

The Vale of Glamorgan Council

Cabinet Meeting: 6 June, 2016

Report of the Leader

Authority to Sign Energy Supply Model Contracts

Purpose of the Report

1. To obtain approval to sign model contracts for energy supply.

Recommendation

1. That Cabinet delegate's authority to the Head of Legal Services to sign model contracts on behalf of the Vale of Glamorgan Council for the supply of energy to the Council that arise from the National Procurement Service/Crown Commercial Services arrangement.

Reason for the Recommendation

1. To enable the Vale of Glamorgan Council to participate in the NPS gas and electricity supply arrangements.

Background

2. Local authorities in South Wales have traditionally used their bulk buying potential for reducing the cost of energy procurement. This function was previously organised by the Welsh Purchasing Consortium. The energy procurement arrangement has evolved over the years and these functions have now transferred to the NPS. The NPS represents all member authorities in dealing with the CCS.
3. The Council uses the services of the National Procurement Service (NPS), which in turn has arrangements with the Crown Commercial Services (CCS) for the supply of gas and electricity. Crown Commercial Services negotiate model contracts with each utility provider which once agreed have to be signed by each 'customer' organisation. Without signing the model contracts the Council risks defaulting to 'out of contract' rates which would be far more expensive.

4. Every four years the CCS undertakes a tender exercise for gas and electricity suppliers, and the winning suppliers then act as billing agents for that period. At each appointment of energy supplier a model contract is produced that requires signing by each customer, the Vale of Glamorgan Council being one such customer.
5. For supplies supported via the NPS the energy purchase occurs each year in the six month period between October and the following March. A fixed annual price is produced for each supply (six month fixed basket). The energy purchased is then used during the following April through to September.
6. CCS currently purchases gas and electricity on behalf of, amongst others, UK government buildings, the prison service and the UK military, hence they can achieve the benefits of bulk energy purchase.

Relevant Issues and Options

7. Each model contract is negotiated and agreed between CCS and each energy supplier and cannot be altered to suit the requirements of each individual customer. The model contract details both what we can expect from the supplier and what the supplier can expect from us.
8. Currently there are three suppliers each with a model contract. They are British Gas Business, EDF Energy and Corona Energy. In the future new suppliers may be appointed requiring a model contract to be signed. This report recommends that the Head of Legal Services is given the authority to sign these contracts in the future.
9. The Council currently has two model contracts awaiting signature (EDF Energy and Corona Energy) and expect a third (British Gas Business) to require signature shortly.
10. Legal services have been provided with access to review the 2016 model contracts for Corona Energy and EDF Energy and have requested the authority to sign them.

Resource Implications (Financial and Employment)

11. Failing to sign the model contracts in a timely manner could leave the Council vulnerable to the payment of "out of contract" rates. These rates could be as much as double that of the contract rate.
12. The annual cost of energy for the Council is circa £4 million and therefore the financial risks for delaying the signing of the model contract could be substantial.

Sustainability and Climate Change Implications

13. During 2016/2017 the Council enjoys the purchase of 'green' electricity for many of its sites. Should the model contract not be signed then there would be no guarantee that supplies would be 'green'.

Legal Implications (to Include Human Rights Implications)

14. The model contracts will be reviewed by our Legal Services department and will not be signed if our legal services officers identify anything within the contracts that the Vale of Glamorgan Council would be ill advised to sign up to.

Crime and Disorder Implications

15. There are no Crime and Disorder implications arising out of this Report

Equal Opportunities Implications (to include Welsh Language issues)

16. There are no equal opportunities implications arising out of this report.

Corporate/Service Objectives

17. This report links to a number of corporate objectives, including the requirement to deliver value for money services and efficient use of assets.

Policy Framework and Budget

18. This is a matter for Executive decision.

Consultation (including Ward Member Consultation)

19. There are no implications for Ward Members resulting from this report.

Relevant Scrutiny Committee

20. Corporate Resources and Performance

Background Papers

None

Contact Officer

Energy Manager

Officers Consulted

Operational Manager (Property)
Operational Manager Accountancy
Head of Finance
Procurement Officer
Policy Officer (Procurement)
Principal Lawyer

Responsible Officer:

Rob Thomas, Managing Director