

Report of the Interim Deputy Chief Executive

APPROVAL FOR PROCUREMENT OF ELECTRICITY CONTRACT1. Purpose of report

To seek approval for the delegation of approval of the procurement of the Council's electricity supply to the Interim Deputy Chief Executive in consultation with the Chair of Finance and Resources Committee.

2. Background

The Council is currently using an Eastern Shires Purchasing Organisation (ESPO) framework for the supply of electricity. This contract is due to end on 30 September 2020, however ESPO require confirmation by 1 April 2019 of whether or not the contract is to be renewed. Before this decision can be taken, research into what the market can offer, needs to be undertaken. As this timeframe falls with the Purdah period for the local elections in May 2019, delegation of approval is being sought.

The Office of Government Commerce's Pan Government Energy Project recommends that it is best practice for public sector organisations to buy energy through Central Purchasing Organisation (CPO) frameworks that have aggregated volumes, can offer flexible purchasing and enable best practice risk management. Indeed, it is strongly recommended not to go it alone due to the small size of the Council, its lack of bulk purchasing powers and consequent high prices.

Due to the establishment of Central Purchasing Organisations such as ESPO and Crown Commercial Services and the availability of other frameworks let by the private sector, the Council does not need to run its own procurement process to purchase electricity supplies. The Council's Energy Procurement Strategy which was agreed on 5 January 2016 at Cabinet adopted the strategic principle that the Council will use a 'compliant' Central Purchasing Organisation framework to ensure security of supply and the use of energy market experts.

Currently a procurement exercise is taking place in order to effectively identify the best options for the Council. It is proposed that the recommendations will be placed before the Interim Deputy Chief Executive and, following consultation with the Chair of Finance and Resources who will then approve a framework which offers the most favourable electricity contract for the Council. The decision will be made in accordance with the Council's Energy Procurement Strategy and will be reported back to Finance and Resources Committee on 11 July 2019.

3. Financial implications

The costs of the new electricity supply contract are as yet unknown and will be identified once an analysis of the market has been undertaken. For the 2017/18 financial year the Council spent £282,970 on electricity whereas in 2014/215 before the Council entered into a framework contract with ESPO, expenditure on electricity was £360,000.

The cost of electricity arising from the new contract will be included in the workings for the preparation of the 2020/21 budget and factored into the Council's medium term financial strategy accordingly.

Recommendation

Committee is asked to RESOLVE that the delegation of approval for a broker for electricity procurement to the Interim Deputy Chief Executive in consultation with the Chair of Finance and Resources Committee, be approved.

Background papers: Nil