

Report to:	Cabinet	Date of Meeting:	1 October 2020
Subject:	Gas Contract Renewal 2022 - 2025		
Report of:	Executive Director of Corporate Resources and Customer Services	Wards Affected:	(All Wards);
Portfolio:	Cabinet Member - Regulatory, Compliance and Corporate Services		
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 to 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):

It is recommended Cabinet approve:

1. That Sefton remain on the North-East Purchasing Organisation (NEPO) framework contract for the supply of gas to cover the period 1st April 2022 – 31 March 2025 (with a possible 1 year extension to 31 March 2026);
2. That the Executive Director of Corporate Resources and Customer Services be granted delegated authority to award any extension in consultation with the Cabinet Member for Regulatory, Compliance and Corporate Services; and
3. That authority be delegated to Executive Director of Corporate Resources and Customer Services to approve purchasing decisions.

Reasons for the Recommendation(s):

Sefton have recently reviewed our options across 4 of the largest public sector buying organisation procurement frameworks, including Crown Commercial Services (CCS), North-East Purchasing Organisation (NEPO), Yorkshire Purchasing Organisation (YPO) and Eastern Shires Purchasing Organisation (ESPO). 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.

Given the recent volatility in gas prices, a consortium approach to purchasing will bring the most benefit to Sefton.

Alternative Options Considered and Rejected: (including any Risk Implications)

Option 1

Do nothing – In order to comply with EU and UK Procurement Rules, 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 prescribed European Journal (OJEU) route, or receive a supply contract available from an EU 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.

What will it cost and how will it be financed?

(A) Revenue Costs

The cost of all utilities is met from individual departmental revenue budgets.

(B) Capital Costs

None

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets): None
Legal Implications:
Equality Implications: There are no equality implications

Contribution to the Council's Core Purpose:

Protect the most vulnerable: Not applicable
Facilitate confident and resilient communities: Securing best value supplies and continuously reviewing provisions for improvements.
Commission, broker and provide core services: Not applicable
Place – leadership and influencer: Not applicable
Drivers of change and reform: Not applicable
Facilitate sustainable economic prosperity: Positive, through securing competitive prices.
Greater income for social investment: Not applicable
Cleaner Greener: Not applicable

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services is the author of the report (FD6129/20).

The Chief Legal and Democratic Officer (LD4320/20.) has been consulted and any comments have been incorporated into the report.

(B) External Consultations

Not applicable

Implementation Date for the Decision

Following the expiry of the “call-in” period for the Minutes of the Cabinet Meeting

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Appendices:

There are no appendices to this report

Background Papers:

There are no background papers available for inspection.

1. Introduction/Background

- 1.1 Sefton's existing contract with the North East Procurement Organisation (NEPO) for gas supplies will come to an end on 31 March 2022. The annual Gas Supply contract value, including schools and New Directions sites, is approaching £2.5 million per annum.
- 1.2 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 more larger support teams with specialist knowledge; and
 - And improved market insight, aligning procurement to future potential aggregation
- 1.3 Four OJEU compliant frameworks 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.
- 1.4 Two of the four framework providers were discounted due to short framework periods (CCS and ESPO who use Total Gas & Power, ending during 2023). This would involve one or two major pieces of work to transfer hundreds of sites, with the inherent risk of billing or information transfer problems.
- 1.5 The two remaining frameworks, NEPO and YPO, were further assessed on the themes of previous market performance & procurement strategy and quality of services provided.

2 Evaluation Outcome

- 2.1 Both framework providers performed well and both offered a competitive and flexible service. However, the group officer assessment favoured the NEPO offer based on excellent customer service, competitive pricing and flexibility and responsiveness of purchasing strategy.
- 2.2 Council officers have been guided by the need to remain OJEU compliant 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 volatility of the current markets and uncertainty regarding Covid 19 outbreaks and Brexit, this option represents the lowest risk profile to current/ future budgets.

3 NEPO

- 3.1 Remaining within the NEPO Framework for Supply of Gas will ensure that the procurement of the Councils gas supply will be fully compliant with EU procurement regulations and the Council's Contract Procedure Rules and will provide a comprehensive audit trail.
- 3.2 NEPO have an experienced trading team with robust strategies and governance in place. They have achieved below market average, competitive pricing through the strategies employed. They have recently increased the amount of gas they hedge, to reflect changing market conditions.
- 3.3 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.
- 3.4 The NEPO Framework Gas Supplier is Corona Energy Limited, with whom the supply contract will continue to be awarded and overall supply contract management is undertaken directly with them.
- 3.5 Council Officers will work with NEPO and gas supplier to maximise opportunities to embed social value within the arrangement, for example requesting the successful supplier provides appropriate material and presentations to Council Officers and students across the Borough on the positive impact of environmental sourcing.
- 3.6 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 Actions required

- 4.1 To join the consortium basket with the lead times of approximately 18 months. Therefore, the following is proposed;
 - Following Cabinet approval, inform NEPO of our intention to move to a consortium buying strategy from 1 April 2022 until 31 March 2025 (with the option of a 1 year extension to 31 March 2026).
 - Approve the purchasing decision.
- 4.2 On the renewal date (1 April 2022), there will be no disruption to existing routines and account management.
- 4.3 Financial management and billing advice will continue to be issued directly to all budget holders and sites once annual gas prices are received.