

Decision Pathway – Report



PURPOSE: Key decision

MEETING: Cabinet

DATE: 18 January 2022

TITLE	City Leap Energy Partnership – procurement update		
Ward(s)	City-wide		
Author: David White	Job title: Head of City Leap		
Cabinet leads: Cllr Beech, Cabinet Member for Climate, Ecology, Waste and Energy	Executive Director lead: Stephen Peacock, Executive Director, Growth and Regeneration		
Proposal origin: <i>BCC Staff</i>			
Decision maker: Cabinet Member Decision forum: <i>Cabinet</i>			
Purpose of Report: This Report is to: <ol style="list-style-type: none">1. Update Cabinet on the City Leap Energy Partnership procurement (the Procurement);2. Seek authorisation of additional funding of £880k to complete the Procurement following an extension to the previously estimated timeline; and3. Seek authorisation of extensions to the current legal and financial services contracts in relation to the Procurement.			
Evidence Base: Procurement update <p>The City Leap Energy Partnership is a project to appoint a City Leap Strategic Partner to enter into a 20-year joint venture with the council with the aim of delivering up to £1bn of investment in low carbon energy infrastructure in Bristol and support the aim of Bristol becoming a carbon neutral city by 2030.</p> <p>Following the approval by Cabinet in July 2020 of the Cabinet Report, ‘Revised City Leap Energy Partnership’, to restart the City Leap Energy Partnership procurement, a Concession Notice was published in the Official Journal of the European Union on 3 August 2020 to commence the current procurement.</p> <p>Following an initial Selection Questionnaire stage, three Bidders were shortlisted to participate in the next stages of the Procurement, as follows:</p> <ul style="list-style-type: none">• Ameresco Limited, with Vattenfall Heat UK Limited as an Essential Sub-Contractor;• E.ON UK PLC and Marubeni Corporation (acting as a consortium);• ENGIE Services Holding UK Ltd and Sumitomo Corporation (acting as a consortium). <p>Following the shortlisting, the next stage of the Procurement commenced in November 2020 which involved weekly dialogue meetings with each of the shortlisted Bidders. The council’s City Leap team, supported by colleagues from across the council and external advisors, met with each of the Bidders for over 150 hours to discuss a wide range of issues, including the opportunities for low carbon energy infrastructure projects on the council’s estate, community energy, local job creation, social value and legal matters. The team, supported by</p>			

officers from across the council, answered over 1,800 clarification questions from the Bidders during the course of the Procurement.

Separately to the Procurement, we are also aware of the significant efforts that Bristol's vibrant local community energy sector has made to engage with the City Leap Bidders, with the aim of providing them with a clear understanding of Bristol's rich tapestry of community organisations and the opportunities that the partnership could create for them. We also understand that many other organisations in Bristol have engaged with or been engaged by the Bidders over the course of the past year.

This stage of the Procurement was originally envisaged to end in April 2021 with the publication of the Invitation to Tender inviting Bidders to submit final bids. However, due to the City Leap Energy Partnership being an entirely new, strategic approach to city-scale decarbonisation, this stage of the Procurement was extended to mid-August 2021 to allow for sufficient time for discussions with each of the Bidders, and internal discussions within the Council, regarding key matters.

The Invitation to Tender was published on 16 August 2021 and two bidders subsequently submitted Tenders on 17 December 2021 which are currently in the process of being evaluated. It is currently anticipated that Cabinet approval to enter into the City Leap contracts with the winning bidder will be sought in April 2022, which will be subject to the satisfactory completion of a subsequent Preferred Bidder stage.

Additional funding to complete the procurement

As set out in the July 2020 Cabinet Report referenced above, the current £6.5m budget envelope for the City Leap Energy Partnership was approved by Cabinet in April 2019 and it was envisaged that this Procurement would be contained within that budget envelope.

However, the procurement timeline has had to be extended as result of:

- a range of complex legal matters that have required extensive discussion with the Bidders and internal discussions within the council;
- the preparation of comprehensive legal documentation and revisions to those documents to tight deadlines, requiring additional support from external legal advisors; and
- the difficulties encountered in running a complex procurement during the pandemic.

Consequently, further funding of £880k, including a contingency of 16%, is anticipated to be required to take the Procurement through to Cabinet approval of Contract Award in April 2022.

	Expenditure to July 2020	As per July 2020 Cabinet Report		This Cabinet Report		Movement
		Forecast July 20 - Dec 21 Cabinet	Total Expenditure Forecast	Forecast July 20 - April 22 Cabinet	Total Expenditure Forecast	
Core team - BCC staff	491,445	119,734	611,179	221,296	712,741	101,562
Core team - Agency	456,421	129,832	586,253	3,593	460,014	(126,239)
Core team - Internal professionals	850,752	241,023	1,091,775	645,424	1,496,176	404,401
External Advisors - Financial	941,163	150,000	1,091,163	211,227	1,152,390	61,227
External Advisors - Legal	676,450	150,000	826,450	637,530	1,313,980	487,530
External Advisors - Commercial energy	694,328	-	694,328	81,680	776,008	81,680
Marketing & Travel	151,828	25,000	176,828	(10,434)	141,394	(35,434)
Internal recharges - other	7,161	5,000	12,161	5,000	12,161	0
Energy innovation services	1,187,000	-	1,187,000	-	1,187,000	-
Contingency as at July 2020	125,558	82,059	207,617			(66,416)
Contingency as at Dec 2021				141,201	141,201	
TOTAL	5,582,106	902,648	6,484,754	1,795,317	7,393,066	908,312
Budget approved at April 2019 Cabinet			6,513,066		6,513,066	
Forecast (under)/overspend			<u>(28,312)</u>		<u>880,000</u>	

This relatively high contingency is due to the additional uncertainty over the timeline to Cabinet created by the

recent emergence of the Omicron variant and the impact this may have, particularly on the availability of members of the City Leap team and key Council colleagues during the evaluation period.

Note that additional funding will be sought to enable the set-up of the City Leap Energy Partnership joint venture when seeking Cabinet approval to enter into the City Leap contracts with the winning bidder. The extent of this funding will be confirmed once the winning Bidder's proposed corporate structure for the City Leap Energy Partnership, which must include a joint venture company that is 50% owned by the Council, is known.

Extensions to the current legal and financial services contract

In December 2020, Cabinet approved extensions to the legal and financial services contracts for City Leap, as follows: Legal services Contract up to £856k, Financial Services Contract £962k

Following the extension of the project timeline to April 2022, it is estimated that up to a further £500k may be required for legal services and a further £150k for financial services, bringing the totals to:

1. **Legal Services Contract – up to £1,356k**
2. **Financial Services Contract – up to £1,112k**

These extensions to the legal and financial services contracts are included within the funding request set out above but also include additional headroom to enable budget flex dependent on need if required.

Cabinet Member / Officer Recommendations:

That Cabinet:

1. Note the successful conclusion of the ITT stage of the City Leap Energy Partnership Procurement with the receipt of two bids which are in the process of being evaluated.
2. Authorise the drawdown of additional expenditure of up to £880k to fund the Procurement, which will include the project team and extension of the external legal and financial advisors' contracts (referred to in recommendations 3 and 4 set out below), through to appointment of the Preferred Bidder and obtaining Cabinet authority to enter into the City Leap contracts with the Preferred Bidder. This sum will be funded from the Climate & Ecological Emergency Reserve, as well as any in-year underspends within the Growth & Regeneration Directorate.
3. Authorise the Executive Director for Growth and Regeneration in consultation with Cabinet Member for Finance, Governance and Performance to extend the City Leap Procurement legal services contract, to appointment of the Preferred Bidder and obtaining Cabinet authority to enter into the City Leap contracts with the Preferred Bidder, to an estimated value of circa £1,356k in total.
4. Authorise the Executive Director for Growth and Regeneration in consultation with Cabinet Member for Finance, Governance and Performance, to extend the City Leap Procurement financial services contract, to appointment of the Preferred Bidder and obtaining Cabinet authority to enter into the City Leap contracts with the Preferred Bidder, to an estimated value of circa £1,112k in total.

Corporate Strategy alignment:

The City Leap Energy Partnership is intended to deliver the £800m to £1bn investment referenced under the second Wellbeing Key Commitment in the Corporate Strategy 2018-23, which was approved by Full Council in February 2018, 'Keep Bristol on course to be run entirely on clean energy by 2050 whilst improving our environment to ensure people enjoy cleaner air, cleaner streets and access to parks and green spaces.'

City Benefits:

- Keep Bristol on course to be run entirely on clean energy by 2050 [expected to be superseded by the draft Corporate Strategy 2022-2027 target currently under consultation: Make sure that the council is carbon neutral for all emissions by 2030 and supports the city in its aim to do the same.]
- Improve our environment to ensure people enjoy cleaner air through supporting the further deployment of renewable energy generation and electric vehicles.
- Improve physical and mental health and wellbeing by making residents' homes warmer and cheaper to heat, reducing inequalities and the demand for acute services.
- Tackle food and fuel poverty by reducing energy bills.
- Create jobs, contributing to a diverse economy that offers opportunity to all and makes quality work experience and apprenticeships available to every young person.

Consultation Details:

70+ briefings provided to the Mayor, Cabinet Member Briefings, Oversight & Scrutiny Management Board, Growth and Regeneration Scrutiny Commission and Senior Officers, as well as significant engagement with community energy groups and other organisations from the VCSE sector - from July 2018 to present.

Background Documents:

1. The December 2020 Cabinet Report: <https://democracy.bristol.gov.uk/ielssueDetails.aspx?IId=30452&PlanId=0&Opt=3#AI22528>
2. The July 2020 Cabinet Report: <https://democracy.bristol.gov.uk/ielssueDetails.aspx?IId=25279&PlanId=0&Opt=3#AI20063>
3. The June 2020 Cabinet Report: <https://democracy.bristol.gov.uk/documents/s49367/2020%2006%2002%20Cabinet%20Decision%20Pathway%20-%20City%20Leap%20Energy%20Partnership%20update.pdf>
4. The April 2019 Cabinet Report: <https://democracy.bristol.gov.uk/ieDecisionDetails.aspx?AllId=15747>
5. The City Leap Prospectus: www.energyservicebristol.co.uk/cityleap

Revenue Cost	£7,393k (of which £6,513k previously approved)	Source of Revenue Funding	The Climate and Ecological Emergency Reserve and any in-year underspends in the Growth & Regeneration Directorate
Capital Cost	N/A	Source of Capital Funding	N/A
One off cost <input checked="" type="checkbox"/> Ongoing cost <input type="checkbox"/>		Saving Proposal <input type="checkbox"/> Income generation proposal <input checked="" type="checkbox"/>	

Required information to be completed by Financial/Legal/ICT/ HR partners:

Finance Advice: It should also be noted that the Agreements in place with both Legal and Financial Advisors are not based on a Fixed Fee, but rather a T&M basis. As the procurement has followed an extensive dialogue process, and timescales have been extended, the additional fees noted herein reflect both of these factors, and some risk remains that the increase in advisors' fees as noted herein may be exceeded, though expected that good management will manage this risk within the revised budget. (e.g. agree a cap on fees for any further advice sought) The other increases relate to BCC staff costs resulting from the extended timescales and engagement of Subject Matter Experts to undertake reviews of elements of Bid submissions.

Finance Business Partner: Paul Keegan, Interim Finance Business Partner, 6 December 2021

2. Legal Advice: It is recognised that the need to extend the current legal and financial service contracts in relation to the City Leap Procurement places the Council in a situation where it may breach the procurement regulations, and so expose the Council to a risk of challenge. The regulations do however allow for awarding contracts without running the usual competition process in certain circumstances. Officers should fully explore

these options, together with any other operational arrangement which will avoid or minimise the risk on non-compliance.

Legal Team Leader: Sinead Willis, Team Leader, 9 December 2021

3. Implications on IT:

No anticipated impact to IT Services in regard to the procurement of financial and legal support contracts. IT Services remain interested as to how the smart and interconnected infrastructure/technologies will be delivered in line with IT and Digital Place strategies

IT Team Leader: Gavin Arbuckle – Head of Service Improvement and Performance – 23 December 2021

4 HR Advice: There are no HR implications evident.

HR Partner: Celia Williams, HR Business Partner, 06 January 2022

EDM Sign-off	Stephen Peacock, Executive Director Growth and Regeneration	9 December 2021
Cabinet Member sign-off	Cllr Beech, Cabinet Member for Climate, Ecology, Waste and Energy	14 December 2021
For Key Decisions - Mayor's Office sign-off	Mayor's Office	20 December 2021

Appendix A – Further essential background / detail on the proposal	NO
Appendix B – Details of consultation carried out - internal and external	NO
Appendix C – Summary of any engagement with scrutiny	NO
Appendix D – Risk assessment	NO
Appendix E – Equalities screening / impact assessment of proposal	YES
Appendix F – Eco-impact screening/ impact assessment of proposal	NO
Appendix G – Financial Advice	NO
Appendix H – Legal Advice	NO
Appendix I – Exempt Information	NO
Appendix J – HR advice	NO
Appendix K – ICT	NO
Appendix L – Procurement	NO