

Financial Comments – Procurement of Electricity

The Council budget for electricity in 2016/17 is £4.6m, in addition to this there is circa £1.4m of electricity used and paid for by other parties including schools and Nottingham City Homes that is procured through this contract.

In order to comply with the Council's Financial Regulations robust contractual arrangements are required. A legally compliant procurement process should be undertaken to ensure that the Council meets its statutory requirements and secures the most beneficial terms from the market.

The level of savings generated from this procurement activity will not be calculable until the procurement process is complete, however as an indicative example a 1% reduction in price will result in an annual saving of c£46,000 to the Council based on current levels of consumption.

If the price of electricity reduces as a result of this procurement this will have a negative impact on the viability of future energy efficiency schemes as it will reduce the savings made by the works and extend the payback periods. The estimated savings arising from this procurement should be incorporated into any such schemes proposed between now and the start of the new contract to ensure that the business cases are not adversely affected sufficiently to change the decision made and that savings are not double counted. Once the outcome of the procurement activity is known the new contractual arrangements can be reflected in business cases.

The Council Medium Term Financial Plan for 2016/17 includes savings of £0.200m relating to the purchase of utilities, any savings arising from the procurement of this contract will contribute towards achieving this target.

It is proposed to undertake the procurement for a framework to enable other organisations to use to procure electricity. The framework arrangements will need to be structured in a manner such that any financial risk arising from these organisations using the framework is passed on to those organisations.

Comments provided by Gary Robbins – Finance Analyst 17 May 2016