

Report No.

London Borough of Bromley
Part 1 Report

Decision Maker: LEADER WITH PRE-DECISION SCRUTINY FROM ERC PDS,
CHIEF OFFICERS AND PORTFOLIO HOLDER

Date: 22 October 2020

Decision Type: Urgent Executive Key

Title: AUTHORISATION TO PROCEED TO CONTRACT: ENERGY
SERVICES

Contact Officer: Michael Watkins – Assistant Director Strategic Property
michael.watkins@bromley.gov.uk

Chief Officer: Sara Bowrey, Director of Housing, Planning and Regeneration

Ward: All Wards

1. Reason for report

1.1 The Leader of the Council on 21 July 2020 approved proceeding to procurement for energy supplies from the United Learning Trust Framework via a mini-competition.

1.2 This report seeks authorisation to award contracts for LBB's electricity and gas supplies following the mini- competition.

2. RECOMMENDATIONS

2. The Leader is recommended to approve the following recommendations:

i) To Proceed to award contracts for the supply of electricity and gas via the United Learning Trust Procurement Services framework via a mini-competition for a contract duration of 5 years.

ii) Award of contracts for gas and electricity supplies for a fixed period of two years

iii) Indicative costing of £0.7m and £4.5m per annum for gas and electricity supplies respectively. The proposed costs for the contract term are within LBB's annual energy budget allocation.

- iv) To procure green energy. The costs of green energy procurement are within LBB's annual energy budget allocation.**
- v) The actual prices can only confirmed at the point of agreement and are variable on a daily basis due to the nature of the market and therefore to delegate authority to the Director of Housing, Planning and Regeneration to finalise the price point and select and contract suppliers based on the quote on the day at point of the agreement.**

Impact on Vulnerable Adults and Children

1. Summary of Impact: There is no impact on Vulnerable Adults and Children.
-

Corporate Policy

1. Policy Status: Existing Policy
 2. BBB Priority Excellent Council Quality Environment A council that manages its assets well
-

Financial

1. Cost of proposal: £c13million, dependent on usage
 2. Ongoing costs: c£2.6m p.a., dependent on usage
 3. Budget head/performance centre: Individual departmental property budget heads
 4. Total current budget for this head: £ 2.673m per annum
 5. Source of funding: Existing revenue budget for 2020/21 for energy consumption
-

Personnel

1. Number of staff (current and additional): N/A
 2. If from existing staff resources, number of staff hours:
-

Legal

1. Legal Requirement: Statutory Requirement
 2. Call-in: Applicable
-

Procurement

1. Summary of Procurement Implications: This report seeks to award contracts for the provision of electricity and gas, using the United Learning Trust Framework at an estimated value of c.£2.6m p.a. or £13m over the five year contract period. The Council is able to make use of this framework.
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): This project will benefit London Borough of Bromley as an organisation.
-

Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

- 3.1 The Leader of the Council on 21 July 2020 approved proceeding to procurement for supply of electricity and gas via a utility brokerage service with access to the United Learning Trust framework for a contract duration of 5 years, enabling access to the framework and for Inspired Energy to procure energy supplies from the framework via a mini-competition.
- 3.2 It was noted that a separate report seeking authorisation to award a contract via the framework would be submitted in due course, following completion of the mini-competition process via the utility broker.
- 3.3 The Broker has submitted electricity and gas tenders on LBB's behalf using the United Trust Framework via a mini-competition. 4 electricity and 3 gas suppliers put in offers. The Broker has screened the suppliers and identified 2 each for electricity and gas utilities that meet LBB's KPIs approved on 21 July 2020 as well as the Council's cost and quality criteria for efficiency.
- 3.4 The Council's Energy Manager has reviewed the Broker's analysis and is satisfied with them.
- 3.5 The Broker has recommended a two year fixed contract term as it gives LBB best value for money based on the Council's energy volume and current market conditions.
- 3.6 The Broker has advised LBB to enter into contracts before the Council's contract end date of 30 September 2020 to prevent the Council from going onto standard default tariff rates.
- 3.7 The market review has been conducted by the Broker and the results have been analysed by the Energy Manager. The market review results show that LBB is able to procure green energy and achieve best value within the current energy budget and improve the quality of its energy procurement process.

4. SUMMARY OF THE BUSINESS CASE

- 4.1 The benefits of the proposed new contract with Inspired Energy are as follows:
 - digitalised, streamlined, faster and more efficient billing processes
 - in-house digital auditing and validation of energy consumption and billing data, thereby saving time and improving efficiency
 - digitalisation of energy consumption data to enable monitoring and analysis and set notifications at the council sites to detect energy waste in real-time thereby saving utility costs and emissions
 - prevention of billing errors
 - access to renewable energy to cut carbon
 - choose suppliers that best meet the Council's social, economic and environmental credentials
 - fast removal of sold or leased sites from the Council's energy portfolio, saving energy spend and time
 - direct access to suppliers to resolve utility issues, thereby saving time

5. MARKET CONSIDERATIONS

- 5.1 The broker has investigated the market and obtained indicative costings from suppliers.
- 5.2 Most large organisations and Loxcal Authorities use brokers for the following reasons:
 - Securing the most cost effective gas and electricity contract is far from straight forward, due to the numerous additional charges recently introduced and the various lengths of the contract available. The use of an energy broker can alleviate these issues, especially one which has established a long term relationship with a wide range of suppliers, meaning they can provide a

range of options and offer expert advice on the contract most suited to the Council's requirements.

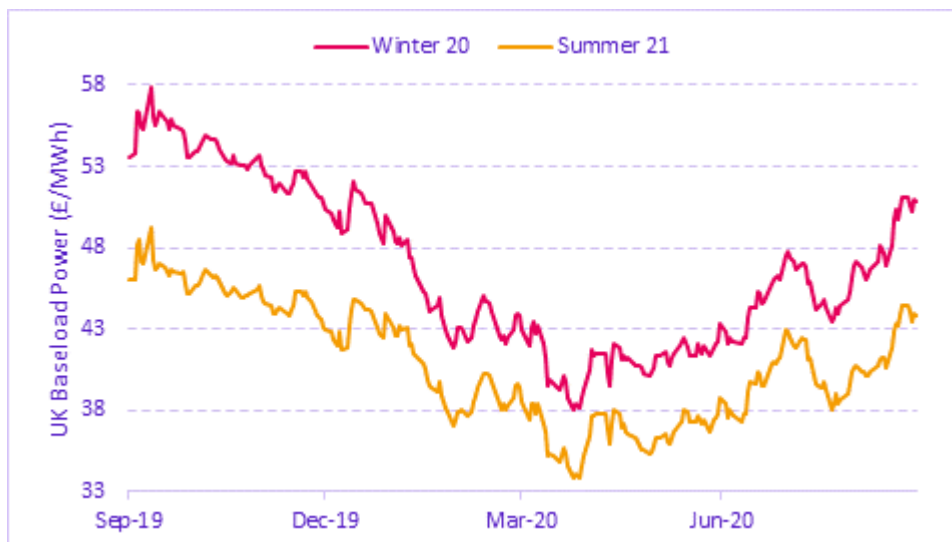
- Although getting the best deal is a priority, many established utility brokers can offer much more than an energy procurement service - for example, access for the Council to an online Energy Portal, allowing access to billing information for the modelling and comparison of energy usage and charges. Access to analysts who can provide a suite of reports which will assist with energy monitoring and carbon foot printing. Professional Utility Management Consultants will offer a comprehensive range of services topics below:
 - Arranging a new meter installation or upgrading an existing supply can be problematic - an experienced utility consultant can ensure the project is completed on time and without disruption.
 - Bill Validation - Energy Bills are generally presumed to be correct or if there is an error it is expected that it will be corrected on the next bill, but this is not always the case. Bill validation can be time consuming and somewhat tedious, making it easy to miss a billing error, costing the Council money.
- An energy broker can put together a summary of offers from a number of suppliers, with a recommendation of the option most suited for the Council and the best length of contract to opt for.

5.3 Suppliers offer different energy prices/tariffs on fixed term basis on a daily basis.

5.4 As prices will be fixed for two years, the actual prices can only confirmed at the point of agreement and are variable on a daily basis due to the nature of the market.

The graphs below are the latest 12 months price chart for energy

12 months price for electricity



12 months price chart for Brent crude which is a key driver in the Gas market



5.5 Prices are increasing and the best value for money as recommended by LBB's Broker, Inspired Energy is for the council to go on a fixed contract for two years.

5.6 The suppliers selected by LBB shall be based on the Council's cost and quality criteria for improving efficiency.

6. STAKEHOLDER ENGAGEMENT

6.1 Discussions have taken place with the Council's carbon management team. These recommendations will ensure accurate and quality data is used for carbon and energy reporting requirements for the Council.

6.2 Procuring renewable energy will play a vital role in helping the Council achieve its 2029 net zero carbon target, which was unanimously approved following a Council Motion on 15th July 2019. It also forms a key part of the strategy approved by the Environment and Community PDS Committee on 29 January 2020.

7. PROCUREMENT AND PROJECT TIMESCALES AND GOVERNANCE ARRANGEMENTS

7.1 **Estimated Contract Value** – £2.6M per annum for energy supply, £13M whole life value

7.2 **Proposed Contract Period** - Two years fixed price. Commencing 1 November 2020

8. SUSTAINABILITY AND IMPACT ASSESSMENTS

8.1 The proposed procurement route will provide clearer information on usage and costs to the Council, enabling it to demonstrate and achieve transparency in energy and carbon reporting.

8.2 The recommendations provide an opportunity for the Council to procure renewable energy (subject to cost considerations) that will allow it to significantly reduce its Occupational carbon emissions by discounting energy related emissions.

- 8.3 The opportunity for the Council to cut carbon helps to improve air quality, thereby contributing the clean development of Bromley.
- 8.4 The use of Inspired Energy, a company within the approved United Learning Trust Framework, for the purchase of energy allows the Council to increase its use of local contractors, thereby stimulating the economic growth of organisations within Bromley.
- 8.5 The proposed project will help to fasten the removal of sold and leased sites from the Council's energy portfolio, thereby saving energy spend.
- 8.6 The Council can choose suppliers based on social, economic and environmental criteria, thereby increasing the its social, economic and environmental impacts.

9. POLICY CONSIDERATIONS

- 9.1 This report accords with the Building a Better Bromley's 'Excellent Council' ambition concerning 'scrutinising everything the Council does and it operates to provide efficient services' and 'continue a financial strategy that focuses on stewardship and sustainability'.
- 9.2 This activity also contributes to delivering the Council's agreed objective for the Carbon Management Programme to reduce energy consumption, costs, and carbon emissions by 15% over five years.
- 9.3 This project will also contribute to achieving the Council's 2029 net zero carbon target since energy consumption is a major component of Bromley's direct organisational carbon emissions.

10. PROCUREMENT RULES

- 10.1 This report seeks to award contracts for the provision of electricity and gas, using the United Learning Trust Framework at an estimated value of c.£2.6m p.a.or £13m over the five year contract period.
- 10.2 The Council is able to make use of this framework. In accordance with Clause 3.5 of the Contract Procedure Rules, the Head of Procurement has been consulted regarding the use of the Framework. The process of the mini-competition was undertaken by Inspired Energy directly.
- 10.3 The Council's Contract Procedure Rules require the following for authorising an award via a framework for a contract of this value; the Approval of the Executive following Agreement by the Portfolio Holder, Chief Officer, the Assistant Director Governance & Contracts, the Director of Corporate Services and the Director of Finance must be obtained. In accordance with CPR 2.1.2, Officers must take all necessary professional advice.
- 10.4 The actions identified in this report are provided for within the Council's Contract Procedure Rules, and the proposed actions can be completed in compliance with their content.

11. FINANCIAL CONSIDERATIONS

- 11.1 The annual costs for energy consumption under the existing contract over the last three financial years were as follows:

Financial Year	Total Energy Costs
2017/18	£2.656m
2018/19	£2.623m
2019/20	*£2.500m

* note: affected by office lockdown restrictions in March 2020

- 11.2 Officers anticipate that the introduction of these proposed procurement routes will improve energy and carbon management and billing efficiency and effectiveness, leading to future savings in energy costs and a reduction in the Council's carbon output.
- 11.3 The total estimated value of the contract over five years for the recommended option is currently £13m assuming an average annual spend of £2.6m.
- 11.4 Costs are currently funded from individual property revenue budgets which total £2.673m. There will need to be regular reviews through the budget and performance monitoring processes to identify where savings are being generated, which the energy management improvements will facilitate, and those savings reflected in the Council's financial forecast and future years' budgets. For example, if actual average future spending is in the region of £2.6m, this would indicate a potential budget surplus of £73k may be available for taking as a budget saving, reinvesting in carbon neutral projects or a combination of both.

12. LEGAL CONSIDERATIONS

- 12.1 The Council has the implied legal power to secure the products and services described in this report in support of its various statutory functions together with an express legal power under section 111 of the Local Government Act 1972 to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions. These powers enable the Council to provide and commission through a contract the goods and related services outlined in this report.
- 12.2 The Council is seeking a new way to obtain competitively priced energy and demonstrate best value for the Council. This report seeks approval to proceed to procurement for energy (electric and gas) using the United Learning Trust Framework at an estimated value of circa. £2.6 m p.a. or approximately £13m over the five year contract period. It is a multi-supplier framework.
- 12.3 Under the Public Contract Regulations 2015 (Regulations) the procurement of these supplies is a public contract within the meaning of the Regulations. As the value exceeds the relevant threshold under the Regulations the Council would be required to carry out a fully compliant EU Procurement exercise. Regulations 33 and 37 however accepts compliance where the Council call-off from an EU compliant framework set by a central purchasing body which is expressed as being available to the Council and is used within the rules set up by the framework. The Council intend to procure from the United Learning Trust Framework by way of a mini competition call-off contract. The Framework must be used compliantly in order to satisfy the Regulations.
- 12.4 Under the Regulations the procurement of provision of utility brokerage and risk management services and to conduct further competitions/tenders for the provision of energy is a public contract within the meaning of the Regulations. Due to the value of the contract being below the threshold of £189,330 such a procurement is not governed by the Regulations but must to be

carried out in compliance with the EU Treaty Principles of fairness, transiency and non-discrimination applied proportionately .The report has described the process undertaken and the Treaty Principles would appear to have been followed

12.5 The procurement implications together with compliance with the Council’s Contract Procedure Rules (CPR’s) to agree i) to proceeding to procurement for the supplies and ii) to award the brokerage contract by way of an exemption under CPR13 have both been properly explained elsewhere in this report.

12.6 The Contract can be awarded in accordance with the Council’s Contract Procedure Rules, the Public Procurement Regulations 2015 and Government Guidance (Procurement Guidance Note 20_01: Procurement Actions in Relation to Covid 19).

Non-Applicable Sections:	IT & GDPR considerations Personnel Considerations
Background Documents: (Access via Contact Officer)	