

TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

07 March 2023

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 2024 to 30 September 2028. 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 over 30 years and originally set up under the Commercial Services arm of Kent County Council. LASER currently supplies over 200 public bodies with a combined purchase portfolio of approximately £1.5 billion of gas, electricity and water in 2022. 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 in accordance with the Public Contracts Regulations. 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 1.9%.
- 1.1.3 The current contract runs until 30 September 2024. 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 estimate the current framework have delivered a cost avoidance of approximately £32,000 per annum.
- 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. Over the past 12-18 months, this has prevented the Council from being forced to agree a price at a point in time where the market price was incredibly high.
- 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, car parks etc (electricity only). The annual budgeted expenditure for the 2023/24 financial year is £165,000 for electricity and £75,000 for gas.

1.2 LASER Future Supply Contract

- 1.2.1 We have been advised by LASER that, following a full tendering process, the contract for 2024-2028 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 LASER are advising organisations to sign-up early for the new framework so part of their risk management strategy, especially in light of the recent volatility seen in prices. Early sign-up will enable LASER to start making purchases for the period from October 2024 well in advance meaning they can take advantage of any favourable prices.
- 1.2.3 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 relevant EU threshold.

1.3 Net Zero

- 1.3.1 Under the current framework the Council has signed up to REGO (Renewable Energy Guarantee of Origin) backed electricity supplies, meaning the electricity allocated to our portfolio has been generated by a renewable source. At present this has a cost implication of approximately £6,500 - £7,000 per annum on our electricity contracts.
- 1.3.2 As part of the new framework there will be a greater number of routes to assist the Council in achieving its net zero ambitions, as supported by the Climate Change Strategy. This includes purchasing energy direct from renewable generators.
- 1.3.3 In addition there will continue to be opportunities to utilise LASER frameworks for carbon studies and installation of renewable technologies. The Council used this approach for the recent installation of solar panels at Larkfield Leisure Centre.
- 1.3.4 Members will be aware the Council are looking to rationalise its office accommodation at Kings Hill which, once delivered, will further reduce the Council's carbon footprint.

1.4 Legal Implications

- 1.4.1 LASER procure in accordance with the tendering requirements of the Public Contracts Regulations 2015. 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 (2024-2028).

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 Cabinet are RECOMMENDED to:
- 1.9.2 Approve 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 2024-2028
- 1.9.3 Give approval to utilise the LASER framework under Contract Procedure Rule 8.1
- 1.9.4 Authorise the continued use of the REGO backed electricity tariff and that alternative 'green' options be considered

Background papers:

contact: Stuart Edwards

Nil

Adrian Stanfield
Director of Central Services and Deputy Chief Executive