

Report Author: Chris Yates - Finance Manager (Business Operations)

AWARD OF THE COUNCIL'S GAS SUPPLY CONTRACT FROM 1ST APRIL 2023 TO SUPPLIERS UNDER THE ESPO FRAMEWORK
COUNCILLOR ANDY COLES, CABINET MEMBER FOR FINANCE
August 2022
Deadline date: 6 September 2022

Cabinet portfolio holder: Responsible Director:	Councillor Andy Coles, Cabinet Member for Finance Cecilie Booth, Director of Resources and S151 Officer
Is this a Key Decision?	YES If yes has it been included on the Forward Plan: Yes Unique Key decision Reference from Forward Plan: KEY/6JUN22/01
Is this decision eligible for call-in?	YES
Does this Public report have any annex that contains exempt information?	NO
Is this a project and if so has it been registered on Verto?	NO

RECOMMENDATIONS

The Cabinet Member is recommended to approve the new contractual arrangements for the Council's supply of gas under the ESPO framework from 1st April 2023 until 31 March 2027

1. SUMMARY OF MAIN ISSUES

- 1.1 The Council's current gas contract with Total Gas and Power (TG&P) via ESPO Frameworks (ESPO 192-19), expires 31st March 2023. It is proposed that the Council enter into a new contract under the ESPO Framework 19223 for the period 1st April 2023 until 31st March 2027. This report is to confirm and finalise those arrangements and ensure full compliant governance is in place for the new contract.

2. PURPOSE OF THIS REPORT

- 2.1 This report is for the Cabinet Member for Finance to consider exercising delegated authority under paragraph 3.4.8 of Part 3 of the constitution in accordance with the terms of their portfolio at paragraph (q).

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	No
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4. DETAILS OF DECISION REQUIRED

- 4.1 The Cabinet Member for Finance is requested to approve the new contractual arrangements for the Council's supply of gas under the ESPO framework.
- 4.2 The Framework Contract Reference is:
- Gas 192 - 23
- 4.3 The contract is for 4 years, running from 1 April 2023 to 31 March 2027.
- 4.4 The Council is eligible to use, and has followed, all the requirements of the Framework and is therefore not at risk of challenge from alternative suppliers.

Financial Context

- 4.5 The estimated contract sums are predicated on estimated annual total volumes contained within the contract for which fixed prices will be secured on an annual basis from 1st April 2023 and each successive year. The amounts below are based on the ESPO estimated basket price from contract start date:
- Gas: 01/04/23 – 31/03/27 = £4,115,624 (based on forecasted fixed costs of £1,028,906 annually).
- ESPO fees included in this figure are detailed below (these are incorporated into the standing charge and are not an additional cost):
- Gas ESPO fee of £3,339.75 and Bill Validation of £5,566.25 – Total £8,906 per annum (£35,624 over contract term)
- 4.6 Given the current post Covid-19 operating environment for the Council, it is difficult to estimate with total certainty exactly what the Council's likely gas consumption will be going forward. The figures above are based on historical data for 2021/22 and an annual volume of 17,000,000 kWh and are seen as a true estimate. This estimated volume could increase in the event that there is an increase in staff returning to work more frequently in the office or could reduce if circumstances change.
- 4.7 Prices and therefore total spend is an estimate based on information at this time. It should be noted that in the current economic climate we cannot predict what the true level of pricing will be as we are wholly dependent upon the market. Current off contract pricing would mean that annual spend would be £2,208,906.00 per annum and therefore this contract represents value for money for the Council.
- 4.8 The supplier does currently have a carbon neutral product. However due to current market and availability they are unable to provide pricing for green product at this time. They will notify us when available and indicate pricing at that time, and as a minimum the Council will

review this with the supplier on an annual basis. In simple terms demand is outstripping available supply currently.

5. CONSULTATION

- 5.1 Consultation between relevant Council Officers, the Acting Director of Resources, the Council's Legal service and the Procurement function within the Peterborough-Serco Strategic Partnership has been undertaken to provide the relevant information for this report.

6. ANTICIPATED OUTCOMES

- 6.1 It is anticipated that the Cabinet Member will approve the new contractual arrangements for the supply of Gas to the Council's estate, via the ESPO framework as summarised in the pricing schedules within the Exempt annex to this report.

7. REASONS FOR RECOMMENDATIONS & ANY RELEVANT BACKGROUND INFORMATION

- 7.1 Due to current market volatility it is deemed impossible to migrate the Council's gas contract across to any other Framework. Failure to sign the ESPO contract in a timely manner will result in the Council's gas being supplied off-contract and charged at the prevailing market rate for 2023/24 (then from 2024 onwards we would revert to corporate framework pricing). It should be noted that the current market rate is circa 13p per kWh. This could result in the Council's gas expenditure reaching £2.2M in the event that the new contract is not signed.
- 7.2 In a motion passed at Full Council on the 24 July 2019, the Council committed to achieve 100% clean energy across the Council's full range of functions by 2030 (<https://democracy.peterborough.gov.uk/documents/g4347/Decisions%2024th-Jul-2019%2018.00%20Council.pdf?T=2>).
- 7.3 In addition, in the Council-CMAP adopted at Full Council on the 4 March 2020, the Council committed to: Reviewing its entire electricity and gas contracts, and, where practical to do so, will seek to amend to 100% renewable electricity tariffs and 100% carbon off-set gas tariffs as soon as possible (<https://democracy.peterborough.gov.uk/documents/s41130/11a.%20Cabinet%20Appendix.pdf>)

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 Conduct a fully compliant tender for the Council's gas requirements – this was rejected as volume is not significant enough to ensure that value for money can be realised as the Frameworks operate on the principle of baskets and aggregate all of those signed up to the framework to obtain preferential pricing by buying when prices are low.
- 8.2 Migrate to Crown Commercial Services Framework – rejected as this would not realise any benefit financially and could feasibly be more expensive (as new member of a new framework with no benefit of any forward purchasing).
- 8.3 Remain with ESPO and sign the new contract under ESPO 192-23 for 4 years 01/04/2023 until 31/03/2027. Recommended due to being the most financially viable option for the Council.

9. IMPLICATIONS

- 9.1 Financial and legal implications have been included within this report.
- 9.2 There are no equalities implications arising from the recommendation.

Carbon Impact Assessment

- 9.3 TG&P do supply some green tariff gas but at present demand outstrips supply. Other suppliers are able to directly provide a gas carbon offset tariff, but the contract presently has no directly available carbon offset capability. As such, if this supplier is agreed and in order to meet Full Council commitments, it will be necessary to firstly explore alternative supplies with this provider during the contracted period and / or explore whether gas usage can be offset through alternative mechanisms, rather than directly through this supplier. ESPO are aware of our desire to move across to greener energy and as supply increases, we may be able to migrate.

10. DECLARATIONS / CONFLICTS OF INTEREST & DISPENSATIONS GRANTED

None

11. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985) and The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

None

12. APPENDICES

N/A