

Report of	Meeting	Date
Head of Governance (Introduced by the Executive Member for Resources, Policy and Performance)	Executive Cabinet	15 August 2013

## CONTRACT AWARD – ENERGY UTILITY CONTRACTS

### PURPOSE OF REPORT

- To update members on the process of appointing a new electricity supplier for the Council.

### RECOMMENDATION(S)

- That authority be delegated to the Executive Member for Resources, Policy and Performance to award a contract for the supply of electricity to Council buildings for the period April 2015 – March 2019 to the preferred contract proposed by the YPO.

### EXECUTIVE SUMMARY OF REPORT

- The Executive Member for Resources Policy and Performance has recently approved the continued use of the Yorkshire Purchasing Organisation for the procurement of the Council's energy utility suppliers.
- At the same time the Executive Member approved a scoring matrix for the consideration of any bids made within the YPO Framework.
- The bids are being assessed and it is envisaged that the YPO will recommend to this Council a preferred (winning) bidder in mid to late August.
- In order to facilitate the award of the contract Executive Cabinet are asked to delegate authority to the Executive Member for Resources Policy and Performance, to award the contract to the preferred bidder.
- In the event the preferred bidder is identified before the Cabinet meeting on 15 August, an addendum report will be brought confirming the preferred bidder and seeking authority to award the contract.

<b>Confidential report</b> Please bold as appropriate	Yes	No
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<b>Key Decision?</b> Please bold as appropriate	Yes	No
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<b>Reason</b> Please bold as appropriate	1, a change in service provision that impacts upon the service revenue budget by £100,000 or more	<b>2, a contract worth £100,000 or more</b>
	3, a new or unprogrammed capital scheme of £100,000 or more	4, Significant impact in environmental, social or physical terms in two or more wards

### REASONS FOR RECOMMENDATION(S)

**(If the recommendations are accepted)**

8. The award will provide a continued utility services provision for the council.

**ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

9. None

**CORPORATE PRIORITIES**

10. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy communities		An ambitious council that does more to meet the needs of residents and the local area	

**BACKGROUND**

11. The Council currently utilises energy framework agreements put in place by YPO (Yorkshire Purchasing Organisation) for its energy requirements and has done so for a number of years.

12. Approval was first given in 1998 to allow YPO to act as Agent for Chorley Council for the procurement of its energy requirements. As this historical approval is now in excess of 10 years old and in view of the up and coming tender exercise for electricity which will equate to in excess of £600,000 worth of spend, it is timely to re-affirm Member approval to continue to use YPO as Chorley's Agent for the procurement of its energy requirements.

13. YPO are a Public Sector Buying Organisation who procure energy on behalf of in excess of 80 Public Sector Bodies.

14. YPO procure energy on a flexible basis i.e. purchasing varying tranches of energy throughout the year to take advantage of fluctuations in energy prices and to mitigate the risk of buying all its energy requirements on a fixed date when energy prices might be high, as outlined below:

Energy markets are extremely volatile and prices can vary significantly on a daily basis thus making it extremely difficult to control costs and manage budget. One way of mitigating this risk is to adopt a flexible, aggregated, risk managed approach to energy procurement. Adopting a flexible approach to energy procurement allows the purchase of raw energy to be fixed over a number of trades from the wholesale market.

The benefits of adopting this method of procurement over the traditional fixed price, fixed term are:-

- The purchaser is not solely reliant on the supplier's view of the market
- All costs that make up the delivered price are fully transparent
- Flexible purchasing allows for the adoption of a risk management strategy
- A single procurement from the market may tie you to an unfavourable price

15. YPO will shortly be going out to tender for electricity for the period April 2015 to March 2019.

16. The evaluation criteria to be used as part of the tendering exercise will be:

Cost	35%
Customer Service	20%

Trading Support	15%
Account Management	15%
Billing	5%
Validation of Pricing	5%
Metering	5%

17. It is anticipated that tenders will be evaluated in August 2013 and contract documentation will be sent out shortly thereafter for sign off by Chorley Council and other Public Sector Bodies participating in the tender exercise to allow YPO to procure electricity on a flexible basis from April 2014 ready for a contract start date of April 2015.

#### **IMPLICATIONS OF REPORT**

18. This report has implications in the following areas and the relevant Directors' comments are included:

Finance	X	Customer Services	
Human Resources		Equality and Diversity	
Legal	X	Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

#### **COMMENTS OF THE STATUTORY FINANCE OFFICER**

19. The costs of the procurement exercise and contract will be met from existing and future set budgets.

#### **COMMENTS OF THE MONITORING OFFICER**

20. The scoring matrix adopted is appropriate to this type of contract. The proposed recommendations concerning the award of the contract are acceptable.

Chris Moister  
Head of Governance

There are no background papers to this report.

<b>Report Author</b>	<b>Ext</b>	<b>Date</b>	<b>Doc ID</b>
Chris Moister	5160	6 August 2013	