

Webinar: Procurement in uncertain times

Questions answered
from the live panellists

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Schools'
Buying Club

Energy questions

Our energy suppliers are advising us to buy for 3 years' time at much lower rates than we have just purchased for the next 3 years. Is this a good idea?

Chris Jermy said, "It depends how much your future budgets and cost security is important to you.

It's worth knowing, Ofgem is always bringing out additional electricity costs so fixing your price may not give you complete budget certainty. For example, we have witnessed 3 to 4 different initiatives or legislation within the energy industry in recent years; so please beware that a 'fixed price' might not necessarily be a fixed price as suppliers will look to pass 'additional costs' imposed on them to the customer.

The forward markets are looking very reasonable at the moment (whilst near term prices are high) so it could be a good time to engage with a flexible pricing option or perhaps some longer term deals if you have a cash deficit in the near term and want to get the prices down. It's about what's right for you and we are here to help you with guiding you through these options."

Is there ever an argument to decide on moving to a standard utility tariffs, in order to procure better long term prices - say in the summer months when wholesale prices may be driven down?

Chris Jermy said, "I would say definitely not and avoid this at all costs! The standard 'deemed' tariffs is what the suppliers will charge you.

There are a lot of schools that are falling off the end of their council contracts where councils have effectively said, *we don't want to deal with the schools anymore* and when you look into what the deemed tariffs (prices) are, which are published on the supplier websites, they are generally double a contracted rate. To find these tariffs, simply search online using the supplier name and 'deemed' or 'default tariff' rate.

For those summer months, where your consumption could increase, as we emerge from the pandemic and schools return fully, you would be massively stung on your budget. As an example, at a secondary school this could cost circa £1,000 per week! It wouldn't be cost effective for anyone."

I have too much work on to look at my energy, but I know it needs to be renewed soon, can I get you to do all the leg work for me?

Yes of course, we work with various suppliers all the time. We simply require a recent bill for each of your meters and a letter of authority. We can then come up with a summary of your supplies and report back with our proposals; all very quick/ simple and stress free, and entirely free and with no obligation.

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Energy questions continued...

We are locked into a local authority's energy contract and need to give 12 months' notice. We are not happy with the service and have a long wait for invoices. Is there anything we can do to terminate the contract early and how long would it take to switch if we were to give the notice and move to Zenergi?

Chris Jermy said "...there are some options available to academy trusts where the contract entity changes which can be used to help exit you from the contract. For instance, 'Joe Bloggs Academy Trust' would be able to do a *change of tenancy* on the local authorities' agreement held with the suppliers, meaning you would be moving away from your local council into the name of the new tenant (the academy trust). This can happen within a few weeks and Zenergi can help with this and arrange the procurement of energy. This can be for a short-term contract to cover the summer period say, and then have a longer-term strategy following, allowing you more time to consider your options. It's down to you on how much you want to push the local authority; I have seen in the past, with numerous councils and PBOs (purchasing buying groups), where their services haven't been quite up to scratch, and they have allowed schools to leave early. I myself, used to work in a role supporting local authority and if a customer was really unhappy with the PBO, they too would be allowed to leave under my jurisdiction just like we allowed sites to leave if they were being sold or demolished etc. I would say it's worth asking the question and see what they come back with!"

Our energy suppliers are advising us to buy for 3 years' time and I use the council's energy deal surely they have better buying power?

We've procured excellent value contracts compared to the public purchasing organisations that local councils use. We procure for over 10% of the education sector nowadays so that argument is long gone; suppliers know when we tender that their margins have to be low to win our business as we have such a competitive array of suppliers (11 on our framework plus more if not OJEU).

Our school needs to be 'greener' but I don't know where to start with this. Can you help?

Yes of course! We recommend having an initial conversation to go through your school's situation. We would then look to have a meeting at site to establish an enhanced understanding of the premises to then guide you. This would be designed around your requirements and budgets. We also have some funding options available so please just ask!

We would like to investigate LED lighting and solar PV within our school. How can you take the hassle away from this?

This is very easy! We would do a desktop feasibility on solar PV, and with some basic information on the lighting situation at your school, we could come up with some headline finance options for consideration. If you decide to go ahead, we can undertake and manage the whole process; including design and specification, procurement and project management. Our engineering team are highly experienced in delivering low carbon projects for a range of sectors from healthcare, education to retail and heavy industry.

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Procurement questions

When setting your budget, should I assume more lockdowns and therefore cost overspends in some areas or potential savings? Or should I base it on 2019/20 figures with appropriate rises on contracts?

Our guest SBL panellists Hilary Goldsmith and Tina Button shared their advice during the webinar:

Hilary's approach is to red flag the budget lines that are most risky and assume we carry on as normal (rather than more lockdowns), leaving a bigger contingency than normal just in case. "I think it is absolutely fine to overspend on areas where there have been these unpredictable things but I'll flag these up with the governing bodies so they know which ones I can't predict accurately, and which are the ones set in stone." This way you have a key group of cost centres to keep an eye on throughout the year.

Tina's school is a SEN school, so they remained open during lockdown and currently have half of their students in. As such a lot of the running costs remain the same. "It's the cleaning and hygiene costs that increased and I think I'll forecast that right through for the next 12 months, because I think the reality is that's the position we are going to be in."

If you are aggregating contract costs of future years to see if you go over £189k threshold, how many years should you reasonably account for if it could be extended indefinitely?

It really depends on whether you feel in, say for example, five years time that the contract will be fit for purpose, so extending indefinitely would not in our experience be ideal.

How do I create a 3-year procurement plan?

The best procurement plan comes in the form of a contracts register, at its simplest an Excel spreadsheet will help you keep on top of all your contract values and tender start dates. It is a detailed list of all your current service contracts including the contract start and end dates, notice period, costs, supplier details and current satisfaction levels. You can also record what you like and dislike about the service throughout the contract. To request a contracts register template please email contact@schoolsbuyingclub.com

Are the procurement thresholds likely to change?

They may as a result of the Green Paper that is currently out for consultation.

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Procurement questions continued...

What does an 'intervention' mean for my school?

There is currently no detail around potential procurement 'interventions', we are envisaging this to be made formal when the White Paper is published. It could be around ensuring that schools and Trusts are compliantly spending public money using due process.

Are there any new trends in procurement schools should be aware of?

Dynamic Purchasing Systems (DPS) are becoming more readily available. The benefit of using a DPS is if you have a local supplier that isn't on any other framework, they can be on-boarded relatively quickly to ensure they are able to bid for your new contract. Traditional frameworks tend to be static for a period of up to five years generally.

What makes a contract really effective?

The quality and detail in the specification (i.e. your specific requirements) alongside very robust contract management once the contract is live.

What effect will COVID-19 have on future bid specifications?

COVID-19 will have the biggest impact on catering specifications and subsequent contracts. Suppliers are tightening up on contractual positions in order to protect themselves against school closures and significant drop in meal numbers.

I am looking at a large carry forward due to unspent budgets in catering, training, furniture renewal, less expenditure on supply than we feared. My worry is that the LA will try and claw back, but the reality is the spending will need to happen next year. What should I do?

Hilary's approach is to commit as much as possible now. "At year end, I'll be submitting a very long commitment report of what is in my carry forward that I will fully expect to be spending in the new year and the reasons why." She also advised that if you know who is in your school's forum to speak to them about your concerns "because they should be having a discussion about claw backs as lots of schools will be in a different situation this year, in either end of the spectrum. Those who have gone into deficit and those with carry forwards. Have your evidence and numbers ready to fight the case."

Tina's advice was similar, "in January I look at our position as it gives us a couple of months to look at spending it. We will look at what we can purchase now and tell staff to get their orders in soon." She also suggested that LA's "need to give us a lot of notice to claw back budgets so I don't think it's anything that will happen just yet."

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Procurement questions continued...

My schools are in the early part of the academy process which is being managed by the Diocese. They are beginning to look at what contracts all of their schools have and I am thinking the best course of action is to simply extend current contracts with current suppliers over the next 12 months whilst we await decisions on procurement going forward for the MAT. In your opinion would this be the right or wrong approach?

Any school going through the academisation process might face this issue, your approach should come down to whether you are happy with your current contracts. If you are happy, then yes, simply extend your current contracts. If an auditor were to come in, there is an argument to say you are going through the conversion process and at that point you want to roll into the new Diocese's arrangements. If you are unhappy with the current provider, it may be that you do not want to wait. It is important to remember that a Diocese might have several schools on a different procurement journey and that the aggregation to get every school under the one contract may take longer than a year, in which case you could fulfil a new contract.

Next Steps

- Watch or listen back to the webinar recording using the below link <https://bit.ly/3amb0mC>
- Get in touch with us to see how we can help with your procurements during these uncertain times and help you create a 3-year procurement plan
- Send a copy of your current bill and a Letter of Authority for a FREE no obligation look into your procurement requirements

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