

**CONTRACT AWARD FOR DECARBONISATION PROJECT**

**Cabinet Member(s):** Cllr Bob Evans, Deputy Leader and Cabinet Member for Housing and Property Services, Cllr Colin Slade Cabinet Member for the Environment and Climate Change

**Responsible Officer:** Andrew Busby, Corporate Manager for Property, Leisure and Climate Change

Reason for Report: To seek approval to deliver three grant-aided projects, to reduce the carbon emissions of our facilities.

**Recommendation:**

- (1) That the Cabinet accepts the grant from the Public Sector Decarbonisation Scheme and agrees to implement the works to reduce the Council's carbon emissions.**
- (2) That the Cabinet agrees to approve and award the contract for the supply and installation of low energy efficient LED lighting to Contractor 1.**
- (3) That the Deputy Chief Executive (S151) and the Deputy Leader and Cabinet Member for Housing and Property Services are given delegated authority to take all necessary actions to deliver the Salix funded projects as detailed in para 1.3, for any contract variations and approval of any necessary significant design changes.**

**Financial Implications:** These are detailed within the report on section 4.

**Budget and Policy Framework:** The cost for replacing end of life light fittings and heating plant have been identified within the capital and revenue budgets, under the 30-year maintenance programme for corporate property. This project is 100% funded by Salix and includes project support costs. Pursuant to section 31(4) of the Local Government Act 2003, the Minister of State determines that the grant will be paid subject to the conditions stated within the Salix agreements.

**Legal Implications:** The decarbonisation project will be carried out in accordance with the terms and conditions of the Grant agreement and its relevant schedules. The Council continues to liaise with Salix and provide regular progress reports. Procurement exercises have been conducted to comply with the Council's policy and legal obligations, specifically in compliance with the Council's Contract Procedure Rules and the Public Contracts Regulations 2015. The form of contract for the LED lighting will be JCT Intermediate Building Contract 2011 and our own standard terms and conditions 2019.

**Risk Assessment:** The main risk is in relation to the delivering the project within the allocated timeframe. Procurement has been undertaken in two parts, one for the air source heat pump installation by seeking three quotations and the other via competitive tender as outlined within this report.

**Equality Impact Assessment:** This report does not specifically highlight any equality implications; however, officers will continue to comply with the public sector equality duty as set out in Section 149 of the Equality Act 2010.

**Relationship to Corporate Plan:** Environment – Encourage retrofitting of measures to reduce energy use in buildings.

**Impact on Climate Change:** The projects will deliver significant savings on carbon emissions at very little direct cost. Successful delivery of the project not only signals the Council's commitment to its climate emergency declaration in action, this will also demonstrate to Salix and central government that the Council can deliver projects to reduce carbon emissions within the district. The recommendations of the report are environmentally positive and will reduce the Council's carbon footprint by up to 520 tonnes over the life of the new assets.

## 1.0 Introduction

1.1 The Department for Business, Energy and Industrial Strategy (BEIS) has launched a Public Sector Decarbonisation Scheme (PSDS). The Grant Scheme allocates £1bn of grant funding to encourage green investment aligning with the Government's Net Zero and clean growth goals. The Grant Scheme is for up to 100% of costs for capital energy efficiency and heat decarbonisation projects within public sector non-domestic buildings. The delivery of projects is required by no later than 30th September 2021. The external oversight of Salix adds an independent audit that the project is cost effective in terms of both carbon emissions and money.

1.2 The Council's successful bid for the Public Sector Decarbonisation Funding has resulted in a grant award of £310,821; the Council can improve on the previously installed energy saving measures further using new technology. The Council has also secured £38k in the form of two additional Salix grants.

1.3 The additional grants are for the development of a Heat Decarbonisation Plan to 2030 at £18k, with a further £20k relating to skilled project support on the delivery of this Public Sector Decarbonisation project. The Council therefore have three separate grant agreements with Salix:

- Public Sector Decarbonisation Fund £310,821
- Heat Decarbonisation Plan £18k
- Project Delivery £20k

Total £348,821

1.4 The bid was for works in relation to two leisure centres at Exe Valley in Tiverton, Lords Meadow in Crediton and Culm Valley Sport Centre in Cullompton. The bid for works at Lords Meadow Leisure consists of the introduction of air source heat pump to reduce the heating load on the existing

gas boilers. Internal and external low energy lighting upgrade work, excluding the sports pitches, where LED (light emitting diode) lighting is not currently installed. The works at the remaining two sites consists of the installation of internal and external LED lighting excluding all but one sports pitch at Culm Valley Sports Centre.

- 1.5 The Salix grant funding includes the constraint of a very fast design and installation timetable, which if not met runs the risk of some of the funding being reclaimed by Salix. With this constraint in mind the method of procurement was considered in detail with the Council's experienced employer's agent and a single stage design chosen as the best methodology to engage a contractor swiftly for the air source heating pump installation at circa £20k of the total £310,821, whilst still safeguarding the Council's interests. This was procured by obtaining three quotations to ensure best value for money.
- 1.6 The short delivery timetable means that decision-making is crucial to the project running to time. Cabinet are being asked to delegate authority to take all necessary actions to deliver the projects, including any contract variations.

## **2.0 Climate Change**

- 2.1 The projects delivers savings on carbon emissions at very little direct cost. Successful delivery of the projects not only signals the Council's commitment to its climate emergency declaration in action but will also demonstrate to Salix and central government that the Council can deliver other projects to reduce carbon emissions within the district. The external oversight of Salix adds an independent audit that the project is cost effective in terms of both carbon emissions and money.
- 2.2 The funding will allow energy efficiency measures, including the installation of an air source heat pump for reducing gas consumption, as well as both external and internal LED lighting, to be installed. These installed measures will mean that over the life of the assets CO2 emissions will be cut by up to 520 tonnes.

## **3.0 Procurement**

- 3.1 The cost for retro fitting the low energy lighting (excluding all but one sports pitch) is the largest part of the project and therefore the highest value that has been through a tender exercise. The installation of the air source heat pump has been procured by obtaining three quotations to ensure value for money. The remaining project items for consultancy and the project support will be procured via the appropriate framework.
- 3.2 The return date for the LED lighting tender was on the 16 June 2021.
- 3.3 A total of 57 contractors expressed an interest in this project and seven contractors submitted a tender return. Four contractors priced all sections and submitted a programme showing completion within the time period allowed for the project.

- 3.4 The ITT asked questions under a number of headings that had either a pass/fail or a weighted score as set out in Table 2 below, these having been published within the ITT documents sent to the interested contractors. The weighting for the evaluation process is split 60% on cost and 40% on quality.
- 3.5 Levels of insurance were also required and contractors needed to confirm their ability to provide such levels of insurance.
- 3.6 The evaluation of returned submissions was undertaken by the Corporate Projects Officer and an independent Employers Agent. The scores from the evaluators were then averaged.
- 3.7 The results of the scoring and tender figures are shown below in Table 1 that included options on project delivery.

Table 1

Assessment area	Contractor 1	Contractor 2	Contractor 3	Contractor 4
Quality 40%	36.0	23.0	29.0	32.0
Price 60%	53.8	60.0	53.7	47.8
<b>TOTAL</b>	89.8	83.0	82.7	79.8

- 3.8 Table 2 shows the tender return sums with the names of the companies available on the restricted Annex A document.

Table 2

Tenderer	Tendered Sum
Contractor 1	£327,071
Contractor 2	£293,007
Contractor 3	£327,110
Contractor 4	£367,861

- 3.9 Table 3 shows tendered sum with reduced Client Provisional Sums (from £57K to £15K) and day work figures that were options on project delivery.

Table 3

Tenderer	Tendered Price for Works with £35k of Prov Sums and no day works
Contractor 1	£269,261
Contractor 2	£244,787
Contractor 3	£297,9510
Contractor 4	£342,1142

#### **4.0 Financial Analysis**

- 4.1 The cost of this project will be met from the Salix grant funding. The grant includes the support of consultants who will report into the Corporate Projects Officer, which will support the delivery of the project. This will improve the in-house capability of the Council in relation to projects of this type. The proposed project will also deliver financial and environmental benefits.
- 4.2 The Council's Revenue and Capital resources are under continuous pressure and the grants reduce that cost pressure and assist the Council with planned asset replacement costs, as well as delivering reduced electricity charges at circa £40k per annum.
- 4.3 A provision of £159k for heating improvements at Lords Meadow is included in the approved capital programme for 2023/24, this grant will reduce that expenditure by circa £20k. At that time, the likelihood was that this would be funded from borrowing and would therefore need to return to Cabinet for approval once a business case/tender had been put together, this will no longer be necessary.
- 4.4 Other relevant budget provisions in the 30-year corporate revenue maintenance programme were £40k estimated for replacing end of life fittings with LED lighting at Exe Valley Leisure Centre in 2022-23, with a further £40k in 23-24. At Lords Meadow Leisure Centre and Culm Valley Sports Centre, an additional £85k was spread over the 2022/23 and 2023/24 financial years.
- 4.5 The grant funding therefore reduces the cost pressure of maintenance on the general fund by £165k.
- 4.6 These cost items were to be funded from prudential borrowing and therefore reliant on the production of business cases demonstrating the affordability of the projects and a suitable return.

4.7 The financial allocation for the three grants that total (£348,821) are:

- £270K LED installation project
- £20K Consultancy, design and specification
- £20k Project delivery
- £18K Heat Decarbonisation Plan
- £20K ASHP LMLC

Total £348,821

## 5.0 Tender Observations

- 5.1 An arithmetical check of the tenders has been carried out. There were errors with two of the tender returns, which were clarified by the evaluation panel.
- 5.2 Upon selection of the successful tender submission, a detailed analysis of the items included within the tender can be undertaken, with the aim to find potential improved alternatives to replace those allowed for, without compromising the quality of the goods and works through value engineering.
- 5.3 Project delivery and value for money meetings will be carried out in house by the Corporate Projects Manager with the adhoc support of an Employers Agent to ensure independent quality of assurance.

## 6.0 Conclusion

- 6.1 The decarbonisation projects will assist the Council with their aim to be net zero by 2030 by reducing our carbon footprint by up to 520 tonnes over the life of the assets and will provide a heat decarbonisation plan to 2030.
- 6.2 The decarbonisation project will reduce the cost pressure on our capital and revenue budgets that includes our 30-year maintenance programme for replacing end of life assets, as well as reducing expenditure on electricity.
- 6.3 All three of the Salix grants must be claimed by the 30 September 2021; therefore, the projects have to be completed by that date.

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**Circulation of the Report:** Deputy Leader and Cabinet Member for Housing and Property Services, Cabinet Member for the Environment and Climate Change and Leadership Team.

**List of Background Papers:** None.