

Executive

Award of contracts for the Design, Supply and Installation of Photovoltaic Panels to Six Commercial Buildings for Cherwell District Council

5 September 2011

Report of Head of Regeneration and Estates and Head of Finance

PURPOSE OF REPORT

To seek approval to award six contracts for the Design, Supply and Installation of Photovoltaic Panels to six commercial buildings for Cherwell District Council.

This report is public

Appendix 1 to this report is exempt from publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972

Recommendations

The Executive is recommended to:

- (1) Award contracts for Lots 1, 2 and 6 to the companies identified in the exempt Appendix 1.
- (2) Subject to finalising negotiations with Parkwood Leisure Ltd and in consultation with the Lead member for Financial Management and the Head of Finance award contracts for Lots 3, 4 and 5 to the companies identified in the exempt Appendix 1.

Executive Summary

Introduction

Background

- 1.1 CDC is an authority striving to be amongst the best performing councils in the country. We believe that tackling energy use is rooted in improving our performance environmentally and financially. This project achieves excellent environmental objectives, energy savings and income generation with a good rate of return and value for money.

During 2010/11 this council has worked in partnership with the Carbon Trust to produce a five year carbon management plan. This large scale Photovoltaic (PV) procurement is part of that strategy and provides a clear route to income and savings for the next 25 years by making use of the Government promoted Feed in Tariff launched April 1st 2010. This is in line with Council policy to release capital assets in order to 'spend to save'.

At present CDC has one 14kWp solar PV array as part of the Thorpe Lane Depot redevelopment which has attracted strong interest from partners such as Parkwood Leisure Ltd Leisure, South Northants Council and our own community. Since commissioning (September 2010) the system has performed according to expectations.

The combined effect of these new installations should achieve £30,300 savings on electricity bills and £71,981 generated from the Feed In Tariff¹ in year one, security of supply and a saving of 198 tonnes of CO2 over 25 years. This is just over 3.6% of Cherwell's commitment to reduce energy by 22%.

The Council, therefore, wishes to take advantage of this unique opportunity in achieving its environmental targets whilst obtaining good value for money.

The Process

- 1.2 The Corporate Contracts Officer, the Corporate Facilities Manager and the Energy Officer, undertook an options appraisal of the possible routes to market. They took into account the experiences of a previous procurement exercise for two buildings in late 2010, when the Council was unable to appoint due to the poor tender responses received. It was considered however that the market had matured during the interim period and it was decided that by adding additional facilities to the tender it would make the project more attractive to the market. It was agreed, therefore, to commence a further restricted procedure tender to test the market for a much larger scale programme.
- 1.3 This procurement exercise commenced in April 2011 via advertisement with 18 companies submitting Pre-Qualification Questionnaires, eight of whom were consequently invited to tender. Of these companies seven submitted tenders, one was too expensive and so the remaining six were invited to clarification meetings. One company was eliminated at the clarification meetings but the remaining five submissions were judged to be of a high enough calibre to be considered.
- 1.4 The tender submissions were evaluated on the basis of 75% of marks for quality and 25% of marks for price. Sub-criteria included peak output, annual output, annual yield, capital cost, cost per kWpeak, over all savings & Feed-in-Tariff income, return on investment and payback periods. The clarification meetings were used to test the validity of the evidence provided in the written submissions.

Recommendations

¹ *The Feed-in-Tariffs scheme was introduced on 1st April 2010 to encourage deployment of low carbon electricity generation in return for a guaranteed payment for electricity generated.*

- 1.5 Please refer to Appendix 1 for the identity and reasoning behind the recommendations.

It should be noted that Lot 3 Spiceball Leisure Centre, Lot 4 Bicester Sports Centre and Lot 5 Kidlington and Gosford Sports Centre are all managed by Parkwood Leisure Ltd. These proposals are therefore subject to agreement with Parkwood Leisure Ltd with regard to the maintenance of the proposed PV system, any roof repairs, and any liability issues. A contract variation notice will need to be arranged to accommodate any changes. Agreement is currently being sought from Parkwood Leisure Ltd to accept the energy produced at an acceptable rate. It should also be noted that these proposals are subject to Listed Building Consent for Lot 1 and Planning Permission for all six lots.

1.6 Outcome

Costs

1. The total whole life cost of the project will be £1,117,972. This will include the design, supply and installation of the system, monitoring equipment and on going revenue costs (for 25 years).

Income and Savings

2. Guaranteed income will come from the index linked Feed-in-Tariff for the next 25 years. This is at £0.314 per kWh of electricity generated for Lot 1 and at £0.19/kWh for Lots 2-6. This is expected to be an income sum of £71,981 for year one.
3. Electricity savings are expected to be £30,341 for year one (at today's electricity rates).
4. This provides combined estimated income and savings of £102,322 for year one.
5. CO2 savings are expected to be 198tCO2 per annum for the life of the solar panels (25 years).
6. Using year one figures the average return on investment will be 9.2 with an average payback period of 11.1 years.

Revenue Costs

7. Maintenance: There are no maintenance liabilities to conform to warranties. Warranties are dependent on correct design and installation. However, following recommendations to ensure optimum performance, a budget of £500 a year per Lot has been allocated for cleaning solar panels (particularly panels installed under a 5 degree pitch). As well as a visual inspection of the entire system. This will reduce the total savings on an annual basis by £500 per Lot.
8. Other: In the event of a roof needing works in the next 25 years, a budget for decommissioning, removal, storage, reinstallation and re-commissioning has been allocated (at today's rates). It is not envisaged that any works will be carried out on Lots 1,2,3 and 5 as roofs are in sound condition or are relatively new (under 5 years). Lots 4 and Lots 6 have roofs that are older than 5 years. Structural roof surveys will be carried out on each Lot before any works are conducted.

Proposals

- 1.7 To accept the recommendations listed in 1.5 with Lots 3-5 to being subject to

completion of successful negotiations with Parkwood Leisure Ltd and the granting of the relevant listed building and planning consents.

The Executive are requested to award as recommended as on completion of successful negotiations with Parkwood Leisure Ltd the Council will be able to meet the Feed in Tariff installation completion deadline of March 2012 which is the main driver for achieving Value for Money for the Council from this project.

Conclusion

- 1.8 It is recommended that the Executive award the design, supply and installation of photovoltaic panels to the six commercial buildings for Cherwell District Council to the companies listed in the recommendation.

The approval of this Executive report will benefit the Council with a guaranteed income and savings. This is expected to be a combined sum of £102,322 for year one with a carbon reduction of 198t CO₂ per annum for the next 25 years. The Council will continue to benefit from these systems for a 25 year period but the actual savings will depend on fluctuating electricity costs and the manufacturer's efficiency factors applying to the panels as stipulated in the manufacturer's warranty i.e. 90% minimum power output guaranteed for 10 years and 80% minimum power output guaranteed for a further 15 years

This project is identified in Cherwell's Carbon Management Plan (approved by the May 2011 Executive) and will achieve approximately 3.6% of the overall 22% energy reduction target.

The Council will demonstrate leadership in the community on being environmentally conscious through good value for money procurement with an excellent return on investment. Energy generated will also increase the Council's security against future energy cost increases and allow energy budget savings.

Implications

Financial:

The output summary table detailed in Appendix 1 and summarised in 1.6 of this report details the capital and revenue costs associated with this project and the ROI and payback period. The annual income received is likely to improve over time as the feed in tariff is index linked over the 25 year life of the panels. In addition, the return is assessed against current electricity prices; the market expectation is that these will continue to increase at more than the rate of inflation

Comments checked by Karen Muir, Corporate System Accountant 01295 221559

Legal:

The recommendations in this report arise from a competitive tender process undertaken in pursuance of the Council's Contract Procedure Rules and other relevant public procurement rules and regulations.

Comments checked by Richard Hawtin, Team Leader Property and Contracts 01295 221695

Risk Management:

The anticipated return from electricity generated, and the feed in tariff, is to some extent weather dependent, but the experience from the existing installation at Thorpe Lane depot is that the estimated return has been achieved.

The risks associated with attaching panels to existing roofs will be mitigated by structural surveys to approve the roof load, fixing methods etc, and by warranties provided by the suppliers

Comments checked by Claire Taylor, Community and Corporate Planning Manager 01295 221563

Wards Affected

All

Corporate Plan Themes

Cleaner, greener and an accessible, value for money Council

Lead Members

Councillor Ken Atack, Lead Member for Financial Management,
Councillor James Macnamara, Lead Member for Environmental Services
Councillor Norman Bolster, Lead Member for Estates

Document Information

Appendix No	Title
1	Financial Appraisal and Proposed Contract Award (EXEMPT)
Background Papers	
N/A	
Report Author	Ken Fowler, Corporate Contracts Officer
Contact Information	Ken Fowler 01295 223749 ken.fowler@cherwell-dc.gov.uk David Wade 01295 227988 David.wade@cherwell-dc.gov.uk Chiko Wade 01295 221964 Chiko.wade@cherwell-dc.gov.uk