business Development opportunities	
5. Being an employer of choice, developing our staff, being an outstanding place to work and delivering our services with pride	
6. Delivering our services sustainability, minimising our impact on the environment	X
Recommendation:	
The Board are asked to agree the Energy Management proposal outlined in this paper and way forward	

Title	Improved Energy Management Process	
Status	For discussion and approval	
Key Points	<ul style="list-style-type: none"> • HIF to adopt an energy consultancy model to support energy management and procurement • The proposal will provide an improved service in terms of quality and cost • The contract will be fully managed by HIF and billed against the existing energy cost centre as a service contract • The contract involves cancellation of our existing xxxxxxxx Framework energy contracts • Scheme will be spend to save at approximately 1-2% of our total energy spend (xxxxxxxx per year) • The proposal is significantly more cost effective than employing an energy manager direct • Provides the Trust/HIF with a wealth of resource in the Net Zero, Sustainability and Renewable Technology Sectors (CHP) with the option to engage further programmes of work at cost. 	
Meeting	Board Meeting	
Strategic Aims of the Paper		
Provides assurance to the the Trust and HIF Board that our energy is procured at the best available market rate and is managed by one of the market leaders		✓
Provide an improved energy management service to the Trust which will be fully managed by HIF		✓
Ensure the Trust / HIF have access to energy experts in the event of internal staffing or recruitment issues		✓
Support the finance team in developing improved algorithms for energy forecasting given the current energy sector climate		✓

1.0 Executive Summary

- 1.1** This paper has been developed to outline some proposed changes to our energy management and procurement processes.
- 1.2** The paper has not been presented as a formal business case given the low value and service contract nature of the proposal. However, the change will involve an element of risk and wider implications to the Trust.
- 1.3** The cost of energy for Harrogate District Hospital alone is expected to exceed £ **xxxxxxxxxx** for the 22/23 financial year given the volatility of the global market.
- 1.4** It is therefore essential we develop an improved energy procurement strategy that matches the Trusts appetite for risk, looks to mitigate rising energy costs and ensures we are receiving value for money from our energy supplier contracts.

2.0 Current Position

- 2.1** The Trust is currently contracted to purchase energy under a **xxxxxxxxxx** framework.
- 2.2** HDFT have two energy contracts in place for electricity and gas. The V30 (HH) requires a termination period of 30 months. The L6 (NHH) requires a termination period of 6 months
- 2.3** The current **xxxxxxxxxx** energy contract is not providing the level of invoice validation, supplier dispute resolution or bureau service that we would expect from a high value energy contract.
- 2.4** The price we pay for energy is variable throughout the financial year. Whilst being on a public sector framework provides a degree of protection in a volatile energy market, there are other options available that could significantly reduce the amount we spend on energy in the mid to long term.
- 2.5** HIF does not currently have a dedicated energy manager to support invoice validation, energy reduction schemes, asset management or regulatory compliance.
- 2.6** HIF are continuing to track energy consumption effectively and ensure an update is provided to the finance team each month based on the published energy rates from **xxxxxxxxxx**.

3.0 Proposal

- 3.1** It is proposed that the HIF and subsequently the Trust move to a consultancy based model for energy management and procurement which is fully managed by HIF as a standard service contract.
- 3.2** Terminate our existing [REDACTED] energy contracts in line with the termination notice period in section 2.2
- 3.3** A consultancy model offers significant savings over a directly employed energy manager, with potential savings in the region of £ [REDACTED] per year.
- 3.4** Recruiting an energy manager with the same level of expertise, knowledge and market intelligence would be a significant challenge.
- 3.5** [REDACTED] are the preferred energy consultancy and have provided an initial presentation to showcase the services they offer. The proposal is approximately 2% of the main site energy spend at £ [REDACTED] per year.
- 3.6** [REDACTED] have over 50 years of consultancy experience working in energy and utilities management with NHS Organisations in the North East and Yorkshire and other major companies nationally.
- 3.7** The contract will provide access to a team of energy procurement specialists who monitor the wholesale market and analyse prices daily to guarantee that we have a procurement strategy that works for HDH FT based on the level of risk we are prepared to accept.
- 3.8** Furthermore, the contract will provide a range of bureau services, such as invoice validation, billing support, recovery of overpayments for the past 3 years (additional fee), supplier dispute resolution, help-desk and ensuring energy suppliers are held to their contractual obligations. This will support continued issues with invoicing that we are currently experiencing.
- 3.9** The [REDACTED] contract is on a Framework and will be procured via Procurement Hub which offers an OJEU compliant direct award framework.
- 3.10** Procurement Hub are an organisation where every penny of surplus generated goes back into social housing, social value projects and charities including Children in Need.
- 3.11** The contract is within the delegated budgetary authority of the local managers, however, given the wider implications to the Trust and the level of spend on energy, it is essential that the board are fully appraised on this proposal.

3.12 The contract is within the delegated budgetary authority of the local managers, however, given the wider implications to the Trust and the level of spend on energy, it is essential that the Board is fully appraised of the way forward and is supportive of the new arrangements.

4.0 Request for Approval

4.1 The Board are asked to agree the Energy Management proposal outlined in this paper and way forward

4.2 Enter into a formal contract with **xxxxxxxxxx** and undertake the onboarding activities supplying historical billing and energy usage information.