



**LANCASTER
CITY COUNCIL**

Promoting City, Coast & Countryside

INDIVIDUAL CABINET MEMBER AND OFFICER DELEGATED DECISIONS

MONDAY, 18 NOVEMBER 2024

Please find enclosed Decision Notice in connection with the following:

ODD1 Gas contract renewal (Pages 2 - 6)

To renew our gas contract for the Council's property portfolio via Yorkshire Purchasing Organisation (YPO) for four years.

Please note that this is subject to call-in.

Queries regarding these documents

Please contact Liz Bateson, Democratic Support - email ebateson@lancaster.gov.uk.

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Published on MONDAY, 18 NOVEMBER 2024



Promoting City, Coast & Countryside

**EXECUTIVE DECISIONS TAKEN BY CABINET PORTFOLIO HOLDER OR DELEGATED OFFICER
NOTICE OF DECISION**

TITLE OF DECISION: GAS CONTRACT RENEWAL			
NAME OF DECISION TAKER:		MARK DAVIES	
POSITION AND RESPONSIBILITY HELD:		CHIEF EXECUTIVE OFFICER	
CONTACT OFFICER:		DANIEL WOOD	
TELEPHONE:		01524 582061	
E-MAIL:		dwood@lancaster.gov.uk	
Details of Decision: To renew the gas contract for the Council's property portfolio via Yorkshire Purchasing Organisation (YPO) for four years.			
Reasons for the decision: To use the skills and expertise of YPO, who bulk purchase gas in advance at a time when we can achieve the best price. To know that YPO have carried out a procurement exercise before agreeing a supplier for the duration of the contract. To ensure that the contract can be managed centrally by Property Group on behalf of the property portfolio, thus making the process more efficient. <i>In accordance with the Constitution, where there is no Leader and Cabinet, all executive functions shall vest in the Chief Executive who shall be able to exercise all executive functions or authorise Officers to exercise such functions.</i>			
IS THE DECISION URGENT No			
I confirm that I have taken account of the options proposed by officers, the various implications set out in the report and the comments of the Monitoring and Section 151 Officers and am authorising the decision as set out above.			
SIGNATURE OF DECISION TAKER:			
<i>THIS SECTION TO BE COMPLETED BY DEMOCRATIC SERVICES</i>			
		REF NO.	ODD1
DATE DECISION TAKEN:	15.11.24	DATE RECEIVED BY DEMOCRATIC SERVICES:	18.11.24
DATE DECISION PUBLISHED:	18.11.24	IMPLEMENTATION DATE (publication day + 5 working days):	26.11.24

Gas Contract Renewal

Report of Chief Officer (Housing and Property)

PURPOSE OF REPORT			
To renew the gas contract for the Council's property portfolio via Yorkshire Purchasing Organisation (YPO) for four years			
Key Decision	X	Non-Key Decision	Referral from Cabinet Member
Date of notice of forthcoming key decision	23 rd August 2024		
This report is public			

RECOMMENDATION

- (1) To renew the council's gas contract with Corona Energy, via YPO, for four years.

1.0 Introduction

1.1 The Council's gas contract is due to expire on March 31st, 2025. For the reasons outlined in this report it is recommended we renew this contract. For four years. The contract covers all the non-Council housing property portfolio, as well as some Council Housing properties

2.0 Proposal Details

2.1 The council currently procures gas and electric through the Yorkshire Procurement Organisation (YPO); a Public Sector Procurement consortium whose energy contract is one of the country's largest collaborative agreements incorporating multiple other organisations. The YPO purchase energy in advance when the market conditions are optimal, and then set the rates for the full financial year thereby ensuring that we benefit from the best available prices. YPO have completed a new tender exercise for the gas contract and the preferred supplier for the next four years is Corona Energy; the council's current gas provider.

- 2.2 The reasons to recommend the use of YPO are :
- 1) YPO have provided excellent service (e.g. energy advice and contract issue resolution)
 - 2) Approximately 120 councils currently use the YPO energy framework
 - 3) YPO have provided consistently good contract administration
 - 4) The Council does not have the skills, capacity or scale to procure bulk competitive electricity and gas tariffs

2.3 With rising geo-political tensions over the last couple of years due to conflicts in the Ukraine and Gaza, the YPO have actively traded to provide long term protection against further upward price movements. Whilst the YPO cannot guarantee a price for the duration of the contract, it is noted in their latest update that the overall hedged position for the April-25 rates is currently 35%, with the annual 'mark to market' price for the April-25 contract as of 23rd August 2024 being 3.54p/kwh. This represents a 7% overall decrease from the current April 2024 weighted average price of, 3.76p/kwh. It should be noted that non-commodity costs will need to be added to these rates.

2.4 Both the electricity and gas contracts have been considered as part of the Fit for the Future Energy sub-group which in turn has reported back into the OBR Assets Group. This group has concluded that whilst both contracts may both be subject to future review, at the moment, the current approach is considered to be appropriate.

3.0 Details of Consultation

3.1 Consultation has taken place with relevant officers including procurement officers who have confirmed that the contract is compliant with the Public Contract regulations 2015. The appropriate waiver form has been completed and authorised in compliant with the council's contract procedure rules.

4.0 Options and Options Analysis (including risk assessment)

	Option 1: Remain with current provider (Corona Energy) out of contract whilst the Council investigates other supplier options.	Option 2: Renew the gas contract via the YPO and go with a standard gas tariff
Advantages	<ul style="list-style-type: none"> • The Council will have completed its' own tender process and have contractor control • Will allow the council the opportunity to identify if there are alternative suppliers who offer preferable rates/service 	<ul style="list-style-type: none"> • YPO have already completed an evaluation of various suppliers before opting for Corona Energy. • We will have continued support from YPO to help us address and solve any issues should they arise. • The YPO will provide annual fixed rates costs which will allow the council to budget accordingly. • No change to the current process which is currently working well and offering favourable cost forecasts
Disadvantages	<ul style="list-style-type: none"> • Additional resource will be needed within the Council to 	<ul style="list-style-type: none"> • There hasn't been an investigation into other options that might be

	<p>carry out this work as current staffing levels and expertise in energy markets are not sufficient to do this.</p> <ul style="list-style-type: none"> • The costs during the short period (likely one year) could increase above current rates if market conditions deteriorate further 	<p>available to us, i.e. other agents that may offer the same service as YPO.</p>
Risks	<ul style="list-style-type: none"> • This option has not been fully investigated so other advantages and disadvantages will be prevalent. • The council could fail to find a better provider and incur higher energy costs 	<ul style="list-style-type: none"> • Other suppliers may offer preferable rates • Energy rates for the next financial year have yet to be confirmed

5.0 Officer Preferred Option (and comments)

5.1 The officer preferred option is Option 2

6.0 Conclusion

6.1 Renewing the current approach to managing our gas contracts provides a degree of confidence that would not otherwise be possible without incurring additional time and expense. This will also provide the maximum available security during a period of volatility in the energy market and allow for the council to continue towards its Zero Carbon agenda

<p>RELATIONSHIP TO POLICY FRAMEWORK</p> <p>This report contributes to the council’s priorities most notably those associated with the Climate Emergency</p>
<p>CONCLUSION OF IMPACT ASSESSMENT (including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)</p> <p>As discussed in the report</p>
<p>LEGAL IMPLICATIONS</p> <p>The contract will be reviewed by Legal Services prior to final agreement. Legal Services and Procurement Manager confirm that the use of the YPO framework will be compliant with the Public Contract Regulations 2015. The appropriate waiver to the Council’s Contract Procedure Rules has also been completed and authorised.</p>
<p>FINANCIAL IMPLICATIONS</p> <p>The revenue budget for 2024/25 includes £417K for the supply of gas (GF £168K, HRA £249K), at an assumed rate of 5p / kWh. The Officer Preferred Option would provide increased predictability with some savings on current assumptions. Current year projections were reviewed at Q2 and are incorporated into the DoP Q2 report due to be considered by</p>

Cabinet on 3rd December, with future years' revenue estimates being updated during the upcoming 2025/26 budget setting process.

OTHER RESOURCE IMPLICATIONS

Human Resources:

No implications at this time

Information Services:

No implications at this time

Property:

As discussed in the report

Open Spaces:

No implications at this time

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has been consulted and has no further comments to add

MONITORING OFFICER'S COMMENTS

The Monitoring officer has been consulted and can confirm he has provided a waiver to the Contract Procedure Rules to use this framework.

BACKGROUND PAPERS

None

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Ref: n/a