

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

**On:** 5 June 2019

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**Report by:** The Chief Executive

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**Heading:** Notification of Contract for Electricity Supplies / Connections for the Advanced Manufacturing Innovation District Scotland (AMIDS) core site at Netherton Farm authorised for award under clause 9.1j) of Standing Orders relating to Contracts

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**1. Summary**

- 1.1 The purpose of this report is to notify the Finance, Resources and Customer Services Policy Board of a Contract for Electricity Supplies / Connections for the Advanced Manufacturing Innovation District Scotland (AMIDS) core site at Netherton Farm authorised for award to SP Distribution Plc by the Project Director – City Deal on 25 March 2019 under clause 9.1j) of Council Standing Orders Relating to Contracts.
- 1.2 The contract for new electricity supplies and connections is required to address existing electrical power capacity constraints in the Advanced Manufacturing Innovation District Scotland (AMIDS) area, which if not addressed could constrain future investment and development in the site, thereby adversely impacting on the likelihood of achieving the full economic benefits predicted through establishment of AMIDS.
- 1.3 If the conditions of the Scottish Enterprise grant funding agreement could not be met, the Council would have been obliged to look at other potential funding sources to deliver these new supplies and

connections in order to ensure maximum benefit from the infrastructure investments through City Deal funding. There is no guarantee however that these works could have been wholly funded externally, thus exposing the Council to financial risk.

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## **2 Recommendations**

- 2.1 The Finance, Resources and Customer Services Policy Board is asked to note the information provided in section 3 of this report which details the contract for Electricity Supplies/ Connections for the AMIDS core site at Netherton Farm authorised for award by the Project Director – City Deal in accordance with clause 9.1j) of the Council Standing Orders Relating to Contracts.
  - 2.2 Note, that the grant contribution required the Council to conclude an agreement with SP Distribution Plc which secures the existing limited capacity in the AMIDS area, provides an additional 15.3 MW of electrical capacity through construction of a new primary sub-station, reduces risk of delay to the NMIS and MMIC projects and reduces risk of failure to attract future investment and development in the AMIDS area.
  - 2.3 Note that the duration of the agreement will be for a period of up to ten (10) years.
  - 2.4 The approved spend under the Contract is £3,546,199.68 exclusive of VAT.
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## **3 Background**

- 3.1 In March 2019, Scottish Enterprise (SE) approached the Council with an offer of grant funding of £2,472,807.05 exclusive of VAT for new electricity supplies and connections in the AMIDS area.
- 3.2 The offer made was conditional on the grant funding agreement being entered into by end of March 2019 and a supply and connections contract entered into and payments made by end of March 2019.

- 3.3 The offer was also conditional on the funding being used for provision of a 15.3 MW Primary Substation and connections for future users of the AMIDS sites.
- 3.4 Scottish Enterprise also proposed a second element of funding (to be covered under the same agreement) of a contribution to be used for design and construction of the public area at the heart of the AMIDS site. The contribution was only available if the grant agreement was accepted; the total agreement was for £4.95m.
- 3.5 This further expenditure for the Council will help ensure maximum economic benefit is derived from the infrastructure investments already within this area by enhancing the attractiveness of the area to future investors and developers.
- 3.6 The grant condition for awarding by end of March 2019 meant it was not possible within the timescales to seek authority from the Finance, Resources and Customer Services Policy Board in advance of awarding the Contract, as the next meeting was on 27 March 2019. To ensure the grant could be accepted and utilised, the Head of Policy and Commissioning approved the use of standing order 9.1j) of the Council's Standing Orders relating to Contracts and this retrospective report to the Policy Board.
- 3.7 The contract is for works and was procured using the Negotiated Procedure without Prior Publication of a Notice for contracts with a value below the EU Threshold (Utilities) for works in accordance with the Utilities Contracts (Scotland) Regulations 2016 and is therefore subject only to the requirements contained in the Council's standing Orders relating to contracts.
- 3.8 In accordance with standing orders 1.3 and 9.1j), the use of the negotiated procedure without prior publication was identified as a suitable route to market with consideration to achieving best value for the Council and acting in the spirit of the EU Treaty Principles of fairness, equal treatment, non-discrimination and transparency.
- 3.9 In accordance with the Council's Standing Orders relating to Contracts, a request to negotiate was approved by the Strategic Commercial Procurement Manager on 25 March 2019.

- 3.10 An objective assessment carried out by the City Deal team confirmed that the award of the contract to SP Distribution Plc, without competition, was the preferred procurement option because:
- there was limited scope for a price reduction through competition given that SP Distribution Plc is the local host distribution network operator (DNO) for the area and therefore is the only body permitted to carry out the majority of the supply and connection works.
  - it demonstrated best value to the Council in terms of minimising financial exposure for the Council through acceptance of time-constrained grant funding from Scottish Enterprise.
  - it addressed existing and potential future electricity capacity issues in the AMIDS area, therefore maximising the potential to realise the full economic benefits.
  - if offered the lowest risk of delay (and increased costs) for the Glasgow Airport Investment Area (GAIA), National Manufacturing Institute Scotland (NMIS) and Medicine Manufacturing and Innovation Centre (MMIC) construction contracts.
  - it offered the lowest risk of delay to opening / operation of NMIS and MMIC.

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## Implications of the Report

### 1. Financial

The contract value is funded in part by the Scottish Enterprise grant (£2,472,807.05) with the balance (including inflation costs for the duration of the agreement) funded by a combination of third-party contributions, a portion of the Scottish Enterprise contribution and the Council through alternative funding sources including land receipts generated through the sale or lease of land on Netherton Farm.

### 2. HR & Organisational Development

N/A

### 3. Community/Council Planning

- *Our Renfrewshire is thriving* – The AMIDS development will facilitate new development opportunities and business growth within Renfrewshire.
- *Reshaping our place, our economy and our future* - The NMIS and MMIC projects and wider AMIDS site will attract new development opportunities and business growth which it is estimated will result in thousands of additional new permanent jobs being created in Renfrewshire.

- *Working together to improve outcomes* - Officers are working closely with Scottish Government and Scottish Enterprise and other partners to take forward the delivery of the NMIS and MMIC projects which will anchor the AMIDS development.

4. **Legal**

The procurement exercise was conducted in accordance with the Council's Standing Orders relating to Contracts for a below EU Threshold (Utilities) works contract applying Utilities Contracts (Scotland) Regulations 2016 and standing order 9.1j) exemption and special arrangement due to the time limit in place to accept the grant contribution from Scottish Enterprise.

5. **Property/Assets**

Improves the attractiveness and developability of the AMIDS site for future developers.

6. **Information Technology**

No Information Technology implications have arisen or 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. 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**

SP Distribution Plc meet the minimum requirements regarding health and safety.

9. **Procurement**

The procurement procedures outlined within this report shall ensure that the Council meets its statutory requirements in respect of procurement procedure, efficiency and modern government.

10. **Risk**  
SP Distribution Plc meet the minimum requirements regarding insurable risks.
11. **Privacy Impact**  
No Privacy Impact Assessment requirements were identified within this procurement.
12. **Cosla Policy Position**  
No Cosla Position implications have arisen or are anticipated.
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