

TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

17 March 2020

Report of the Director of Central Services & Deputy Chief Executive

Part 1- Public

Executive Key Decisions

1 FUTURE GAS AND ELECTRICITY SUPPLY CONTRACTS

Summary

This report recommends that the Council enters into a new four year flexible procurement arrangement with LASER for the supply of gas and electricity for the period 1 October 2020 to 30 September 2024. The recommendation is based on the financial savings made under the current and previous flexible procurement contracts in place since 1 October 2008 and the energy procurement expertise available from LASER.

1.1 Background

- 1.1.1 The Council's gas and electricity supplies are currently purchased through LASER, a public body energy buying consortium established for 30 years and originally set up under the Commercial Services arm of Kent County Council. LASER currently supplies around 130 local authorities and 70 wider public sector bodies with a combined purchase portfolio of approximately £450m per annum. LASER's operation is overseen by a Governance Panel.
- 1.1.2 The Council's Contract Procedure Rules allow us to take advantage of such local authority buying consortiums. LASER employ experts in the complicated energy supply market and procure the framework being offered under a fully EU compliant tender process. They also manage, consolidate and validate the billing of the energy supplies on behalf of each participating authority. We pay LASER direct for any energy used, including a management fee of approximately 2.5%.
- 1.1.3 The current contract runs until 30 September 2020. This arrangement allows flexible procurement of utilities on a Purchase Within Period (PWP) basis. A PWP contract comprises a combination of purchasing prior to and within each six month period with an initial reference price that is reconciled after each period, potentially providing a rebate of savings back to the Council. The current contract is with Total Gas and Npower and gas and electricity respectively.
- 1.1.4 Since the introduction of these contract arrangements in 2008 savings have accrued to the Council against the alternative of procuring in isolation on the open

energy market. Although these savings are difficult to quantify precisely, LASER also assess that over the past four years their energy procurement team have been able to deliver wholesale energy prices at 5.5% below market average for the flexible contracts.

- 1.1.5 Whilst PWP arrangements may not provide the absolute cheapest market price at a given point in time it is proven to track the utilities markets somewhere below middle market prices. More importantly it avoids the risk of renewal of any Fixed Term Fixed Price (FTFP) arrangement should the contract happen to expire at a peak in the market price.
- 1.1.6 Purchase in Advance (PIA) is a further option offered by LASER for which a premium is paid to achieve cost certainty. PWP does not provide cost certainty but has in the past delivered lower costs at an increased but relatively controlled risk.
- 1.1.7 This arrangement supplies energy for both our high and low volume sites. The high volume sites are Gibson Building West (electricity and gas) Gibson Building East (electricity and gas) and Tonbridge Castle (electricity only). The low volume sites predominately cover public conveniences (electricity only). The annual budgeted expenditure for the 2019/20 financial year is £118,000 for electricity and £25,000 for gas.

1.2 LASER Future Supply Contract

- 1.2.1 We have been advised by LASER that, following a full EU tendering process, the contract for 2020-2024 has been awarded. The highest evaluated tender scores were again obtained by Total Gas and Npower and they have retained the gas and electricity frameworks respectively. The Council would enter into an Access Agreement with Laser and then subsequent call-off contracts direct with the supplier.
- 1.2.2 Under 8.1 of the Council's Contract Procedure Rules, Members must give approval in advance of utilising a framework where the value exceeds the EU threshold.

1.3 Climate Change

- 1.3.1 As part of the Council's aspiration for the Tonbridge and Malling Borough to become carbon neutral by 2030, we will be looking closely at the energy usage of our own estate and how we can look to reduce that usage.
- 1.3.2 Within the context of the Council's Draft Climate Change Strategy which, once adopted, may include an assessment of building service alterations, for example the installation of additional LED lighting, as well researching what opportunities exist for the on-site generation of renewable energy.

- 1.3.3 The new Laser framework offers a range of additional services which are available to the Council to explore which include the opportunity to purchase 'green' electricity from suppliers, that is, energy which is generated from renewable sources, for which there is a small uplift in cost of around 0.5 – 1%. In addition, the framework enables suppliers to be engaged to investigate and install renewable energy generation systems.

1.4 Legal Implications

- 1.4.1 LASER procure in accordance with the tendering requirements of the EU in relation to energy contracts of this value. They qualify as a Local Authority Buying Consortium under Council's Contract Procedure Rules.
- 1.4.2 The Council would enter into an Access Agreement with Laser and then separate call-off contracts direct with the suppliers.

1.5 Financial and Value for Money Considerations

- 1.5.1 Procurement of energy through LASER, a public body buying consortium, using the PWP framework has proved to be financially advantageous to the Council based on past experience.

1.6 Risk Assessment

- 1.6.1 Reliability of energy supply to our offices is vitally important. It is a significant advantage to be able to use an established, cost effective framework for a further four years (2020-2024).

1.7 Equality Impact Assessment

- 1.7.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

1.8 Policy Considerations

- 1.8.1 Asset Management
- 1.8.2 Business Continuity/Resilience
- 1.8.3 Climate Change – see 1.3 above.
- 1.8.4 Procurement

1.9 Recommendations

- 1.9.1 That the Council enters into a further four year agreement with Npower, Total Gas and LASER (KCC) for the supply of electricity and gas (purchased under PWP) for the Council's high and low volume sites for the period 2020-2024

1.9.2 That approval is given under Contract Procedure Rule 8.1 to utilise the LASER framework

1.9.3 That authorisation is given to opt for electricity supplies generated by renewable sources as soon as practicable

Background papers:

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Nil

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