

Variation to contract DN528177 to discharge Public Sector Decarbonisation Scheme Round 3 (PSDS) funding

Date: 4 May 2022

Report of: Project Manager

Report to: Director of Resources

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

What is this report about?

Including how it contributes to the city's and council's ambitions

- This report seeks authority to spend and approval to vary the contract with Cenergist Ltd to bring into scope additional buildings the Council has secured funding for in the 2022/23 financial year. The variation is in line with the scope of the existing contract.
- This significant operational decision flows from a key decision taken to inject capital for the scheme, details of which can be found at: [Council and democracy \(leeds.gov.uk\)](https://leeds.gov.uk/council-and-democracy) (D55165).
- The primary focus of the PSDS is conversion to low carbon heating systems in buildings, but proposals involving this can also be combined with other energy efficiency measures to reduce electricity consumption such as solar generation and LED lighting. As well as ensuring significant carbon savings, the scheme will provide a stimulus to the energy efficiency and low carbon heat sector, and represents a significant opportunity to create or safeguard local employment.

Recommendations

The Director of Resources is recommended to:

- a) Take a Significant Operational Decision to approve the variation of the Cenergist contract up to the value of £5,117k to enable the 2022/23 delivery programme to start.
- b) To approve future variations to this contract, up to its maximum value of £20m per year to enable the delivery of future PSDS works if additional funding is secured from future rounds
- c) Note that the Chief Officer will immediately place orders for the first five sites in the delivery programme, in line with the 'Ordering of Services' processes detailed in the contract, to enable project timescales to be achieved.

Why is the proposal being put forward?

- 1 The approval of the recommendations in this report will allow for delivery activity to ramp up at pace, enabling the project team to meet the grant conditions imposed by the funding provider.
- 2 Delivery of the works will reduce the Council's energy consumption and contribute towards its net zero targets.

What impact will this proposal have?

- 3 Taking the decisions contained within this report will allow the contractor to place orders and mobilise to site.

What consultation and engagement has taken place?

Wards affected: None		
Have ward members been consulted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

- 4 Procurement & Commercial Services have been consulted to ensure the variation of the contract aligns with the original scope of the contract, and that CPRs have been followed.
- 5 Governance services have been consulted to ensure that decision making processes have been followed.

What are the resource implications?

- 6 The 2022/23 cash flow table is set out below:

	Capital cost
Core delivery	
ASHP hybrid systems	£4,446,805
Other energy efficiency measures	£670,195
Total	
Total	£5,117,000

What are the legal implications?

- 7 There is no confidential or exempt information included within this report.
- 8 Existing contractual arrangements with providers that have installed measures during PSDS1 are to be utilised for the installation of measures under PSDS3.
- 9 Regulation 72 (1) (a) of the Public Contracts Regulations 2015 provides that "contracts can be varied without a new procurement procedure In...the following case..:—
(a) where the modifications, irrespective of their monetary value, have been provided for in the initial procurement documents in clear, precise and unequivocal review clauses, which may include price revision clauses or options, provided that such clauses—
(i) state the scope and nature of possible modifications or options as well as the conditions under which they may be used, and
(ii) do not provide for modifications or options that would alter the overall nature of the contract.."

- 10 In making this variation the above conditions of Regulation 72 (1) (a) (i) & (ii) are deemed to be satisfied as provision is made for future works to be varied into this contract if/when funding became available during the contract period.
- 11 There is no overriding legal obstacle preventing the variation of this contract under CPRs 21.7 (variations) and the contents of this report should be noted. In making the final decision, the Director of Resources should be satisfied that the course of action chosen represents best value for money.

What are the key risks and how are they being managed?

- 12 The key risk relates to lead times for delivery of heat pumps to meet the pre-determined timescales of the funding provider, and to ensure we can carry out installs at convenient times for building users. The decisions taken as a consequence of report serve as a mitigation to the risk.

Does this proposal support the council's three Key Pillars?

Inclusive Growth Health and Wellbeing Climate Emergency

- 13 The works associated with this decision directly support the Climate Emergency and the Council's aspiration to be net zero carbon by 2030.
- 14 The replacement of ageing heating systems across the Council's corporate and school estate support improved working/learning environments contributing to Health & Wellbeing and Inclusive Growth for those operating in affected buildings and accelerate the rate of improvements in other buildings across the estate.

Options, timescales and measuring success

What other options were considered?

- 15 None. It was the intent of the contract as described in the drafting that it would be utilised for delivery of works should future funding be secured.

How will success be measured?

- 16 Success will be measured through the delivery of works within the timescales required.

What is the timetable for implementation?

- 17 The delivery timescale begins in April 2022 and runs until March 2023.

Appendices

- 18 None.

Background papers

- 19 None.