

**COMMISSIONING AND PROCUREMENT SUB-COMMITTEE/STRATEGIC
REGENERATION COMMITTEE – 10/02/2016**

Subject:	Procurement of Gas Services		
Corporate Director(s)/ Director(s):	Andy Vaughan, Corporate Director of Commercial and Operations Gail Scholes, Director of Energy Services		
Portfolio Holder(s):	Councillor Nick McDonald, Portfolio Holder for Jobs, Growth and Transport		
Report author and contact details:	Andy Whitley, City Energy Manager andy.whitley@nottinghamcity.gov.uk 65650		
Key Decision	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Subject to call-in	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Reasons: <input checked="" type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £1,000,000 or more taking account of the overall impact of the decision			<input checked="" type="checkbox"/> Revenue <input type="checkbox"/> Capital
Significant impact on communities living or working in two or more wards in the City			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Total value of the decision: £12m (Total for 3 years + 1)			
Wards affected: All	Date of consultation with Portfolio Holder(s):		
Relevant Council Plan Key Theme:			
Strategic Regeneration and Development			<input type="checkbox"/>
Schools			<input type="checkbox"/>
Planning and Housing			<input type="checkbox"/>
Community Services			<input type="checkbox"/>
Energy, Sustainability and Customer			<input checked="" type="checkbox"/>
Jobs, Growth and Transport			<input type="checkbox"/>
Adults, Health and Community Sector			<input type="checkbox"/>
Children, Early Intervention and Early Years			<input type="checkbox"/>
Leisure and Culture			<input type="checkbox"/>
Resources and Neighbourhood Regeneration			<input type="checkbox"/>
Summary of issues (including benefits to citizens/service users):			
Currently Nottingham City Council are part of a 3 year ESPO Gas procurement framework which runs until 31 st March 2016.			
Given low current gas prices and changes in the gas market over the last few years (including increased competition with the entry of several new energy suppliers), this gives NCC the opportunity to test the market. The aim is to better value for money for NCC, local schools, and other organisations in the East Midlands who may join the contract through a framework agreement.			
Exempt information: None			
Recommendation(s):			
1	To undertake an EU tender process to procure a gas supply for Nottingham City Council under a framework agreement that other organisations in the East Midlands can use.		
2	To delegate authority to the Strategic Director / Assistant Chief Executive to award and sign a contract to the successful supplier for a period of 3 plus 1 years up to a total value of £12million, in conjunction with the Director of Legal Services.		

1 REASONS FOR RECOMMENDATIONS

- 1.1 To enable Nottingham City Council to access lower cost gas prices, due to increased competition in the gas market and low current prices.

2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

- 2.1 Currently Nottingham City Council are part of a 3 year ESPO Gas procurement framework which runs until 31st March 2016. This gives the council an opportunity to test the market, which has seen increased competition through the entry of several new suppliers, by inviting bids to supply gas to Nottingham City Council. At this point in time the gas market is seeing an oversupply, which has led to low price per barrel of oil, and therefore low gas prices. Since January 2012 the pence per therm of gas has fallen by 18%. Therefore by entering the market now, we can take advantage of the current low gas price to get better value for money on our gas contract, which is worth several million pounds per year.
- We have also provided a framework which allows other local organisations including police forces, academy schools and universities to join our contract, providing possible further price reductions through scale, and enabling broader economic benefits.

3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

- 3.1 Remain in the ESPO framework, and commit to another 4 year contract. This option was considered not to provide value for money due to the low current gas price at this time.
- Not to re-tender. This option would see the City Council pay out of contract rates which could be significantly higher than our current price for gas and would not be compliant with EU procurement regulations.

4 FINANCE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY/VAT)

- 4.1 The Council's current contractual arrangements for the supply of gas expire on 31 March 2016. New contractual arrangements are required to ensure that the Council remains compliant with its financial regulations. Under the Council financial regulations the Council is required to undertake a legally compliant procurement process for expenditure of this value. The decision to carry out an OJEU compliant procurement process will ensure compliance with financial regulations and achieve value for money for the Council through the use of a competitive tender process. The Council has a budget of £1.800m for gas in 2015/16, in addition to this there is expenditure of c £0.300m incurred directly by schools which is included within the contract resulting in a net contract value of c £2.100m per annum. A proposed savings target of £0.200m is included within the Council's Medium Term Financial Plan. This decision will enable the procurement process to commence and deliver a contribution towards this target. The size of this contribution will not be known until the procurement process is complete however, based on the market reduction in gas prices since April 2015 of 9%, an annual saving to the Council of the order of £0.170m per annum may be achievable.

5 LEGAL AND PROCUREMENT COMMENTS (INCLUDING RISK MANAGEMENT ISSUES, AND INCLUDING LEGAL, CRIME AND DISORDER ACT AND PROCUREMENT IMPLICATIONS)

- 5.1 The Council's existing gas supply contract is due to expire this year and due to the value of the Contract, the Council is required to ensure compliance with EU Procurement regulations.

This can be ensured by undertaking a fully compliant EU tender exercise with the procurement team to identify a single supplier under a framework agreement which other public sector organisations can access. This will also allow the Council to take advantage of low gas costs and new entrants in the market to seek value for money for the supply.

In order to make the framework available to other public sector organisations, they will need to be named and their estimated volumes included within the Council's tender documents.

Legal services will assist during the tender process and in preparing the necessary contractual arrangements between the Council and the successful supplier.

6 STRATEGIC ASSETS & PROPERTY COMMENTS (FOR DECISIONS RELATING TO ALL PROPERTY ASSETS AND ASSOCIATED INFRASTRUCTURE (STRATEGIC REGENERATION COMMITTEE REPORTS ONLY)

- 6.1 This procurement of a new gas supplier has no property implications.

7 SOCIAL VALUE CONSIDERATIONS

- 7.1 The economic situation is improved for Nottingham City Council by undertaking our own framework procurement activity we save £20k in the current management fee pay to access a framework. The current gas market prices are low, and by going direct to the market we could save in the region of £200k in financial year 2016-17

8 REGARD TO THE NHS CONSTITUTION

- 8.1 Not applicable

9 EQUALITY IMPACT ASSESSMENT (EIA)

- 9.1 Has the equality impact of the proposals in this report been assessed?

No

An EIA is not required because:

The procurement of a gas supply does not have an equality impact

Yes

**10 LIST OF BACKGROUND PAPERS RELIED UPON IN WRITING THIS REPORT
(NOT INCLUDING PUBLISHED DOCUMENTS OR CONFIDENTIAL OR EXEMPT
INFORMATION)**

10.1 None

11 PUBLISHED DOCUMENTS REFERRED TO IN THIS REPORT

11.1 None

12 OTHER COLLEAGUES WHO HAVE PROVIDED INPUT

12.1 Andrew James (Legal Services)
Dionne Screatton (Legal Services)
Nicola Harrison (Procurement)
Lauren Wheatcroft (Procurement)
Gary Robbins (Finance)
Peter Taylor (Property)
Jane Lumb (Energy Services)