

North Somerset Council

Report to the Executive

Date of Meeting: 8th February 2023

Subject of Report: Request for Delegation of the Combined Commissioning and Procurement Plan and Contract Award for the supply of energy

Town or Parish:

Officer/Member Presenting: Cllr Cartman – Executive Member for Corporate Services

Key Decision: Yes

Reason: The value is in excess of £500k and affects more than two wards.

Recommendations

1. That approval of the combined Commissioning and Procurement Plan for the Supply of Energy is delegated from the Executive to the Executive Member for Corporate Services.
2. That authority for signing of the contract award paper for the energy supply contracts from 1st October 2023 be delegated from the Executive to the Director of Corporate Services (Section 151 Officer).

1. Summary of Report

In August 2022, the Council procured energy contracts for a period of 12 months. These contracts will expire in September 2023. Delegated authority is requested for the approval of the combined Commissioning and Procurement Plan for the council to be in a position to procure new energy contracts promptly and in response to market conditions. The energy market remains volatile and subject to change and in order to determine the most appropriate route to market the Commissioning and Procurement Plan would not be ready in time for the February Executive. The council could miss opportunities to secure new contracts at a more favourable rate if we wait until the June Executive.

Procuring energy supplies differs from other services in that market prices can fluctuate daily and often hourly, resulting in prices which cannot be held for any length of time. This results in insufficient time available to utilise normal approval routes because decisions will need to be made, and contracts signed in a matter of hours. Delegated authority of the Contract Award decision is requested from the Executive to the Director of Corporate Services (Section 151 Officer) in consultation with Principal M&E Manager (advised by Energy Management Consultants).

2. Policy

This project will be procured in-line with the Climate Emergency Strategy and Action Plan approved by Council on the 12 November 2019. The award of contract will need to assist in delivering the aim of the strategy 'to be a carbon neutral Council and carbon neutral area by 2030' by delivering our energy with these key principles in mind. Consideration will always be given if carbon production can be avoided, reduced, mitigated or stored, in line with the actions identified in the strategy (see Energy Reduction section below).

3. Details

The Council has recently reprocured its energy contracts, using an existing council framework of suppliers, for a period of 12 months, with the current contracts due to expire in September 2023 (CSD057). Our supplier framework has since expired and in order to achieve a new contract start date of the 1 October 2023, alternative routes to market and market engagement needs to be undertaken. Timing is key and given the ongoing market uncertainty procuring at the right time is a finely balanced judgement so this piece of work will not be completed in time for the Executive meeting in February. The council could miss opportunities to secure new contracts at a more favourable rate if we wait until the June Executive for approval of the combined Commissioning and Procurement Plan.

This report seeks authority to delegate the approval of the Commissioning and Procurement Plan from the Executive to the Executive Member. This is to allow our energy management consultants, depending on the market available to them, to start providing rates through our agreed procurement route to provide the council with the best opportunity to procure the most favourable rates. Waiting until the June Executive would mean the council cannot procure any new energy contracts until after this date.

The contract term that the council will sign up to is currently unknown. This will be risk assessed and ultimately be governed by market price/budget availability and supplier's willingness to offer longer contracts.

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The contract award decision will take into account the following factors:

- Prevailing market conditions
- Affordability considering existing and contingency budgets
- Green credentials of the energy procured which should ideally be Net Zero Compatible
- Appropriate contract term taking into account available offers and projected market conditions

The Council ran a tendering process for the Energy Supply Contracts early in 2021. Following extensive Member and Corporate engagement it was agreed that we would procure the energy within the approved budget envelope, aiming for net zero electric and green gas. This is also the intention for the next round of procurement of energy supplies.

In order to ensure that the complexities of the above are properly taken into consideration the contract award decision will be made by the Director of Corporate Services (Section 151 Officer) in consultation with Principal M&E Manager (advised by Energy Management Consultants). The Contract Award report will be produced retrospectively and will be published for transparency, noting that the decision will have been made.

4. Consultation

This paper and its recommendations have been discussed with:

- Amy Webb, Director of Corporate Services
- Alex Hearn, Assistant Director Place Making and Growth
- Cllr Ash Cartman, Executive Member for Corporate Services
- Strategic Procurement
- Informal Executive/CLT
- Chair of PCOM

5. Financial Implications

Costs

The combined Commissioning and Procurement Plan will indicate the likely costs based on the procurement route which will be determined within that report. As noted above, this will be dependent on the market at time of procurement and will be in consultation with our Energy Management Consultants to ensure the council is purchasing the best rates available. The future cost payable by the council will also be influenced by energy usage levels and these will continue to be monitored so that an accurate assessment is fed into the financial modelling.

Funding

The Energy supply contract is paid from resources set aside within the approved revenue budget, specific energy budgets are included within individual service areas across all directorates, with major components being street lighting and supply to office accommodation premises.

The amount that the council currently pays for its energy has been reduced as part of the governments' energy support package to businesses, although this scheme is due to end at the end of March 2023. It is anticipated that a further support package will be implemented for the 12-month period to March 2024 and details will be reflected within the procurement plan and shared when they become available.

Strategic assumptions surrounding likely levels of cost and funding, based on current usage, have been taken into consideration within the council's Medium Term Financial Plan. These sums (which are shown below) will be integrated into the procurement process so that it is possible to understand the issue of affordability on future options and decisions.

	TOTAL ENERGY SPEND £000	Funding Source		When approved
		Base Budget £000	Reserves £000	
Budget 2021/22	1,830	1,830	0	Feb-2022
MTFP growth for 2022/23	324	324	0	
Budget 2022/23	2,154	2,154	0	
Potential growth for 2023/24	4,198	2,676	1,522	Feb-2023
Indicative Budget for 2023/24	6,352	4,830	1,522	
Potential growth for 2024/25	-972	550	-1,522	
Indicative budget for 2024/25	5,380	5,380	0	
Potential growth for 2025/26	395	395	0	
Indicative budget for 2025/26	5,775	5,775	0	
Potential growth for 2026/27	435	435	0	
Indicative budget for 2026/27	6,210	6,210	0	

6. Legal Powers and Implications

This contract will be procured following relevant Procurement Regulations (Public Utilities Regulations 2015) and North Somerset Council's Contract Standing Orders. The Terms and Conditions of the Contract will be the awarded Supplier's standard terms and conditions.

7. Climate Change and Environmental Implications

The environmental implications of buying energy are extremely high which gives the council a good opportunity and responsibility to support the Climate Emergency aspirations through this procurement. The key areas of opportunity are:

- Buying Net Zero Compatible energy
- Continuing to reduce consumption levels
- Initiatives to generate our own energy

8. Risk Management

The key risks of not receiving delegated authority for the Commissioning and Procurement Plan and Contract Award is that we would not have the opportunity to carry out sufficient market engagement to assist in obtaining the best contract price for the council.

There is an inherent risk that the prices secured for future energy contracts will be different to the financial provision contained within the MTFP. These forecasts will be regularly reviewed and fed into the council's financial risk register which is overseen by the S151 Officer.

9. Equality Implications

Have you undertaken an Equality Impact Assessment? Yes

The initial Equality Impact Assessment demonstrated that none of the customer groups identified would be negatively affected by this contract.

10. Corporate Implications

We do not foresee any corporate implications arising from these procurements, this contract is managed by the Principal M&E and Energy Manager therefore no other area within the council is impacted. Part of the council's energy portfolio includes schools and therefore they will be impacted by the pricing we procure, however the Principal M&E and Energy Manager will consult with the schools prior to approaching the market and will provide information we have on possible price increases and schools can choose to opt out if they wish. Ultimately schools spend is not significant enough for its absence to impact our buying power, conversely, they are likely to incur much higher costs procuring separately so are likely to want to remain part of our portfolio.

11. Options Considered

The options that have been considered are as follows:

- Delegate the Commissioning & Procurement Plan from Exec to Executive Member to provide the council with the opportunity to engage with the market early and potentially secure new energy supplies at a favourable rate.
- Take the Commissioning & Procurement plan to the Exec in June which would delay early market engagement and potentially miss opportunities in securing the best rates available.

Author:

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Property Assets and Projects

Appendices:

[Click here to enter Appendices]

Background Papers:

CSD057: Confirmation of the award of the energy supply contracts