

TRAFFORD COUNCIL

Report to: Executive
Date: 22/03/2021
Report for: Decision
Report of: Executive Member for Housing and Regeneration

Report Title

Procurement of Gas and Water supplies

Summary

The report seeks approval to enter into new contracts for the supply of gas and water following a procurement exercise undertaken by Yorkshire Purchasing Organisation (YPO) for both Gas and Water supplies for all of the Councils operational estate including Trafford Schools and Leisure Facilities.

Recommendation(s)

It is recommended that the Executive:

- Notes the content of the report.
- Approves the proposal to enter into a new contract with Corona Energy Limited for the supply of Gas for the period 1 April 2021 to 31 March 2023 using the Yorkshire Purchasing Organisation (YPO) framework
- Approves the proposal to enter into a new contract with Wave Water Business (National) Limited for the supply of Water as proposed in the report Delegate Authority to the Corporate Director for Place, in consultation with the Corporate Director for Governance and Community Strategy to agree the final terms and conditions of the contracts with Corona Energy Limited and Wave Business (National) Limited.

Contact person for access to background papers and further information:

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Background Papers: None

Implications:

Relationship to Policy Framework/Corporate Priorities	None
Relationship to GM Policy or Strategy Framework	The report contributes to the Operational Estate Strategy in that it will add to the operational efficiency of managing the estate.
Financial	The annual spend on Gas supplies is estimated at £1.2m and the annual spend on Water is around £330,000. It is considered that entering the new contracts with the new providers will deliver best value for both the Council and the Schools who will receive these services pursuant to the Council's contract and the proposed contract will minimise the risk of sudden fluctuation in market prices for these services.
Legal Implications:	Legal will review the contract terms and conditions prior to sign off.
Equality/Diversity Implications	None identified
Sustainability Implications	None Directly – Reputable framework with compliant suppliers appointed as part of the framework process.
Carbon Reduction	It is noted that gas isn't a sustainable long term option and that we are working on solutions to move to more sustainable energy sources, as well as reducing our overall energy consumption, in line with our carbon neutral action plan. One example is the reductions in energy usage from the Councils property Portfolio that will result from the Councils commitment to decarbonising the public estate.
Resource Implications e.g. Staffing / ICT / Assets	None
Risk Management Implications	None (Compliant procurement from framework).
Health & Wellbeing Implications	None
Health and Safety Implications	None

1.0 Background

YPO Framework

1.1 In looking at a new contract, a review was undertaken where we looked at a number of frameworks including:

For Gas

Yorkshire Purchasing Organisation (YPO) - Direct Award from Framework 1008
Crown Commercial Services (CCS) - Mini-Competition for aggregated call off or individual contracts

Lazer - Mini-Competition for aggregated call off or individual contracts

Manchester City Council (MCC) - not available for call off yet

Pagbo - not available for call off yet

For Water

Yorkshire Purchasing Organisation (YPO) - Direct Award from Framework 986
Eastern Shires Purchasing Organisation (ESPO)- 192

Crown Commercial Services (CCS) – Direct award from Framework RM3790

Trident Energy Cost Management Services – Mini Competition

Manchester City Council (MCC) - paused due to Covid-19

It was concluded that the YPO framework presented the best option in both cases, due to the fact that extensive market testing and pre qualifications had been undertaken with all Suppliers available in the current Market in order to make the appointments

1.2 Yorkshire Purchasing Organisation (YPO) provide a framework for gas and water which public sector organisations can call off their requirements (Water, Wastewater and Ancillary Services – 1008 and Gas - 986).

1.3 The frameworks provide good value for money as the framework provider has undertaken all of the detailed procurement processes and assessments to indicate the most economically advantageous tenderer. The YPO framework has bulk purchasing power to access rates not available to the wider market.

1.4 Usage of gas and water cannot be determined at the outset of the contract. However, on the basis of current gas and water prices and consumption levels, it is estimated that the annual value of the contracts over the contract period is in the order of.

- £2.4m (2 year contract based on current prices) for Gas.
- £962,500 (35 month contract based on current prices) for water.

1.5 Flexible purchasing contracts for the supply of Gas and Water on fixed rates enables purchases to be timed to avoid unusual market price spikes and also spreads the risk of price fluctuations. It does not guarantee that all energy is purchased at the lowest possible price available during a particular period but experience during the current energy contracts through YPO has shown that overall this approach has resulted in below market average prices being secured. Subject to market fluctuations, usage and management of waste, flexible purchasing contracts is a mechanism provides the best opportunity to generate savings.

2.0 Gas

2.1 Since the 1st April 2014 the Council has used the YPO Framework to contract with Corona Energy for the supply of Gas secured on a flexible rates contract. The current contract for the provision of Gas is now due to end on the 31st March 2021 and is up for renewal from the 1st of April 2021.

2.2 YPO has undertaken a procurement process that is compliant with the Public Contract Regulations and has awarded the contract to Corona Energy who are the

sole supplier of Gas on the new Framework and as such, contracts can be directly awarded to them.

2.3 It is proposed that the Council directly awards a contract to Corona Energy from the 1st April 2021. By opting to call off the YPO 986 Framework, this will secure the supply of Gas with no uplift in costs for the period of the proposed contract.

2.4 The proposal to enter into a two year agreement for gas supply from 1st April 2021 to 31st March 2023 with Corona Energy, allows the Council to co-terminate with the other STAR Authorities (Stockport, Tameside and Rochdale) and presents the opportunity to allow for a new collaborative process to be undertaken. This will give us the opportunity for further savings and efficiencies going forward.

2.5 In regards to future procurement planning, it is intended that a joint procurement exercise with the other STAR Authorities will commence in April 2022 to allow for sufficient time and resource to be allocated.

2.6 It should be noted that we acknowledge that gas isn't a sustainable long term option and that we are working on solutions to move to more sustainable energy sources, in line with our carbon neutral action plan.

3.0 Water

3.1 The Council currently contracts with Water Plus following a mini competition from the Crown Commercial Service Framework. The current contract for the provision of Water, Waste Water and Ancillary Services commenced on 1 April 2018. It can be terminated by Trafford Council giving 30 working days written notice. It is anticipated that the new contract with Wave Water Business (National) Limited will commence in May 2021, or as soon as reasonably practicable thereafter.

3.2 YPO has undertaken a procurement process that is compliant with the Public Contract Regulations and has awarded the contract to Wave Water Business (National) Limited who are the sole supplier of water supply, waste water and ancillary services on the new Framework and as such, contracts can be directly awarded to them.

3.3 Trafford Council now have the ability to terminate their current arrangements and access the new YPO framework. This approach will enable Trafford Council to co-terminate the contract for water supply arrangements, at the same time as the other STAR authorities (Rochdale, Tameside and Stockport), which will offer the ability to collaborate with the other Authorities when the renewing the contracts. This will give us the opportunity for further savings and efficiencies going forward.

3.4 In regards to future procurement planning, it is intended that a joint procurement exercise with the other STAR authorities will commence in April 2023 to allow for sufficient time and resource to be allocated.

3.5 The proposed water supplier is Wave Water Business (National) Limited. As the Frameworks contracted supplier we can fix our rates from the Framework for the period of the contract.

4.0 Other Options

- 4.1 The council could undertake its own procurement exercise rather than utilising the YPO framework. This would be lengthy process and there would be insufficient time to conclude this process before the 1st April 2021 and May 2021. There would also be no certainty that it would deliver better value for money when compared with the bulk purchasing power of YPO.
- 4.2 The Council could seek to enter into a fixed price contract rather than a flexible purchasing contract. Fixed price contracts carry greater price risk as the contract price for Gas and Water would be based on energy prices at the time that the contract was entered into and therefore reflective of prices at that particular point in time. Energy prices do fluctuate significantly, and use of a flexible contract minimises price risk and provides greater cost certainty overall.

Consultation

There are no consultation requirements in respect of this report.

Reasons for Recommendation

This will enable the council to secure the supply of Gas and Water services for 2 and 35 months respectively.

The current contracts have demonstrated that using a flexible purchasing agreement for Gas does offer value for money over the alternatives.

Urgency of Decision

Not applicable

Key Decision Yes

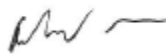
If Key Decision, has 28-day notice been given?

No – The Chair of the Scrutiny Committee has been notified and the relevant notice has been issued.

Finance Officer Clearance *(type in initials) PC*

Legal Officer Clearance *(type in initials) SL*

[CORPORATE] DIRECTOR'S SIGNATURE *(electronic)*



To confirm that the Financial and Legal Implications have been considered and the Executive Member has cleared the report.

