

**FORM 1**

**NOTICE OF DELEGATION OF DECISION TO CABINET MEMBER BY STRONG LEADER**

Section 15(4) of the Local Government Act 2000, the senior executive member may discharge any of the functions that are the responsibility of the Cabinet or may arrange for them to be discharged by another member of the Cabinet or Officer. On 1<sup>st</sup> December 2010, the Council adopted the Strong Leader Model for Corporate Governance 2011 as required under Part 3 of The Local Government and Public Involvement in Health Act 2007 (The 2007 Act).

I, M. Hart, as Strong Leader, delegate the decision to the Cabinet Member detailed below:

Cabinet Member for Resources, Councillor Nathan Desmond

*6<sup>th</sup> October.*

Dated:



Signed: .....

Leader of the Council

**FORM 2**

**NOTICE OF DECISION OF CABINET MEMBER**

Pursuant Section 15(4) of the Local Government Act 2000, as amended by section 63 of the Local Government and Public Involvement in Health Act 2007, the senior executive member may discharge any of the functions that are the responsibility of the Cabinet or may arrange for them to be discharged by another member of the Cabinet or Officer. On 1<sup>st</sup> December 2010, the Council adopted the Strong Leader Model for Corporate Governance 2011 as required under Part 3 of The Local Government and Public Involvement in Health Act 2007 (The 2007 Act).

In accordance with the authority delegated to me / by the Leader (delete as appropriate), I have made the following decision:

<b>Subject</b>	<b>Decision</b>	<b>Reason for decision</b>	<b>Date for Decision to be taken</b>
Contract for Gas Supply	Approve the tender evaluation and entering into a contract with Yorkshire Purchase Organisation (YPO) for the supply of gas from Corona Energy 4 Limited until March 31 <sup>st</sup> 2021	To ensure the Authority has an energy supplier when our contract expires in March 2017. Also to ensure our requirements are considered under the flexible purchasing operated by YPO when they buy gas in advance.	

**I confirm that the appropriate statutory officer consultation has taken place with regard to this decision.**

Dated: 10/11/16  
Signed: 

Councillor Nathan Desmond, Cabinet Member for Resources

To: Cabinet Member for Resources, Councillor Nathan Desmond

From: Chief Executive

Responsible Officer: Elaine Brookes (Extn 2797)

Date: 15<sup>th</sup> September 2016

## **Contract for the Supply of Gas**

### **1. PURPOSE OF REPORT**

- 1.1 To seek Cabinet approval to progress with the procurement of a new energy contract for gas supply.

### **2. RECOMMENDATION**

#### **That the Leader:**

- 2.1 Authorises entering into a new flexible purchasing contract for the supply of gas with Corona Energy 4 Limited using the Yorkshire Purchasing Organisation (YPO) in accordance with the details within this report.

### **3. BACKGROUND**

- 3.1 The Council's current purchasing agent for gas is the Yorkshire Purchasing Organisation (YPO) with supply for gas from British Gas.
- 3.2 The existing contract with YPO for the gas supply expires on 31<sup>st</sup> March 2017; the contract started on 1<sup>st</sup> June 2013 for a term of 46 months.
- 3.3 In accordance with Contract Procedure Rule 17, officers have established that a relevant framework agreement exists for the supply of gas.
- 3.4 Energy contracts are very complex in procurement terms and, in order to take advantage of a new YPO Framework Agreement due to commence 1 April 2017, Wyre Forest District Council has to enter into an Agreement with YPO in advance to ensure that our requirements are considered for the supply of gas.
- 3.5 The Council's current contract with British Gas for the supply of gas is due to expire on 31 March 2017. Due to the requirement under flexible purchasing for the contractor to buy gas in advance it is necessary to put in place a new contract well before the end of the current contract to allow sufficient time for the benefits of flexible purchasing to be realised. Consequently YPO has undertaken an OJEU compliant procurement process to identify a supplier for the next contract period.
- 3.6 An open tender process was conducted; thirteen suppliers accessed the tender, four submitted responses and met all mandatory requirements, listed below in alphabetical order.
- British Gas
  - Corona Energy Limited

- DONG Energy Sales UK
- Total Gas and Power Limited

3.7 The tenders were evaluated by YPO in accordance with the following weightings:

- Cost 35%
- Quality 65%

3.8 The following scores were allocated, in ascending order with the maximum possible score available being 100

- 48.92
- 71.22
- 90.34
- 94.30

#### **4. KEY ISSUES**

4.1 The framework has followed EU procurement regulations and was subject to the full EU procurement process.

4.2 As the energy supply for the first year of the contract (commencing 1 April 2017) needs to be bought, the Council would need to enter into the new energy contract as soon as possible to secure a continuous supply of gas

4.3 The new energy contract would cover the period 1 April 2017 – 31 March 2021.

#### **5. RECOMMENDATION**

5.1 It is recommended that the Council purchases the gas supply through the framework from YPO for the period 1 April 2017 to 31 March 2021. The successful supplier was Corona, with a score of 98.3 out of 100. This framework represents a 65% saving in the management fee over the current supplier and consequently the framework offers the best package in terms of value for money, performance in the market, management information, and delivery of a quality service.

#### **6. FINANCIAL IMPLICATIONS**

6.1 Each financial year the council budgets to spend £55,000 on the supply of gas to its various sites. With a contract term of 4 years, the total value of this contract is calculated to be £220,000 over its full term. The complexity and variable nature of energy prices would suggest that buying through a specialist buying consortium is the optimal strategy.

6.2 Entering into a new flexible purchasing contract for the supply of gas enables purchases to be timed to avoid unusual market price spikes and also spreads the risk of price fluctuations. It does not guarantee that all energy is purchased at the lowest possible price available during a particular period but experience during the current contracts has shown that overall this approach has resulted in procurement at below average prices. This provides the best opportunity to generate savings but does not guarantee that savings will be achieved as this depends on market prices.

- 6.3 The YPO strategy is to procure volumes throughout the preceding year (or longer) to deliver a fixed price to all customers from 1<sup>st</sup> April each year. The reason they utilise this approach is that it delivers a below market average price, provides budget certainty (fixed 12 month price), and manages market volatility.

Decisions on trades are based on market knowledge gained from an experienced YPO trading team, market reports, trading screens, and regular communication with supplier trading teams. The YPO hedging strategy requires that they trade volumes every month whether the market is up or down; they can manage the volumes they trade each month to ensure they aren't over hedged in a decreasing market and under hedged in an increasing market.

## **7. LEGAL AND POLICY IMPLICATIONS**

- 7.1 The Contract Procedure Rules require Cabinet approval to enter into contracts where the estimated value of the contract exceeds £160,000.
- 7.2 The Contract Procedure Rules permit the use of framework agreements where the Procurement Officer and the Solicitor to the Council are satisfied that the Council can lawfully use them and that it is in the Council's interest to do so.
- 7.3 The terms and conditions will be reviewed by the Solicitor to the Council.

## **8. RISK MANAGEMENT**

- 8.1 Failure to enter into the new energy framework could mean that the Council are left without an energy provider after 31 March 2017 at the end of the existing contract, or at best revert back to "standard" pricing policy.
- 8.2 YPO will need to procure the energy supply and the contract would need to be signed as soon as possible.

## **9. EQUALITY IMPACT ASSESSMENT**

- 9.1 This is a financial report and there is no requirement to consider an Equality Impact Assessment.

## **10. CONCLUSION**

- 10.1 In entering into a contract with YPO using the framework the Council will achieve the most economically advantageous result in terms of price and quality of service.

## **11. CONSULTEES**

- 11.1 Chief Executive  
11.2 Head of Transformation and Communications  
11.3 Finance Manager  
11.4 Facilities & Asset Manager  
11.5 Legal  
11.6 Procurement