

Report Title: Gas Supply Contract Renewal 2026 -2030

Date of meeting:	Thursday 9 January 2025		
Report to:	Cabinet		
Report of:	Executive Director – Regeneration, Economy and Assets		
Portfolio:	Cabinet Member - Regeneration Economy and Skills		
Wards affected:	All		
Is this a key decision:	Yes	Included in Forward Plan:	Yes
Exempt/confidential report:	No		

Summary:

Report to seek the approval for the award of the gas supply contract through the NEPO Gas Framework for a three year plus one year contract, in order to secure value for money and excellent customer service.

Recommendation(s):

- (1) That Sefton remain on the North-East Purchasing Organisation (NEPO) framework contract for the supply of gas to cover the period 1st April 2026 – 31st March 2029 (with a possible 1 year extension to 31 March 2030)
- (2) That the Executive Director of Regeneration, Economy & Assets be granted delegated authority to award any extension in consultation with the Cabinet Member for Regeneration, Economy and Skills; and
- (3) That authority be delegated to Executive Director of Regeneration, Economy & Assets to approve purchasing decisions and approve any contractual requirements within the contract term including the signing of all contract documents

1. The Rationale and Evidence for the Recommendations

- 1.1 Sefton have recently reviewed our options across 3 of the largest public sector buying organisation procurement frameworks, including Crown Commercial Services (CCS), North-East Purchasing Organisation (NEPO) and Eastern Shires Purchasing Organisation (ESPO).
- 1.2 The assessment, overseen by Sefton's procurement team, was carried out via a detailed formal questionnaire and interviews, to ensure each framework supply

contract was fully compliant with procurement legislation and included a detailed evaluation of the risks and benefits of each framework to assess best value.

- 1.3 NEPO were able to demonstrate value for money, excellent customer service and consistency of gas supplier. Remaining on the NEPO framework will also minimise disruption to services and minimise impact on staff resourcing.
- 1.4 Given the recent volatility in gas prices, a consortium approach to purchasing will bring the most benefit to Sefton.

2 Background

- 2.1 Sefton's existing contract with the North East Procurement Organisation (NEPO) for gas supplies will come to an end on 31 March 2026. The annual Gas Supply contract value, including schools and New Directions sites, is approaching £3.0 million per annum, but has been as high as £4.0 million following the volatility of the global gas markets.
- 2.2 Officers have recently completed an appraisal of our current gas framework options to secure best value. Utilising a framework provides access to a consortium approach to purchasing. This approach is recommended by the UK government for all public sector organisations procuring energy. The Pan Government Energy Project, recommends that all public sector organisations adopt aggregated, flexible and risk-managed energy procurement, which can be achieved through a Central Purchasing Body (CPB) framework. The benefits to Sefton from this approach include :-
 - Achieving a more competitive price through economies of scale by buying in bulk,
 - Increased influence on the supplier to perform, with the additional contract management provided via the framework,
 - Increased scale allows suppliers to have larger support teams with specialist knowledge and
 - Improved market insight, aligning procurement to future potential aggregation.
- 2.3 Three UK Procurement Legislation compliant frameworks, NEPO, CCS and ESPO, were considered as possible options. After conferring with Sefton's procurement team, officers contacted each framework provider and an in-depth interview was carried out using the same set of questions. The evaluation matrix with weightings is provided in Appendix 1.
- 2.4 The frameworks were assessed on the themes of:
 - A well-managed approach to purchasing/ risk in the market
 - Previous performance
 - Impact on operations
 - Net Zero Objectives and Social Value

2 Evaluation Outcome

- 3.1 All framework providers performed well and offered a competitive and flexible service. However, the group assessment scored the NEPO offer ahead of the other two, due to strengths in excellent customer service, competitive pricing and

flexibility and responsiveness of purchasing strategy. The basis for this decision was then confirmed through consultation with senior officers.

- 3.2 Council officers have been guided by the need to remain compliant with procurement rules and achieve best value for the Council and its partners. Risks associated with price volatility will be reduced by being part of a consortium approach to purchasing and bring the most benefit to Sefton. Given the ongoing volatility of the energy markets and uncertainty of global gas supplies, being part of a consortium represents a lower risk profile to current/ future budgets.

4 The North-East Purchasing Organisation (NEPO) gas framework

- 4.1 Remaining within the NEPO Framework for Supply of Gas will ensure that the procurement of the Councils gas supply will be fully compliant with UK Procurement Legislation and the Council's Contract Procedure Rules and will provide a comprehensive audit trail.
- 4.2 NEPO have an experienced trading team with robust strategies and governance in place. They have achieved better than market average, competitive pricing through the strategies employed. They have recently reduced the amount of gas they hedge, to reflect changing market conditions. The market is becoming more stable and prices have fallen since the extreme high's experienced in 2022. By hedging a smaller amount of gas ahead of the delivery year (60%), they are offering a more competitive price currently that those who hedge up to 100%. They have flexibility within their strategy to purchase more, if market conditions change. However, this hedging strategy does mean that price certainty cannot be provided ahead of the delivery year and some variation on price will occur month by month. It also means that any significant changes in market prices will be reflected in price achieved more quickly than a longer trading strategy.
- 4.3 The trading team continually monitor market conditions and purchase gas supplies in advance when prices are low. Set amounts are required to be purchased throughout the proceeding 12-18 months prior to supply. The purchases are combined in a 'basket' and an average price is delivered to all consortium members.
- 4.4 The current purchasing strategy involved purchasing a minimum of 60% ahead with the remaining purchase made within period. This means that the price is not pre-set each year (as currently happens with the electricity contract) but fluctuates month by month by a small amount. This flexibility helps to 1. avoid over purchasing gas and having to sell back to the market 2. avoids the risk element factored into the cost of gas when buying months or years in advance. This approach has led to prices being very competitive over the past contract term.
- 4.5 The NEPO Framework Gas Supplier is Corona Energy Limited, with whom the supply contract management is undertaken directly.
- 4.6 Council Officers will work with NEPO and gas supplier to maximise opportunities to embed social value and Net-Zero opportunities within the arrangement, for example requesting the successful supplier provides appropriate material and presentations to Council Officers on the positive impact of environmental sourcing.

- 4.7 The options of securing low carbon biogas together with appropriate certification has also been explored as a possibility within this contract at a future date.
- 4.8 The framework allows for the collection of a rebate, which has been included in all previous Sefton Council gas procurements. The rebate is for £0.001 to be added to each kWh of gas consumed and billed across all buildings. The rebate amount is then reclaimed by the Council to support the management of the utilities for the entire portfolio, providing metering services, billing validation services, advice & education and Display Energy Certificates (DECs) for all sites. A rebate of £0.001 will be included as part of this contract term.

5 Actions required

- 5.1 To join the consortium basket with the lead times of approximately 12 months. Therefore, the following is proposed;
Following Cabinet approval, inform NEPO of our intention to maintain our consortium buying strategy from 1 April 2026 until 31 March 2029 (with the option of a 1 year extension to 31 March 2030), by signing the revised contract documents.
- 5.2 On the renewal date (1 April 2026), there will be no disruption to existing routines and account management.
- 5.3 Financial management and billing advice will continue to be issued directly to all budget holders and sites once a predicted annual gas price is received, followed by monthly updates.

6. Financial Implications

(A) Revenue Costs : The cost of all utilities is met from individual departmental revenue budgets.

(B) Capital Costs : N/A

7. Legal Implications

As per all utility contracts Sefton will be required to contract with the gas supply company as a member of the Framework.

8. Corporate Risk Implications

As with any globally traded commodity, there is a risk of price volatility. Being part of a consortium and hedging a large percentage of use, helps to reduce risk and shelter the Council from extreme market prices.

By outsourcing the trading element of the purchase of gas to a dedicated trading team with a strong trading strategy, reduces the risk of extreme prices in comparison to an inhouse purchasing option.

9 Staffing HR Implications

The Contract will require management & monitoring and an existing team (financially supported through a contractual rebate) already exist.

10 Conclusion

In conclusion, it is recommended that Cabinet approve for the award of the gas supply contract through the NEPO Gas Framework for a three year plus one year contract, in order to secure value for money and excellent customer service. Also, that the recommended delegations of authority be authorised to enable timely contract management.

Alternative Options Considered and Rejected

Option 1

Do nothing – In order to comply with UK Procurement Legislation, and due to the 12- 18 month lead in times, it is necessary to now either re-procure the above contract directly to market by Sefton Council via the Public Contract Regulations route, or receive a supply contract available from an Public Contract Regulations compliant Energy Procurement Framework with a Central Purchasing Body (CPB). Therefore, this action was rejected.

Option 2

Delay this decision - The lead time for making a change to our current gas supply arrangements is significant, so any delay in making a decision would shorten our window for purchasing gas in advance. This would reduce our options and increase the risk associated with market conditions during that time. Therefore, this action was rejected.

Option 3

Adopt a different procurement strategy – for example purchasing all gas supplies at a fixed price. Whilst Sefton has used this strategy in the past and made savings from it, it does internalise the risk associated with achieving the best prices, increases staff workload and given current volatility in the wholesale gas market increases the risks associated with achieving a competitive price. Therefore, this option was rejected.

Equality Implications: There are no equality implications.
Impact on Children and Young People: N/A
Climate Emergency Implications: The recommendations within this report will have a Negative impact. The arrangements cover significant proportion of the remaining period within which the Council has declared it will become Net Zero (by 2030). Gas consumption is a key element of the Council's carbon footprint, which we need to reduce to zero (or net) by 2030. The use of Gas, options to reduce, minimise and offset the remaining proportion of Sefton Councils Scope 1 carbon emissions (Direct emissions from gas consumption) is therefore of significance in reaching this target. Within all current frameworks there exists the option to purchase green gas certification, however, the supply of this is very limited and where available, the costs are higher than normal gas. Efforts to 'decarbonise' our buildings and remove gas/ reduce gas usage remain the focus of the net zero strategy & action plan.

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD.7882/24) and the Chief Legal and Democratic Officer (LD.5982/24) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

N/A

Implementation Date for the Decision :

Following the expiry of the “call-in” period for the Committee decision.

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Appendices:

The following appendix is attached to this report:

Appendix 1 – Evaluation questions and weightings.

Background Papers: N/A

Appendix 1 – Evaluation questions and weightings.

	PASS/FAIL	
General	Framework must Public Contract Regulations complaint?	Pass/Fail
Quality	Assurance that Systemlink is fully compatible with billing/data from supplier(s)?	Pass/Fail
	Assurance the Bureau Service to check our bills are correct and ensure low impact on our team's capacity is compatible.	Pass/Fail
	Assurance separate billing for some of our sites is possible. Some of our sites prefer to pay their bills separately, such as academies and our care provider.	Pass/Fail
	Some of our sites may prefer a Direct Debit option, can your supplier(s) provide this?	Pass/Fail
	We will require the facility to add a commission, can this option be provided?	Pass/Fail
	Would we have a facility to be able to access our portfolio and bills via a supplier web portal and allow access to external sites that need it?	Pass/Fail
Scoring area	What this looks like	Suggested score weighting
A well-managed approach to purchasing/risk in the market	<p>A well-managed approach to purchasing and dealing with risks within the market</p> <p>Includes purchasing strategy, options and periods available</p> <p>How changes are managed responsibly (e.g. governance) should changes be required</p>	30%

	<p>Protection from portfolio size/demand change and how this can be covered to avoid things like sell-back</p> <p>Wanting a better than average price with the approach without being overly risky.</p> <p>Consortium purchasing.</p>	
<p>Previous performance</p>	<p>Demonstration of range of what team covers and size</p> <p>Evidence of Market performance. I.e. what reports are available and what they are showing too in terms of performance</p> <p>Size of customer basket (market share/total MW etc)</p>	<p>30%</p>
<p>Impact on operations</p>	<p>We want good customer service, access to dedicated staff, portal and information that is sent out</p>	<p>20%</p>

	<p>Stable and ideally single supplier, not changing too often/more than necessary. This could include having a single supplier as well as when current framework expires and new one potentially comes about</p> <p>AMR data collector service. Impact of change of supplier</p> <p>Portal access, supplier web portal capable of our and our partners needs</p> <p>Minimise the impact from involvement of the team both in switching and in day to day operations</p>	
<p>Net Zero Objectives and Social Value</p>	<p>Green Gas options?</p> <p>Offsetting options?</p>	<p>20%</p>

	<p>Wider Support (funding/support) regarding Net-zero/decarbonisation?</p>	
	<p>The ability to provide/deliver good local social value.</p>	
	<p>General Social Value provision, aligned with our values</p>	

Scoring Scheme :		
Assessment	Interpretation	score
Very Good	Exceeds the Requirement. Exceptional demonstration by the Bidder of the relevant ability, understanding, experience, skills, resources and quality measures required to provide the supplies/services. Response offers multiple demonstrated evidence and examples in support.	5
Good	Satisfies the requirement with minor additional benefits. Above average demonstration by the Bidder of the relevant ability, understanding, experience, skills, resources and quality measures required to provide the supplies/services. Response offers demonstrated evidence and examples in support.	4

Capable	Satisfies the requirement. Demonstration by the Bidder of the relevant ability, understanding, experience, skills, resources and quality measures required to provide the supplies/services.	3
Potential	Satisfies the requirement with minor reservations. Information indicating potential to deliver outcomes. Some minor reservations of the Bidder's relevant ability, understanding, experience, skills, resources and quality measures required to provide the supplies/services, with little or no evidence to support the response.	2
Reservations	Satisfies the requirement with major reservations. Considerable reservations of the Bidder's relevant ability, understanding, experience, skills, resources and quality measures required to provide the supplies/services, with little or no evidence to support the response.	1
Unacceptable or no response	Does not meet the requirement. Does not comply and/or insufficient information provided to demonstrate that the Bidder has the ability, understanding, experience, skills, resources and quality measures required to provide the supplies/services, with little or no evidence to support the response. Or, no response at all.	0