

Classification: Open	Decision Type: Key
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Report to:	Cabinet	Date: 10 December 2024
Subject:	Renewal of the Councils Corporate Gas Supply Contract	
Report of	Cabinet Member for Corporate Affairs and HR	

1. Summary

The purpose of this report is to seek formal approval for the purchase and supply of the Council's corporate gas supply in an initial four-year contract for the period 1st April 2025 to 31st March 2029, with an option to extend another two years to March 2031 and a further two years to March 2033.

The Council's corporate gas supply contract covers supply of gas to Corporate Office Buildings, Schools (Inc Academies), Community Centres, Libraries, Leisure Facilities; Housing Services and Buildings occupied by Persona. This comprises in approximately 300 supply points across the borough.

2. Recommendation(s)

Cabinet is asked to:

Approve the use of YPO appointed framework supplier for the supply of gas through the framework duration. The estimated contract spend with Corona Energy (YPO's Framework corporate gas supplies) is £2.35m per annum (up to £9.4m over four years); and to authorise the Executive Director of Operations to award the contract and facilitate the execution, implementation and operation of the contract.

3. Reasons for recommendation(s)

The proposed arrangements ensure that the Council has a compliant Gas supply contract in place and has tested the market for best value.

Market Research

As part of the evaluation process, other local authorities have been contacted through the Greater Manchester Combined Authority (GMCA) Energy Managers group for their opinion of the YPO gas supply contract other authorities have expressed their intent to access the same framework supplier.

4. Alternative options considered and rejected

Procure our own energy by direct tender.

This option is possible, but it would involve a standalone UK procurement compliant tender to secure contracts directly with the selected utility provider(s) (or via a broker). This approach is unlikely to produce the best results due to the relatively small scale of the portfolio compared to that of most large purchasing organisations. In contrast, a Public Sector Buying Organisation such as YPO, can obtain good wholesale prices through aggregating the demand of a large number of public sector organisations. In addition, a direct tender would require the Council to engage additional resources (skilled utility traders and additional staff for contract management) and provide greater risk of exposure to utility price fluctuations. It was therefore determined as unviable.

Procure through a Private Sector based provider.

The Council would be required to invite tenders for a private sector Third Party Intermediary (TPI) to procure utility supply, but it would need to be sure that it would be getting best value through a truly aggregated contract. Full price transparency of all costs, including TPI fees and any commission paid by suppliers to the TPI would be needed. By aggregating the Council's volumes, the TPI could access the gas retail market on our behalf, but we may only receive prices based on the supplier's view of the market.

A full UK Procurement Regulations Tender process would be required to engage with such a provider with all the associated resource and time implications this would entail. TPIs may have issues regarding business continuity in the present economic climate and are unlikely to be able to aggregate the council's volume with other customers in a UK Procurement compliant manner or offer the same additional and social value as the YPO contract. Due to this level of complexity and lack of in-house resources to deliver this, this option was dismissed.

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6. Background

The Council's gas consumption represents a significant but necessary cost to the Council.

The Council is committed to mitigating this cost as much as possible through energy efficiency measures, building rationalisation and risk managed flexible procurement solutions.

Gas usage is dependent upon weather conditions, so does vary year on year.

Consumption is monitored through use of building management systems (BMS). The annual spend on gas supplies is in the region of £2.3m.

The strategy set out in this report ensures the Council reduces exposure to peaks in energy prices by spreading our purchasing over several months. In addition, the aggregation of our consumption with other public sector bodies helps reduce costs further, through economies of scale.

7. Links with the Corporate Priorities:

The Let's Do It Strategy sets out the Council's corporate priorities:

Carbon neutral by 2038

Financial Sustainability

By procuring a compliant contract in line with Public Contract Regulations 2015, the Council can be certain that economies of scale and budget certainty can be achieved, the contract will have a dedicated team looking at consumption efficiencies which will provide a reduction in cost and provide financial sustainability.

8. Equality Impact and Considerations:

The proposal doesn't bring about any changes that would impact on one protected characteristic over and above another, it doesn't result in increased/decrease access to services or provision for any particular group of the population or cause any disadvantage to a community of interest. The approach is to ensure value for money in a gas supply for the council and thus strive to mitigate Council costs, which would benefit all residents in the borough.

9. Environmental Impact and Considerations:

By reducing the Council's gas consumption, energy consumption will be reduced which will impact positively on the Council's carbon footprint. As part of the contract, automatic meter readers (AMR) are installed throughout the borough which further reduces the Council's carbon footprint and associated costs.

Further, the energy unit has installed a new Building Management System (BMS) which will further reduce gas consumption through smarter control of the Council's Heating and Ventilation and Air Conditioning (HVAC).

10. Assessment and Mitigation of Risk:

Risk / opportunity	Mitigation
Gas supply contract expires without being renewed resulting in inflated utility prices	January Cabinet approval to award the gas supply contract via the Yorkshire Purchasing Organisation (YPO) framework, this will provide the opportunity for Bury Council to secure cheaper prices through greater volumes and ensure the contract is in place in time for the commencement date of 1 st April 2025

11. Legal Implications:

The YPO single supplier framework utilising Corona Energy is appropriate for the procurement of the gas supply. Use of these types of frameworks is an established method of reducing the timescales involved whilst adhering to the Procurement Regulations. This results in significant cost savings and enables the Council to develop a strategic relationship with the supply chain over a long period while also achieving better value.

12. Financial Implications:

A number of options as described in this report have been investigated with regards to the Council's gas supply contract renewal with the recommended option being the use of YPO's appointed framework supplier, Corona Energy for the supply of gas through the framework duration. This option provides value for money benefits not delivered by the other options investigated and these are described in Section 4 above with the key financial benefit being the achievement of better budgetary reporting, price, and risk management.

13. Appendices:

Appendix 1 – YPO 1187 Gas Procurement Outcomes Report



YPO 1187 Gas
Procurement Outcomes Report

14. Background papers:

Please include a glossary of terms, abbreviations and acronyms used in this report.

Term	Meaning
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YPO	Yorkshire Purchasing Organisation
PBO	Public Sector Buying Organisation
PCR2015	Public Contracts Regulations 2015
GMCA	GMCA Greater Manchester Combined Authority
TPI	Third Party Intermediary