

Gloucester City Council

Meeting:	Cabinet	Date:	13 January 2016
Subject:	Gloucester City Council Energy Contract		
Report Of:	Cabinet Member for Regeneration and Economy		
Wards Affected:	All		
Key Decision:	Yes	Budget/Policy Framework:	No
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Appendices:	None		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 The purpose of the report is to recommend approval to enter into a new contract for energy supply. As the contract is over £500,000 Cabinet's approval is required.

2.0 Recommendations

- 2.1 Cabinet is asked to **RESOLVE** that authority be delegated to the Managing Director/Corporate Director to enter into a formal partnership agreement with Tewkesbury Borough Council to jointly procure the Council's energy supply by entering into a new 3 year contract with possible extension of 2 years with West Mercia Energy on terms approved by the s151 Officer and the Council Solicitor.

3.0 Background and Key Issues

- 3.1 Gloucester City Council currently has a contract with West Mercia Energy to supply energy to the Council and other councils including Tewkesbury Borough Council. This commenced on 1 November 2010 and is due to expire 31 March 2016.
- 3.2 WME is a Local Purchasing Organisation established under section 101 of the Local Government Act 1972 and comprises four constituent authorities. They have set up two framework agreements using procedures compliant with EU law (including advertisement by OEJU notice) to select suitable energy companies to supply gas and electricity
- 3.3 The contract spend is estimated at £2,250,000 for a three year contract with an additional £1,500,000 for an additional 2 year extension period totalling £3,750,000.
- 3.4 WME offers a flexible energy model which offers a capped price in line with the financial year giving 12 months' budget certainty. However if energy prices fall, there is the ability to sell and benefit.

- 3.5 Gloucester City Council has been pleased with the product and the service provided.
- 3.6 An appraisal has taken place to compare WME's model with similar products on the market. Laser Energy presented their products to us but they do not currently have a flexible purchasing model. They are introducing one later in 2016 but there would be a time gap and there would not be a track record for this product.
- 3.7 The current contract has Gloucester City Council as the lead authority with Forest of Dean District Council, Tewkesbury Borough Council and Cotswold District Council part of the consortium. It is proposed that Tewkesbury Borough Council take the lead on the new contract. Forest and Cotswold are leaving the group as they are part of the 2020 partnership and will be procuring a new contract with this group.
- 3.8 Consideration has been given to joining with County model but there are cost advantages of staying separate as our fees will be lower due to the different natures of the authorities' portfolios. Also we will retain control of setting our own caps for the capital at risk.
- 3.9 WME have advised that if we were to join with County in the future that they would be able to accommodate this and would be able to find Tewkesbury Borough Council another partner/group to go with and Tewkesbury Borough Council has indicated that this is acceptable to them.

4.0 Asset Based Community Development (ABCD) Considerations

- 4.1 There are no ABCD considerations with this recommendation

5.0 Alternative Options Considered

- 5.1 To join in with the County Council's agreement. WME have advised that due to the nature of County's portfolio this would not be a possibility.
- 5.2 To look at alternative supplier on a framework agreement. Laser Energy presented their products to Council staff. They do not currently have a flexible purchasing model. They are planning to bring one in but not before our contract expires. There is not a track record of performance for this product.

6.0 Reasons for Recommendations

- 6.1 WMS have provided a product that suits our requirements and the service from the company has been good.

7.0 Future Work and Conclusions

- 7.1 None.

8.0 Financial Implications

- 8.1 The expenditure on energy supply is already budgeted for.

(Financial Services have been consulted in the preparation of this report)

9.0 Legal Implications

- 9.1 The value of the contract spend means that this is a procurement that falls within the EU mandated procurement regime. However, use of a properly constituted framework agreement (as detailed in para 3.2) permits the Council to purchase goods and services without undertaking a full scale procurement exercise under the regime.
- 9.2 The proposed terms, with extensions, detailed at paragraph 3.3 mean that there is the potential for individual energy contracts to extend past the expiry date of their parent framework agreements (31st March 2018 in the case of gas, 31st March 2020 in the case of electricity). Although this is permissible, it should be borne in mind that the longer the term that an individual contract extends past the framework expiry date, the greater the risk of challenge on grounds of restricting competition. It should also be noted that the electricity framework agreement does not actually commence until 1st April 2016.
- 9.3 Gloucester City Council and Tewkesbury Borough Council will enter into a partnership arrangement to purchase energy under the framework agreements, with Tewkesbury Council acting as lead partner. This arrangement will require a formal partnership agreement between the two parties setting out their respective responsibilities and obligations to each other.

(One Legal have been consulted in the preparation this report.)

10.0 Risk & Opportunity Management Implications

- 10.1 There are no adverse risks associated with the proposed course of action.

11.0 People Impact Assessment (PIA):

- 11.1 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

12.0 Other Corporate Implications

Community Safety

- 12.1 No impacts

Sustainability

- 12.2 No adverse impacts

Staffing & Trade Union

- 12.3 No impact