

Cambridge City Council

Record of Executive Decision

Re-procurement of the Council's Gas Supplies

Decision of: Councillor Mike Davey, Executive Councillor for Finance, Resources and Transformation

Reference: 22/URGENCY/S&R/10

Date of decision: 27.7.22 Date Published on website: 27.7.22

Decision Type: Key

Matter for Decision: The approval of the Executive Councillor to continue to purchase gas via the Eastern Shires Purchasing Organisation (ESPO) energy framework.

Why the Decision had to be made (and any alternative options):

- i. There is a requirement to re-procure the Council's gas supply contract from the 1st of April 2023.
- ii. As the revenue spend on gas has increased and is forecast to be at least £600,000 per year (estimated £2.4 m over the life of the proposed new contract) this is a key decision and requires approval from the Executive Councillor.
- iii. It was recommended that the procurement decision was made as an out of cycle decision rather than wait until Strategy and Resources Scrutiny Committee on 10th October 2022. Energy prices are volatile, and ESPO report that gas prices are expected to continue to increase this year. If the council didn't join procurement exercise being run by ESPO, the council's supply would be procured later this year, and was likely to lead to higher prices.
- iv. Energy markets are complex so public sector organisations can take advantage of energy supply framework contracts. These are designed to procure large volume single supply contracts at more favourable rates than would be possible if the City Council procured independently with its smaller consumption.

The Executive Councillor's decision:

- i. Approved continuing to purchase gas via the Eastern Shires Purchasing Organisation (ESPO) energy framework. As outlined in Option 3 of the officer's report.
- ii. Approved that the contract period for the provision of gas should run for four years from the 1st April 2023 to the 31st March 2027.
- iii. Authorised the Director of Neighbourhoods and Communities or Head of Housing Maintenance and Assets to sign framework documents and approve the actual gas price tariff when the procurement is completed by ESPO.

Reason for the decision: Procurement organisations in the public sector can deliver significant economies of scale across a range of services by combining requirements of member organisations to secure more favourable pricing than would be possible for each organisation acting independently. Such organisations guarantee fully compliant tendering and due to the scale of procurement they provide specialist procurement and market expertise which is especially important when dealing with energy markets. The Council already makes use of this solution and procures gas and electricity at a competitive tariff via an ESPO framework agreement.

It was recommended that the use of a Public Sector Framework Agreement represented the best option for gas procurement at the current time and would enable the Council to secure pricing for March 2023-24 soon and help budget setting for next year.

Scrutiny Consideration: The Chair and Spokesperson of Strategy and Resources Scrutiny Committee were consulted prior to the action being authorised.

Report: A report detailing the background and financial considerations is available via [Urgent Decision Briefing Note](#).

Conflict of interest: None.

Comments: Councillor Bennett and Councillor Bick supported the recommendations but raised concerns about the decision being made through the out of cycle / urgent decision process rather than being brought to the Strategy and Resources Scrutiny Committee. The Executive Councillor noted these comments and would follow up with officers.

Councillor Robertson raised the following questions:

1. Does this supply include heating our swimming pools?
No, not currently. The gas for Abbey Pools and Parkside Pools is currently purchased by GLL, the company that runs the pools. However it is proposed

that we change this once we award the new gas contract so the Council buys the gas direct as we think this will provide better value for money.

2. If so how much has our energy use dropped (or is projected to drop) following the change to sustainable methodology for heating the pools
The Recreation Services Manager manages these projects and has suggested that gas consumption could drop by up to 40% as result of switching to heat pumps.
3. Is a similar process proposed for electricity or is it covered by contract for at least the end of next year?
The current electricity contract does not expire until 30/9/24