

---

**Meeting:** Executive  
**Date:** 15 November 2011  
**Subject:** Landlords Electricity Supply Contract Tender  
**Report of:** Cllr Jones, Executive Member for Corporate Resources  
**Summary:** The report proposes that Executive grants delegated powers to the Director of Social Care, Health and Housing in conjunction with the Executive Member for Social Care, Health and Housing to award the tender for Landlords' electricity supplies to the most economically advantageous offer when prices are called.

---

**Advising Officer:** John Unsworth, ACE Resources  
**Contact Officer:** Alec Edgar, eProcurement Manager  
**Public/Exempt:** Public  
**Wards Affected:** All  
**Function of:** Executive  
**Key Decision** Yes  
**Reason for urgency/  
exemption from call-in  
(if appropriate)** N/A

## **CORPORATE IMPLICATIONS**

### **Council Priorities:**

The proposed retendering of the Landlords' Electricity Supply contract will seek to provide best value for the Council.

### **Financial:**

1. The current Landlords' supply contract is valued at approximately £150k per year. The unit rates are fixed, but actual cost is dependent on usage. The electricity market has risen since the contract was signed in 2010 so it is likely that the new contract will be more expensive – perhaps of the order of £200k per year. Costs could be reduced through energy management measures such as low energy lighting, revising the time equipment is on, and monitoring consumption to identify unusual consumption patterns.
2. Consideration has been given as to whether to move the sites on this contract to the main “flexible” electricity supply (see paragraph 16). Analysis suggests that this would not be cost effective and that a traditional fixed-price, fixed term contract would be more appropriate.

### **Legal:**

3. The proposed approach is compliant with public procurement regulations.

**Risk Management:**

4. Not Applicable.

**Staffing (including Trades Unions):**

5. Not Applicable.

**Equalities/Human Rights:**

6. The choice of supplier will not affect equalities or human rights.

**Community Safety:**

7. Not Applicable.

**Sustainability:**

8. Not Applicable. The choice of supplier will not have sustainability implications.

**Procurement:**

9. The report outlines the recommended approach to the procurement of this contract.

**Overview and Scrutiny:**

10. This matter has not been considered by Overview and Scrutiny.

**RECOMMENDATIONS:****The Executive is asked to:**

- 1. endorse the recommendation to retender the Landlords' Electricity Supply contract as a fixed-price, fixed term contract;**
- 2. grant delegated powers to Director of Social Care, Health and Housing, in consultation with the Executive Member for Social Care, Health and Housing, to award the tender for Landlords' electricity supplies to the most economically advantageous offer when prices are called.**

*Reason for Recommendations: To provide the most cost effective approach to procuring electricity for the Landlords' Supplies and in order that time limited tender returns can be assessed and an award made within the day that the prices are valid for.*

**Executive Summary**

- 11. The existing contract for electricity supply to former South Bedfordshire Council properties ends 31 March 2012. After examining the option of adding the supplies on the contract to the main Council electricity contract it is recommended that the most cost effective approach is to retender the contract.**

12. Prices will be called from an EU compliant framework, but because tender prices will only be valid for the day of submission, it is recommended that the Executive delegate powers to award the contract to the Director of Social Care, Health and Housing in consultation with the Executive Member for Social Care, Health and Housing.

### **Background to the Contract**

13. The contract for electricity supply to former South Bedfordshire Council properties ends 31 March 2012. This "Landlords' Supplies" contract covers 223 supplies, most of which are the communal areas of council housing, and most of which are comparatively low consumption. The total contract value is currently approximately £150,000 per year.
14. Most other Council electricity supplies are on a separate contract. This is a "Flexible" price contract which seeks to obtain best value by buying energy throughout the contract at the most opportune times, depending on the movement of the wholesale market.
15. Consideration has been given to moving the Landlords' Supplies to the flexible contract. The flexible contract has additional fixed charges due to the active management of the contract. These charges are outweighed by savings from the lower unit rates which are achieved.
16. The annual additional management charge for a supply on the flexible contract is £30. The average annual cost per supply on the Landlords' contract is however only £600 (compared to over £4,000 for corporate buildings on the flexible contract). As £30 is 5% of the £600 average annual cost, to recover this additional cost the flexible contract would need to provide rates at least 5% lower than would be obtained through a fixed price contract. Monitoring of the flexible contract to date suggests it is obtaining prices 4% better than fixed price contracts, so a flexible contract would not provide better value.
17. In addition, the median annual cost on the Landlords' contract is only £124, so an additional £30 would represent a significant additional charge for the majority of the supplies on the contract.
18. A traditional fixed-price, fixed-term contract which is tendered specifically to the supplies on this contract and which does not have the additional charges would represent better value for the Council. This contract could also be used for other small consumption Council supplies if required.

### **The Need for Delegated Powers**

19. The contract will be retendered as a fixed-price, fixed-term contract. We will use an existing EU-compliant framework and call for prices from suppliers on the framework on a day before end February 2012. We will need to retain flexibility over the timing of calling down prices as they will primarily depend on the prevailing market conditions. We will seek prices for a one and two year contract, and make a decision on the contract length at the time of receipt of prices. If market conditions are favourable, a two year contract will be procured.

20. The tendered prices will be valid for the day of issue. This is normal for energy supply contracts, as suppliers will not cover the risk of the market changing whilst the prices are open. Once prices are accepted, a contract is deemed to be in place, and therefore the contract cannot be taken to Executive for approval. Nor can this be dealt with as a Portfolio Holder decision, again due to the time limited nature of the offers.

### **Conclusion and Next Steps**

21. It is recommended that the most appropriate approach to renew the electricity contract for Landlords' Supplies is for Executive to grant the Director of Social Care, Health and Housing in conjunction with the Executive Member for Social Care, Health and Housing delegated powers to seek prices for a fixed term contract (either one or two years, depending on market conditions) at an appropriate time before end February 2012, and to award the contract to the most economically advantageous offer received.

### **Appendices:**

None

**Background Papers:** None.