

# Decision Pathway – Report



**PURPOSE:** Key decision

**MEETING:** Cabinet

**DATE:** 18 January 2022

<b>TITLE</b>	<b>Future Energy Supply</b>		
<b>Ward(s)</b>	All Wards		
<b>Author:</b> David Gray	<b>Job title:</b> Energy Supply Programme Manager		
<b>Cabinet lead:</b> Nicola Beech, Cabinet Member for Climate, Ecology, Energy and Waste	<b>Executive Director lead:</b> Stephen Peacock, Executive Director Growth and Regeneration		
<b>Proposal origin:</b> BCC Staff			
<b>Decision maker:</b> Cabinet Member <b>Decision forum:</b> Cabinet			
<b>Purpose of Report:</b> To seek approval for energy demand reduction measures, to progress previously approved changes to electricity procurement to the next stage, to introduce changes to gas procurement and metering/data collection services, and to authorise the Executive Director to take the necessary steps to implement the programme. To note the Urgent Key Decisions taken in relation to Electricity Supply Contracts on 4 <sup>th</sup> January and 10 <sup>th</sup> January 2022.			
<b>Evidence Base:</b>			
<ol style="list-style-type: none"> <li>Recent and unprecedented rises in the market price for energy have highlighted the need for immediate measures to mitigate the impact of these increases on the Council. Beyond this initial response, there are further measures that the Council could undertake to reduce demand for energy, to reduce the cost of energy, and to reduce the carbon impact of the necessary energy we still need.</li> <li>The City Council has made substantial reductions in its carbon footprint (77%) of its operational estate since 2005 and that work is on-going as part of our Climate Action Plan and Corporate Landlord Programme to complete the substantial task of decarbonising the BCC operational property estate.</li> <li>UK Energy Prices have risen significantly in recent months, which cannot be contained within the council's £9m annual utility budget. This includes, on a recharge basis, around 60 schools, as well as communal area energy costs for Housing blocks (impacting overall HRA budgets) and indirectly impacting tenants and leaseholders through increased costs for their heating and hot water which this energy supplies. These price rises have come at the same time as increased ventilation requirements as a result of Covid-measures, which have increased heating demand.</li> <li>Whilst the growing unpredictability of funding for energy efficiency measures makes planning difficult, there are no-cost and low-cost measures that the Council could be taking to reduce energy demand, and related costs, especially over winter. These will be delivered through co-ordinated actions by Council teams through a virtual task force.</li> <li>The Council has typically contracted for energy supplies on a fixed price basis, using a panel of pre-selected suppliers under a 'Dynamic Purchasing System'. Whilst this gives financial certainty over the price the Council will be paying for energy, current market conditions mean there is a high probability of locking in to high prices in a falling market. A move to flexible procurement for natural gas supplies, where the price is not fixed at the start of the contract but instead the supplier is allowed to trade for expected Council demand over the lifetime of a contract, removes the risk of locking in at a high price. This is a risk-based approach which is likely to provide better value over the contract term. The rationale and process behind this move is more fully explained in Appendix A.</li> <li>Cabinet approval was granted in February 2021 to develop a mechanism to make more direct use of the</li> </ol>			

electricity generated by the Council's own renewable energy systems and from other local generators. The tender for this is in preparation. This is an interim step to move the Council from grid supply to 'sleeving' arrangements, the next step would be to trial the 'Sleeved Pool' concept, which allows multiple local generators to supply multiple buildings. It is proposed to establish a small pilot supply, working with the City Leap partner once they are appointed, redirecting around £100K of existing planned electricity expenditure to be provided through the pilot arrangement instead.

7. The council has several metering and data collection arrangements in place, with a current combined cost of around £300K pa. We anticipate better data quality and some financial savings if these were to be consolidated in to a new procurement framework. Better data collection systems would also allow the Council to charge tenants located within corporate Council buildings for their energy use based on actual consumption rather than on a fixed cost.
8. Energy contract renewals are ordinarily made under delegated authority following a December 2020 Cabinet Key Decision. Gas and Electricity contracts that had come to the end of their scheduled term were extended or re-let for three months by Officer Executive Decision on 19<sup>th</sup> October 2021, in order to avoid locking the Council in to historically high prices for any extended period. However, to avoid defaulting to off-contract prices a decision was needed to further extend or re-let until 31<sup>st</sup> March 2022. As this decision was not within the estimated budget, it was not within the delegated Authority of the Executive Director and was required to be taken before the date of this Cabinet meeting. Urgent key decisions were taken on 4<sup>th</sup> January 2022 and 10<sup>th</sup> January 2022 to extend or re-let the contracts for three months (ending 31/3/22) as alternative procurement strategies are currently being developed.
9. Further detail and a breakdown of costs can be found at Appendix A.

#### **Cabinet Member / Officer Recommendations:**

That Cabinet:

1. Endorses the establishment of an Energy task force, to develop no and low-cost proposals for energy actions and assign tasks to appropriate managers to reduce energy demand.
2. Approves the development of a small-scale pilot to resolve procurement issues and test operation of the proposed future Sleeved Pool electricity supply model, subject to the appointment of the proposed City Leap Strategic Partner and confirmation of their role in relation to the operation of the Sleeved Pool
3. Approves the development, launch, and use of a 10-year Dynamic Purchasing System for improved metering and data collection services, within a £3M spend envelope for BCC metering and data collection services over the lifetime of the proposed DPS.
4. Approves the introduction of measured consumption (where feasible) as the basis for charging commercial tenants located within Council corporate buildings for energy and water supplied from Council funded supply contracts
5. Notes changing the Council's gas supply contracts from fixed to flexible pricing, in line with delegated authority granted for procurement of energy supply at the December 2020 Cabinet meeting.
6. Delegates authority to the Executive Director Growth and Regeneration to decide, in consultation with Cabinet Member for Climate, Ecology, Energy and Waste, between an extension of the current grid-supply Dynamic Purchasing System by 2½ years (from Oct 2023 to March 2026), or joining a suitable Public Sector Buying Organisation framework, depending on the best route to market for flexible gas supply contracting, with approval for a £12M spend envelope over four years as set out in Appendix A
7. Authorises the Executive Director Growth and Regeneration in consultation with Cabinet Member for Climate, Ecology, Energy and Waste, to procure/award/extend/vary the contracts outlined above, in-line with the procurement routes and maximum budget envelopes outlined in this report (see Appendix A) or in line with budget envelop approved by full council, noting the associated Procurement and Legal commentaries. This Authority includes decisions above the key decision threshold for which the details are included in Appendix A.
8. Notes the current gas and electricity supply contracts have been extended by three months, from Oct 21 – Dec 21 for electricity and Nov 21 – Jan 22 for gas, by Officer Executive Decision, in order to avoid locking the Council in to high market prices for longer than necessary. Urgent Key Decision were taken on 4th January 2022 and 10<sup>th</sup> January 2022 to further extend or re-let the electricity supply contracts for another three

months (ending 31<sup>st</sup> Mar 22). These decisions are set out in Appendix A, Annex 3

**Corporate Strategy alignment:**

1. These initiatives support the transition to the draft Corporate Strategy Priority ENV1 Carbon Neutrality and links to the Priority ED06 Estate Review in helping to reduce energy demand across the Council’s own estate and decarbonising essential residual energy supplies
2. These initiatives reduce cost pressures on the council

**City Benefits:**

1. These initiatives contribute to delivering One City Goals:
  - a. Goal 81 - Bristol City Council is carbon neutral for direct energy and transport emissions
  - b. Goal 115 - 30% of all electricity consumed in the city is generated from local, renewable sources with communities actively engaged and included

**Consultation Details:** No

**Background Documents:**

1. December 2020 Cabinet Decision – Item 20 ([Procurement of Energy Supply](#))
2. February 2021 Cabinet Decision – [Carbon Reduction Projects](#)
3. Sleeved Pool model - [Feasibility Analysis of Bristol City Council’s Electricity Sleeving Pool - Regen](#)
4. BCC Corporate Strategy 2022-2027 - [Corporate Strategy 2022-27 \(citizenspace.com\)](#)
5. One City Goals - [Dashboard - Bristol One City](#)
6. Urgent Key Decisions on extending energy supply contracts
7. [Guidance on Dynamic Purchasing Systems](#)

<b>Revenue Cost</b>	21/22 - £7m additional Cost 22/23 - £3.2m additional Cost	<b>Source of Revenue Funding</b>	Energy Service Utilities Purchase/Highways Electricity/HRA/Schools/Bristol heat Ctrs
<b>Capital Cost</b>	£0	<b>Source of Capital Funding</b>	
<b>One off cost</b> <input checked="" type="checkbox"/>	<b>Ongoing cost</b> <input checked="" type="checkbox"/>	<b>Saving Proposal</b> <input checked="" type="checkbox"/>	<b>Income generation proposal</b> <input checked="" type="checkbox"/>

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

1. Finance Advice: A decision was taken in October 2021 to extend the current contracts for three months at a cost of £2.7 million. This was considered best value option to the Council to prevent reprocurring these services when market prices were at historic high, fixing high rates for an extended period.

As outlined in the report there has been significant increases in the cost of energy and gas supply increasing the cost beyond available budget. Latest expected increase is from a total £9.2m for this year to forecast £19.2m, an increase of £7.0m. This is split across different budgets, with £3.0m increase in the general fund, £2.1m within the Housing Revenue Account, £1.4m for schools, and £400k for heat networks. In 2021/22 this resultant pressure is reflected in the latest budget monitoring, which implies this pressure may be contained by other one-off underspends, if not this additional cost will be funded by remaining inflation contingency.

Beyond 2021/22 there is expected to be continued pressure on unit costs for gas and electricity and this is a risk to the Medium-Term Financial Plan and agreed mitigation and/or provision for this should be reflected in future budgets. Latest forecasts indicate a total pressure of £3.2m against previous prices (allowing for further mitigation measures), this is split between general fund, Housing Revenue Account and Schools. Future cost is dependent on changes in price and demand, and this will need to be managed within annually approved budgets. The report sets out some of the ways the Council aims to reduce the risk of increased energy supplies such as demand reduction measures and by introducing a flexible contract for gas prices as outlined in Appendix A. The value of all the proposed measures is estimated at £3.1m (Appendix A) and this has a significant impact on the ongoing pressure that would have been recorded (even at lower prices). It is assumed that the benefit of these mitigating measures will be actualised from April 2022.

**Finance Business Partner:** Kayode Olagundoye, Interim Finance Business Partner, Growth and Regeneration, 06<sup>th</sup> January 2022.

**2. Legal Advice:** The recommendations in the report are proposing a range of commissioning and procurement activities, potential joint working arrangements (eg with City Leap partner) together with proposals for accessing a variety of grants or similar funding which may become available to support these initiatives. Plainly all new contractual arrangements will have to comply with the Public Contracts Regulations 2015 and the Councils own procurement rules and financial regulations. Contracts should not be concluded unless funding is secured. Authority is sought for the Executive Director take forward a range of procurement and related activities to deliver the programme, and to secure and spend grant monies in support, all without further reference to Cabinet.

**Legal Team Leader:** Eric Andrews, 11<sup>th</sup> Nov 21

**3. Implications on IT:** Unless smart metering or some specific IT based electrical management system is needed, no implication upon IT is anticipated.

**IT Team Leader:** Iain Godding, Head of Enterprise Architecture 22/11/2021

**4. HR Advice:** Having read the report, I can confirm that no HR implications are evident.

Chris Hather MCIPD, HR Consultancy Manager - Growth and Regeneration, 4<sup>th</sup> Nov 21

<b>EDM Sign-off</b>	<b>Patsy Mellor (Director Management of Place) Stephen Peacock (Executive Director Growth &amp; Regeneration)</b>	<b>12<sup>th</sup> Nov 2021 17<sup>th</sup> Nov 2021</b>
<b>Cabinet Member sign-off</b>	Cllr Nicola Beech	22 <sup>nd</sup> Nov 2021
<b>For Key Decisions - Mayor's Office sign-off</b>	Mayor's Office	15 <sup>th</sup> Nov 2021

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