

**To:** Finance, Resources and Customer Services Policy Board

**On:** 5 June 2019

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**Report by:** Joint report by Chief Executive and the Director of Finance and Resources

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**Heading:** Contract Award: Design, Build and Operate of a Biomass Energy Centre at Underwood Road Depot (RC-CPU-18-271)

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1. **Summary**

- 1.1 The purpose of this report is to seek the approval of the Finance, Resources and Customer Services Policy Board to award two (2) individual Contracts for the Design, Build and Operate of a Biomass Energy Centre at Underwood Road Depot. The project comprises two (2) specific phases, Phase 1 includes the design and build of the biomass energy centre and Phase 2 includes the operation and maintenance of the biomass energy centre.
- 1.2 The recommendation to award these two (2) related Contracts follows a single procurement exercise which was conducted in accordance with Public Contracts (Scotland) Regulations 2015 and the Council's Standing Orders relating to Contracts the above EU Threshold Open Procedure for Supplies.
- 1.3 A Contract Strategy for these two (2) Contracts was approved by the Strategic Procurement Manager and the Head of Property Services on 11 March 2019.
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## 2. **Recommendations**

It is recommended that the Finance, Resources and Customer Services Policy Board:

- (a) authorise the Head of Corporate Governance to award these two (2) Contracts for the Design, Build and Operate of a Biomass Energy Centre at Underwood Road Depot for: Contract 1 (Phase 1 – Design and Build of the Biomass Energy Centre) and Contract 2 (Phase 2 – Operation and Maintenance of the Biomass Energy Centre) to Highland Wood Energy Ltd t/a HWEnergy;
- (b) authorise the award of Contract 1 (Phase 1 Design and Build of the Biomass Energy Centre) in the Contract Sum of £388,208.00 excluding VAT;
- (c) note the Contract 1 construction period is anticipated to be fourteen (14) weeks with completion of the Works on 31<sup>st</sup> January 2020, dates will be subject to change dependent on statutory consents;
- (d) note Contract 2 is dependent on the practical completion being achieved under Contract 1 and further authorise the award of Contract 2 based on a Heat Tariff of £46/MWh<sup>1</sup> and the Monthly Maintenance Biomass Tariff of £195.00 for a period of seven (7) years with the option by mutual consent to extend for a further three (3) years up to a maximum contract period of ten (10) years; this Contract 2 is anticipated to commence on 31 January 2020; A formal authorisation will be issued by the Council upon practical completion of Contract 1; and
- (e) note the award of the Phase 1 Contract is subject to the provision of Collateral Warranties as indicated within the tender documentation.

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## 3. **Background**

- 3.1 Contract 1 (Phase 1 – Design and Build of the Biomass Energy Centre) will involve the installation of a biomass energy centre and wood fuel store in the yard at Underwood Road between the vehicle workshop and taxi workshop. The biomass energy centre will connect to the buildings by means of a new district heating distribution pipework. In addition to provision of a relevant boiler, this pipework will be contractor designed and the contractor will also be responsible for all planning, building warrant, clean air act and other statutory requirements as well

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<sup>1</sup> MWh: Mega Watt per hour

as securing Renewable Heat Incentive (RHI) for the entire project under both Contract 1 and Contract 2.

Contract 2 (Phase 2 – Operation and Maintenance of the Biomass Energy Centre) will involve the supply of fuel to the biomass plant, operation and maintenance of the biomass equipment, heat supply and metering.

The entire project (Contract 1 and Contract 2) has been developed to deliver carbon savings, reduce net heating costs and improve resilience in the supply of heat to the Underwood Road Depot.

- 3.2 A single contract notice for both requirements was dispatched via the Public Contracts Scotland advertising portal to the Official Journal of the European Union (OJEU) and was published on 18 March 2019 with the tender documentation available for downloading from the Public Contracts Scotland – Tender platform on this date.
- 3.3 During the tendering period, thirty (30) companies expressed an interest in this opportunity. By the tender return date, 23 April 2019 at 12 noon, three (3) companies submitted a response, six (6) companies decline to respond and twenty-one (21) failed to respond. Tenderers were required to bid for both Contract 1 and Contract 2.
- 3.4 Tenderers were required to complete the European Single Procurement Document (ESPD) which contained the same pre-determined set of criteria for both contracts and was evaluated by representatives from Property Services, the Corporate Procurement Unit, Corporate Risk and Corporate Health and Safety. All tender submissions confirmed compliance with the minimum selection criteria set within the ESPD and progressed to the Award stage. The Award criteria were weighted at 30% Quality and 70% Price; As the cumulative price was of relevance to the Council, the evaluation was carried out as a total of both contract prices; similarly only one quality score was applied in respect of the submission across both contracts.
- 3.5 One (1) tender submission was excluded at award stage and deemed non-compliant due to a rating error within the price submission.
- 3.6 The scores relative to the Quality Criteria of the two (2) remaining tender submissions are noted below:

	Quality (30%)	Price (70%)	Total (100%)
<b>Highland Wood Energy Ltd t/a HWEnergy</b>	21.95%	70.00%	<b>91.95%</b>
<b>Alternative Heat Ltd</b>	27.50%	53.97%	<b>81.47%</b>

- 3.7 Based on the rates stated in section 2 (d) of this report, once operational under Contract 2, the annual running costs are likely to be in the region of £67,635 however this contract also generates forecasted annual RHI<sup>2</sup> income which will lower this figure. Were the Council not to replace the existing heating system, based on current figures the annual costs are in the region of £90,987. The spend under Contract 2 and related RHI income will fluctuate depending on the level of heat required throughout the year. It is forecasted that the total payback period for the Council to have a return on its capital investment will be 5.96 years. This is the basis on which tenderers commercial (price) submissions were evaluated.
- 3.8 The evaluation of tender submissions received identified that the tender submission by Highland Wood Energy Ltd t/a HWEnergy was the most economically advantageous tender.
- 3.9 Community Benefits were sought as part of the Contracts, Highland Wood Energy Ltd t/a HWEnergy has committed to the following:

Community Benefit Description	No of People / Activity
Industry Awareness Events	2
Financial Support for a Community Project	1
Non financial support for a Community Project	1

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## Implications of the Report

1. **Financial** – The budget for the delivery of the biomass boilers will be funded through the Lifecycle Capital Maintenance budget.

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<sup>2</sup> Renewable Heat Incentive

2. **HR & Organisational Development** – No TUPE implications.
3. **Community/Council Planning** –
  - Our Renfrewshire is fair - Tenderers were assessed within this procurement process in regard to their approach to ensuring fair working practices throughout their organisation and supply chain i.e. payment of the living wage, training and development opportunities etc.
  - Creating a sustainable Renfrewshire for all to enjoy - This contract will lower the cost of heating compared to business as usual using alternative fuel, making the vehicle workshop and taxi workshop more energy efficient.
4. **Legal** – The procurement of these Contacts was conducted in accordance with the Public Contracts (Scotland) Regulations 2015 and the Councils Standing Orders relating to Contracts.
5. **Property/Assets** – The installation of biomass boilers will extend the life of the existing gas boilers which will be provide back-up. It will also help reduce our carbon emissions as set out in the councils Carbon Management Plan and our Service Improvement Plan. The installation of biomass boilers will also provide revenue to the council in the form of the Renewable Heat Incentive (RHI) which provides income for 20 years for each kilowatt of heat generated.
6. **Information Technology** – No Information Technology implications are anticipated.
7. **Equality & Human Rights** -
  - (a) The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report because for example it is for noting only. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.

8. **Health & Safety** – Highland Wood Energy Ltd t/a HWEnergy's health and safety credentials are being assessed by Corporate Health and Safety.
9. **Procurement** – The procurement procedure outlined within this report shall ensure that the Council meets its statutory requirements in respect of procurement procedures, efficiency and modern Government.
10. **Risk** – Highland Wood Energy Ltd t/a HWEnergy's insurances are being assessed by Corporate Risk.
11. **Privacy Impact** – No Privacy Impact implications have been identified or are anticipated.
12. **Cosla Policy Position** – No Cosla Policy Position implications have arisen or are anticipated.

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### List of Background Papers

None

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