



**Report of Senior Project Officer**

**Report to Chief Officer for Sustainable Energy and Air Quality**

**Date: April 19<sup>th</sup> 2021**

**Subject: Report to seek the authority to procure and award a contract to design, install and maintain Solar PV assets across corporate Council buildings**

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Has consultation been carried out?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Will the decision be open for call-in?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

**Summary**

**1. Main issues**

- The Public Sector Decarbonisation Scheme (PSDS), a £1 billion funding call overseen by SALIX Finance Ltd, went live to applications on 1 October 2020 and closed in January 2021. Public sector organisations were able to bid for funding to unlock schemes which decarbonise the heat demand of their estate and improve energy efficiency through deploying multiple low carbon technologies. Further government-backed grant funding schemes are expected during 2021 which the Council will seek to capitalise upon to further accelerate the work to meet the Council's aspiration to be carbon neutral by 2030.
- The Council has to date been awarded £25.2m in funding from PSDS for a variety of buildings within the corporate and school estate. A significant proportion of this value is to design and install decarbonising air source heat pumps to replace existing carbon-intensive heating systems across the Council's corporate and school portfolio. The remaining submitted grant applications are under review, and it is anticipated that further funding will be issued in the near future. It is also expected that further central government decarbonisation funding streams will be announced in 2021 which may facilitate further bid submissions and grant awards for works of this type.

- The recommended procurement approach takes account of the restrictions on the project, and provides a CPR-compliant route to procuring a contractor to deliver the required works within the timescales put in place.
- Necessary due diligence will take place throughout the procurement process with a contract award to follow once relevant documentation is prepared.

## 2. Best Council Plan Implications (see the [latest version of the Best Council Plan](#))

- Sustainable Infrastructure sits as one of the council's key priorities in its Best Council Plan. Our vision is to improve the resilience of the city's infrastructure whilst promoting a more competitive, less wasteful, more resource efficient, low carbon economy. The delivery of solar PV schemes at buildings in the council's estate will contribute to all of these priorities, reducing the council's carbon footprint and energy expenditure.
- The council also strives to be an efficient, enterprising and healthy organisation that makes the best use of its resources, including its money and buildings. Delivering savings on energy bills across the council estate, will ensure the council continues to save money wherever possible, making the best use of its money and its estate.

## 3. Resource Implications

- The council's Sustainable Energy and Air Quality (SEAQ) service has been granted £25.2m in grant funding to date from SALIX Finance Ltd's Public Sector Decarbonisation Scheme for the work outlined in this report. Further grant funding awards from bids under review are expected through 2021.
- This report is solely concerned with the procurement of a contractor and contract award to install solar PV on the Council's corporate estate as a result of a successful PSDS bid. The anticipated maximum capital costs of works identified in this report is £4m. As this work will be fully grant funded, there are no pressures on the Council's capital budget arising from the procurement.
- The work outlined in this report will deliver significant savings for the council through reduced energy bills across its estate. As the works will be granted funded the council's revenue budget will benefit from these reduced energy bills immediately following the delivery of the schemes. Part of the energy savings generated will be utilised to pay for an operations & maintenance contract, and also where necessary to offset increased running costs as a result of the installation of air or ground source heat pumps.
- The project management of the procurement and project delivery will be delivered by the SEAQ service. As this will be a resource intensive process, an allocation for project delivery was included within the PSDS bid to fund any support required by external consultants.

## 4. Recommendations

The Chief Officer for Sustainable Energy and Air Quality is recommended to:

- a) Approve the procurement of Engie Regeneration Ltd via a call-off mechanism from the Better Homes Yorkshire framework to design, build, operate & maintain Solar PV on the Council's corporate building portfolio.
  - i. Note the maximum value for solar PV installation works falling under this procurement will be £4 million. The capital required will be provided by central government grant funding. The capital works falling under this procurement exercise will commence in February 2021 and be completed by September 2021. The installation works contract will commence no later than 2 July 2021 and expire on 31 March 2022. There will be no extension provision within the contract.
  - ii. Note the maximum value of the solar PV maintenance contract will be £500,000 for a maximum ten-year contract comprised of 5 years, plus 5 x 1 year extensions. The resources required to fund this will be ring-fenced from energy cost savings associated with solar PV asset installations. If required, this contract will be utilised to deliver remedial works to existing solar PV assets installed across the Council's corporate estate.
- b) Approve the contract award to Engie Regeneration Ltd with a total maximum contract value of £4.5m, comprised of both works and maintenance.

## **1. Purpose of this report**

- 1.1 In accordance with the council's Contract Procedure Rules (CPRs), this report seeks approval from the Chief Officer for Sustainable Energy and Air Quality to undertake a procurement exercise to appoint Engie Regeneration Ltd to deliver solar PV schemes at a number of sites in the council estate.

## **2. Background information**

- 2.1 At Full Council on 27 March 2019, the council passed a motion declaring a Climate Emergency, placing the climate at the top of its agenda and aiming to stimulate activity across the council and wider Leeds City Region, with the aim of ultimately bringing the city to carbon neutrality by 2030. A number of schemes are currently in development or already being implemented that will contribute to the council's response to the Climate Emergency, as it continues to aim for a reduced carbon footprint across its services and assets. The most recent update on the response to the Climate Emergency was presented to the council's Executive Board in February 2021.
- 2.2 As part of the council's response to the Climate Emergency it will continue with its programme of estate rationalisation, reducing the size and number of buildings in our portfolio, achieving significant reductions in emissions. For the buildings which remain in its portfolio it will undertake further works via spend-to-save schemes or grant funding to improve energy efficiency and reduce the carbon footprint of the estate.
- 2.3 One such type of work is solar PV. The council have delivered a number of successful solar schemes in recent years, and a number of additional sites have been identified as suitable for solar PV installations, which can be taken forward in the first instance. Solar PV installations transition buildings toward a low carbon energy supply, using the panels to generate renewable electricity which can be used on site with any excess electricity generated being sleeved and used to offset our overall estate's electricity and carbon footprint. Transitioning its estate to low carbon energy supplies is a key aim of the council in line with its Climate Emergency objectives.

2.4 Following feasibility and design work the Sustainable Energy & Air Quality team, Leeds Building Services (LBS), Asset Management and a range of other internal and external partners have been working together since early summer 2020 to carry out technical feasibility assessments and identify a range of viable schemes to submit to SALIX.

### **3. Main issues**

3.1 In the past year a number of feasibility studies have been undertaken via the SEAQ service via both on-site and remote assessment tools to provide potential energy and carbon saving measures. Up to 25 corporate sites have been identified as feasible through energy audits in collaboration with Asset Management, Corporate Property Management, amongst others. The sites and details of the proposed schemes at corporate sites are submitted as Appendix 1 to this report.

3.2 Bids were submitted to the PSDS to cover full capital costs for solar PV installations at corporate sites. Additional bids may be submitted in 2021 for future funding schemes when announced by central government.

3.3 To ensure that these assets operate optimally and generated the savings expected, a maintenance contract will also be procured funded by ring-fenced savings generated by the solar PV assets.

3.4 Before work to install solar PV begins at any site the council will ensure that:

- Funding is in place and the capital expenditure has the required approvals
- The Solar PV installation will not have an impact on any relevant warranties for equipment on building roofs
- An asbestos survey has been undertaken covering the appropriate areas of the buildings at which work will take place. Removals will be undertaken if needed
- Northern Power Grid have been engaged and connection agreements signed to ensure an appropriate assessment of the impact of the work on the local grid network has been undertaken
- Asset Management have confirmed the sites are to be retained as part of the council's Asset Rationalisation Programme in the context of the COVID-19 pandemic's impact on council finances
- Planning implications have been considered, and the Planning service have been engaged on the scheme. Planning applications will be submitted where required for larger arrays.
- Appropriate Executive and Local Ward Members have been consulted on the schemes
- Corporate Property Management and Leeds Building Services have been consulted and support the programme of work and its impact on the estate
- CDM regulations have been followed and notifications to bodies including HSE are made where appropriate.
- Local building managers/stakeholders are consulted to ensure timescales for installation are suitable and minimise disruption to services occupying the buildings.
- An accepted approach to operation & maintenance of these assets is in place

### **Procurement route**

- 3.5 In order to satisfy the requirements of the PSDS bid, the Council must have a detailed approach to how a contractor will be procured and managed through project delivery. The following options appraisal details the choices of available procurement routes, coupled with reasoning for the recommended approach. The recommended approach also takes into account the following factors which necessitate a procurement approach that can be implemented quickly.
- 3.6 The deadlines set for both bid submission and delivery of works under the PSDS are significantly challenging. The bid opened to applications on 1 October 2020 with a final submission date of 11 January 2021. The Council was awarded the majority of the £25.2m funding in February 2021. Projects which successfully receive grant funding must be delivered by 30 September 2021, meaning the Council has 7 months to deliver all works.
- 3.7 The procured contractor will deliver design and installation works at specified solar PV sites. The design and installation works will be fully funded by PSDS grant funding, with the contract having a planned start date of February 2021, and completion date of September 2021. The total value of works at corporate sites if all bids were successful totals £2,848,000.
- 3.8 A concurrent maintenance contract will begin following installation to ensure the assets perform optimally throughout their lifespan. The maintenance element of the contract will be funded by the cost savings associated with sites utilising electricity generated by the solar panel assets. A conservative estimate of maintenance costs for the initial maximum 10 year term would be £500,000. This cost includes an allowance for repair costs, an annual inspection, plus the replacement of inverters at year 10 if necessary. The procurement of the same contractor to provide maintenance services will ensure that full responsibility for performance will sit with the contractor as any design/installation issues cannot be referred to by another contractor as a fault outside of their control. Within the scope of this maintenance contract, there will be the flexibility to utilise the contract to deliver remedial works for existing solar PV assets installed across the Council's corporate estate.
- 3.9 This contract will also be utilised to deliver solar PV installs for any subsequent grant funding received through PSDS or similar schemes in 2021 up to the total value of £4,000,000.

#### Option 1 – Leeds Building Services deliver in house

- 3.10 The internal service provider has been consulted in line with Contract Procedure Rules (CPRs) with regards to the scope of works. LBS have confirmed they do not have the level of expertise to carry out these specialist works or a framework in place to subcontract to.

#### Option 2 – Open tender

- 3.11 The Council could choose to utilise an open procurement exercise to secure a contractor. Whilst this would provide a wider range of contractors, the timescales involved in completing an open tender would jeopardise the stringent timescales associated with PSDS project delivery if funding is awarded. Further to this, CPRs state that the Council can utilise existing contracts/frameworks where feasible.

#### Option 3 – Use an existing council contract – Better Homes Yorkshire –

#### **Recommended**

- 3.12 In line with CPRs the SEAQ service have reviewed existing contracts the council have in place, which would be suitable to utilise to deliver the work.
- 3.13 The council has a call off arrangement in place with the Better Homes Yorkshire contract until December 2022. This framework is otherwise known as Leeds City Region Green Deal Eco Project Framework Agreement The contract covers a wide range of energy efficiency measures including solar PV. The framework has been through price/quality evaluation and provides an opportunity to deliver this scheme with the speed and expertise that is required.
- 3.14 ENGIE Regeneration Ltd are the sole supplier on the Framework Agreement to deliver solar PV. Engie Regeneration Ltd would sub-contract to Ivegat Ltd, a local Pudsey-based company that the Council has worked with previously. By appointing a multi-national organisation such as Engie via the BHY framework, long-term performance warranties can be put in place with significantly reduced concerns as to the long-term viability of the company and the Council's ability to raise this with a contractor which is an issue that has directly affected the Council previously.
- 3.15 The call off contract offers value for money with regards to the fee to access the Framework – 2%, of which a significant amount up to the full value is returned to the council as a rebate each year.
- 3.16 The structural roof surveys and solar PV design proposals provided by ENGIE Regeneration Ltd will be reviewed independently by NPS to ensure they meets the council's requirements.

#### Option 4 – External Frameworks

- 3.17 The Council has considered other external frameworks. However, typically these frameworks are populated by SME suppliers which cannot offer the certainty that a large company like Engie can in terms of long-term performance warranties over the life of the product. Furthermore, other frameworks would incur greater costs to the Council through fees to access the framework.

#### **Contract award**

- 3.18 Following confirmation by Salix Finance Ltd that the Council has been successful in bids for £25.2m, the Council is in a position to commission Engie Regeneration Ltd to complete detailed design and installation of solar PV works in line with works submitted within PSDS bids.
- 3.19 Due diligence has taken place to work through the recommended procurement approach above prior to contract award. Framework documentation has been reviewed and approved by Legal Services prior to contract award.
- 3.20 The recommendation to provide authority to contract award alongside authority to procure within this report will ensure efficient use of officer time to progress the project and its deliverables.
- 3.21 Further grant approvals are expected, as are future opportunities for grant funding in 2021 under an extension of the scheme. As a result of this, and the restrictive timescales for delivery associated with the grant funding, the value of these contracts is recommended to be £4.5m to allow for the addition of further sites if required above and beyond those which have already had confirmed grant funding approval.

## **4. Corporate considerations**

### **4.1 Consultation and engagement**

- 4.1.1 The Chief Officer for Sustainable Energy and Air Quality has been consulted at each stage of the programme from feasibility through to procurement, and will continue to be engaged throughout the procurement process up to and including the stage of delivery of the measures. The Chief Officer has also been engaged throughout the bid process for funding from SALIX, including site identification and technology selection.
- 4.1.2 Regular updates have been provided on the PSDS bids to the Executive Member for Climate Change, Transport and Sustainable Development, the Executive Member for Resources and the Director for Resources. Local ward members will be engaged upon notification of funding award.
- 4.1.3 Asset Management have been consulted directly in the development of the PSDS bid to inform the selection of appropriate buildings to ensure only buildings earmarked for long-term retention are selected.
- 4.1.4 Building managers are being consulted as project delivery approaches to facilitate site surveys and works delivery and ensure any local factors and timescales are taken into account. The SEAQ service is and will be project managing delivery to mitigate as much as possible any disruptive impacts of site surveys and works, and ensure that services are not unduly impacted by these works.

### **4.2 Equality and diversity / cohesion and integration**

- 4.2.1 An EDCI screening assessment has been completed as part of the Decarbonisation of the Council's Corporate Estate key decision, this is included as Appendix 2.
- 4.2.2 This EIA screening assessment relates to the award of works only. A further EIA will be included relevant to the specification of works, with appropriate consideration given to the impacts on accessibility and usability of any open buildings whilst works are ongoing. The Staff Disability Network, building staff and any other appropriate stakeholders will be consulted on these plans prior to sign off to ensure engagement with relevant parties has taken place. Operational staff will be providing on-site confirmation that contractors deliver against the equality and accessibility measures set out in their contracts.

### **4.3 Council policies and the Best Council Plan**

- 4.3.1 Sustainable Infrastructure sits as one of the council's key priorities in its Best Council Plan. Our vision is to improve the resilience of the city's infrastructure whilst promoting a more competitive, less wasteful, more resource efficient, low carbon economy. The delivery of energy-efficiency and low carbon supply focused refurbishment of buildings will contribute to all of these priorities, reducing the council's carbon footprint and energy expenditure.
- 4.3.2 In light of the COVID-19 pandemic's impact on the council finances, the works outlined in this report will deliver vital cost savings over the long term for the council. It is hoped that the successful delivery of works outlined in this report will act as the test case for a wider roll out of the technologies across the council in the coming years. This will bring further savings to the council.

## Climate Emergency

4.3.3 This work directly aligns with the council's Climate Emergency agenda. The delivery of an anticipated 3MW of solar PV schemes will contribute to an estimated annual reduction of 201 tonnes of CO<sub>2</sub> in the council's carbon footprint and energy expenditure, assisting the council in achieving its goal of carbon neutrality by 2030. If as mentioned above the successful delivery of these works catalyses the implementation of the technologies in the wider council estate, this will bring further carbon reductions for the council.

### **4.4 Resources, procurement and value for money**

4.4.1 This decision is being recommended following successful bids to the PSDS for the delivery of solar PV schemes across the Council's corporate estate. The decision will allow procurement and contract award to commence and ensure the Council can deliver within Salix Finance Ltd's stringent timescales.

4.4.2 Authority to spend was granted by the Director of Resources on November 7<sup>th</sup> 2021 as follows:

- *Approve an injection into the capital programme and authority to spend to the value of up to £25m for the delivery of these renewable energy and energy efficiency schemes, with the precise values of individual schemes to be determined through the process of finalising Salix applications and incorporated into the capital programme accordingly where funding is successfully secured;*

4.4.3 The solar PV to be installed at a range of sites across the corporate estate will deliver savings for the council through reduced energy bills across its estate through grant funding, and provide a clear visual commitment to decarbonisation of the Council's assets. A part of the savings generated will be utilised to pay for maintenance to ensure the assets are performing optimally, and where necessary offset any increased costs associated with decarbonising buildings through the installation of air/ground source heat pumps.

4.4.4 This is an unprecedented opportunity to decarbonise the Council's estate utilising grant funding as opposed to the Council's standard spend-to-save schemes. As grant funding with no payback obligation is the funding route for the majority of this work, the Council's revenue budget will benefit from these reduced energy bills immediately following the delivery of the schemes.

4.4.5 Given the tight timescales associated with the PSDS, the procurement approach detailed in this report has been deemed to be the best opportunity in terms of price-cost certainty and to achieve the timescales of the programme.

4.4.6 Two contracts will be issued to ENGIE Regeneration Ltd;

- Design and install – NEC3 Engineering & Construction Contract (contract commencing no later than 2 July 2021 and expiring on 31 March 2022, with no extension provisions)
- Maintenance – NEC3 Term Service Contract. This will include a set of Key Performance Indicators relating to response time to faults, maintenance of assets against a performance forecast, with associated penalties for non-compliance (contract to be entered into no later than 90 days from the commence date of the Design and Install contract) The maximum value of the



solar PV maintenance contract will be £500,000 for a maximum ten-year contract comprised of 5 years, plus 5 x 1 year extensions.

- 4.4.7 The maintenance contract will represent value for money as procuring a maintenance contract at scale across a number of assets will reduce the cost per site, and provide value for money in assuring that assets perform optimally and generate the expected savings to provide ringfenced funds for maintenance costs and any additional electricity costs from the installation of air source heat pumps.

## **4.5 Legal implications, access to information, and call-in**

- 4.5.1 The recommended procurement route through calling off the Better Homes Yorkshire framework is in line with the council's Contract Procedure Rules, with use of the framework previously being signed off by Legal Services. The Procurement and Commercial Services team has been and will continue to be consulted throughout the procurement process through to contract award and ongoing contract management.
- 4.5.2 The decisions contained within this report is significant operational decision (SOD) as it is a direct consequence of the key decision taken on November 6<sup>th</sup> 2020 by the Director of Resources to approve capital injection and spend against renewable energy generation or other energy efficiency measures subject to a successful PSDS funding bid. As a result this decision is not eligible for call-in.

## **4.6 Risk management**

- 4.6.1 As the Better Homes Yorkshire framework is a Leeds City Council Agreement there is no further approval needed from the Procurement Legal team. This has been checked and confirmed with the service.
- 4.6.2 Work arising from the call off contract will be authorised following receipt of grant funding which will initiate an ordering process for work at each site.
- 4.6.3 The specification proposed for the work has been reviewed by the PACS (Legal) team to ensure it meets the council's requirements.
- 4.6.4 Asbestos surveys will be undertaken in advance of works commencing where works will be intrusive. Removal will be undertaken by the council's in house provider where deemed necessary by the detailed surveys.
- 4.6.5 To mitigate against increasing costs associated with project delivery, the Council will be including contingency funding for each site within the bid as permitted by the PSDS bid requirements. This ensures that in the event of cost increases the Council will not have to utilise its own funding to deliver these projects.
- 4.6.6 Ivegate, via Engie, will provide a 'Superior Warranty'. A performance warranty will consist of a decline in power output of 0.5% per annum from 97.5% to 85% over the 25 year lifespan of the assets. The solar panels themselves will benefit from a 12 year warranty, with an industry standard for inverter warranty also provided.

## **5. Conclusions**

- 5.1 This report seeks approval for the authority to procure via call-off from the existing Better Homes Yorkshire framework and contract award for installation of solar PV technology, at a number of sites in the council corporate building portfolio. The measures will deliver on a number of key council objectives, promoting a more resource efficient and low carbon estate, reducing the council's carbon footprint and energy expenditure in line with our aims to save money and reach carbon neutrality as an organisation by 2030.
- 5.2 The work will be funded by the government's Public Sector Decarbonisation Scheme grant funding, meaning that all subsequent savings will be guaranteed to directly benefit council's finances. Site identification has been a collaborative effort between multiple council services to ensure the grant funding opportunity is maximised, whilst the proposed procurement route is in line with council CPRs. Taking all of this into account, approval of this report will allow the SEAQ service to commence a CPR-compliant procurement exercise which aligns with key council objectives and delivers significant carbon reductions and energy savings across the estate.

## 6. Recommendations

The Chief Officer for Sustainable Energy and Air Quality is recommended to:

- a) Approve the procurement of Engie Regeneration Ltd via a call-off mechanism from the Better Homes Yorkshire framework to design, build, operate & maintain Solar PV on the Council's corporate building portfolio.
- i. Note the maximum value for solar PV installation works falling under this procurement will be £4 million. The capital required will be provided by central government grant funding. The capital works falling under this procurement exercise will commence in February 2021 and be completed by September 2021. The installation works contract will commence no later than 2 July 2021 and expire on 31 March 2022. There will be no extension provision within the contract.
  - ii. Note the maximum value of the solar PV maintenance contract will be £500,000 for a maximum ten-year contract comprised of 5 years, plus 5 x 1 year extensions. The resources required to fund this will be ring-fenced from energy cost savings associated with solar PV asset installations. If required, this contract will be utilised to deliver remedial works to existing solar PV assets installed across the Council's corporate estate.
- a) Approve the contract award to Engie Regeneration Ltd with a total maximum contract value of £4.5m, comprised of both works and maintenance.

## 7. Background documents<sup>1</sup>

- 7.1 None.

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<sup>1</sup> The background documents listed in this section are available to download from the council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.