

Cabinet Report



Report of Head of Development and Corporate Landlord – Andrew Busby

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Wards affected: Wantage and Abingdon

Vale Cabinet member responsible: Cllr Andy Crawford - Cabinet member

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To: CABINET

Dates: Friday 8 March 2024

White Horse Leisure & Tennis Centre and Wantage Leisure Centre Salix Phase 3b Decarbonisation Projects

Recommendations

- (a) To approve the procurement process to appoint a main contractor in respect of the White Horse Leisure and Tennis Centre and Wantage Leisure Centre Salix Phase 3b decarbonisation projects following a two-stage procurement process.
- (b) To delegate to Head of Development and Corporate Landlord in consultation with the Head of Finance and with the Cabinet Member for Finance and Property to award the first stage Pre-construction Services Agreement following the completion of satisfactory design to Royal Institute of British Architects (RIBA) stage 4.
- (c) To delegate to Head of Finance in consultation the relevant Head of Service under the constitution to tender and award the contract for Stage 2 (a JCT Design and Build contract) to the most economically advantageous tenderer within up to a five per cent variation of the allocated budget approved by Council.

Implications (further detail within the report)	Financial	Legal	Climate and Ecological	Equality and diversity
	Yes	Yes	Yes	No
Signing off officer	Anna Winship	Pat Connell	Jessie Fieth	Equalities team

Purpose of report

1. To seek Cabinet approval to award of a main contractor in respect of the White Horse Leisure and Tennis Centre and Wantage Leisure Centre Salix Phase 3b decarbonisation projects following a two-stage procurement process by way of delegated authority to the Head of Development and Corporate Landlord in consultation with the Head of Finance and the Cabinet Member for Finance and Property.

Corporate objectives

2. “To tackle the Climate Emergency” to “Build Stable Finances”, and to support “Building Healthy Communities”.

Background

3. The Public Sector Decarbonisation Scheme (PSDS) Phase 3b was announced by Government on 2 August 2022. This scheme allows local authorities and other public sector bodies to apply for funding to install low carbon heating systems at sites where the heating systems are end of life.
4. The Council submitted a bid to install air source heat pumps and solar energy at two sites, WHLTC and WLC with insulation, glazing and pump motor improvements where required.
5. Following a successful bid process, a Grant Offer Letter (GOL) dated 16 January 2023 confirmed that the Department for Energy Security and Net Zero has made funding available of £5,992,916 to enable Salix Finance to assist Vale of White Horse District Council’s decarbonisation programme by carrying out both projects at the White Horse Leisure and Tennis Centre (WHLTC) and Wantage Leisure Centre (WLC).
6. The PSDS also required the council to cover the cost of a like for like fossil fuel heating system or a minimum of 12 per cent of scheme costs, whichever is the higher. The like for like cost for the combined Vale sites is around ten per cent of scheme costs, therefore a small additional council contribution was required to meet this criterion.
7. An ICMD was approved on the 20 January 2023, to accept the grant by way of a GOL for the terms set out as part of the grant and agreed the financial commitment of £2,154,831 towards delivery of both projects which is funded via Community Infrastructure Levy (CIL) and Oxfordshire County Council (OCC) contributions. This will in part be shared with OCC, who are required to contribute 50 per cent of costs toward projects at Wantage Leisure Centre, through a Joint Use Agreement, and agreed with

OCC property team as part of their budget spend. The financial commitment is broken down as follows:

	Project Cost	Grant Funding	VOWHDC Contribution	OCC Contribution
Wantage LC	£1,871,974	£1,376,894	£247,540	£247,540
White Horse LTC	£6,275,773	£4,616,022	£1,659,751	-
Total	£8,147,747	£5,992,916	£1,907,291	£247,540

8. The projects for both WHLTC and WLC are split in terms of the grant funding. Currently in Year 1 (2023/24) the council has a Salix PSDS Phase 3b grant of £1,822,332 to spend, and in Year 2 (2024/25) the grant remaining is £4,170,584. Unspent monies cannot be carried forward to future financial years.
9. Upon awarding the tender of a consultant the council received a formal procurement challenge following communication of the outcome to one of the unsuccessful bidders on 19 September. This challenge, whilst ultimately unsuccessful created an unforeseen delay in the consultancy award of around six weeks, which has impacted the procurement process.
10. Officers are now progressing with spending the Year 1 2023/24 grant of £1,822,332 and are seeking the employment of a main contractor. Officers are proposing to progress with the implementation stages of both White Horse Leisure and Tennis Centre (WHLTC) and Wantage Leisure Centre (WLC) decarbonisation projects under two separate contracts, outlined as follows:
 - Stage 1 is to carry out the technical design up to RIBA stage 4 for decarbonisation works at White Horse Leisure and Tennis Centre (WHLTC) and on Wantage Leisure Centre (WLC) through a Pre-construction Services Agreement, and then:
 - Stage 2 design and build construction works on the WHLTC installing Solar PV, Air Source Heat Pumps (ASHP) and WLC installing Solar PV, ASHPs, external insulated cladding and upgrading glazing.
11. The procurement for the services and works is being undertaken through a framework (PAGABO) and commenced on Friday 16 February 2024. The tender closes at 12 noon on Friday 8 March 2024. The Head of Development and Corporate Landlord is seeking a delegation in consultation with the Head of Finance and Cabinet Member for Finance and Property to award a Stage 1 contract, after bids have been evaluated. The contract award is expected to take place during week commencing 11 March 2024 to meet the timeframe /conditions of the Salix grant funding.
12. The below table outlines the timescales set within the Invitation to Tender (ITT) document which went out for procurement on Friday 16 February 2024 for the Stage 1 contract. Award is expected the week commencing Monday 11 March 2024 following an initial expressions of interest process.

Date / Time	Process
Friday 16 February 2024	Procurement Documents sent to potential bidders on Pagabo framework who expressed an interest in this opportunity.
Friday 8 March 2024 Midday	Deadline for submission of Quotation
w/c Monday 11 March 2024	Evaluation of quotations and selection of Bidder. Bidder Clarifications, if required
w/c Monday 11 March 2024	Internal approvals obtained and notification of award decision
w/c Monday 18 March 2024	Execution and Commencement of Contracts, publication of award and conclusion of procurement.

13. By entering into contract with a main contractor for Stage 1 will also allow the council to commit a five per cent retention charge to Salix forecasted in the financial spend in paragraph 18.
14. Following the tender challenge faced at consultancy stage and the resultant delays, officers have sought clarification from Salix if funds can be held over from one financial year to the next, especially as this is a multi-year project. After a number of requests to seek an extension Salix has confirmed the grant needs to be spent within the year they are allocated. An email from Salix dated 2 February 2024 confirmed:

“Salix administers PSDS funding on behalf of the Department for Energy Security and Net Zero (DESNZ), and we are bound by Treasury rules. A specific amount of funding has been made available for each financial year, and once the grant has been awarded and the Grant Offer Letter signed, the yearly spend for projects cannot be changed. Any unspent funds for the financial year will be marked as underspend and cannot be transferred or claimed at a later date.”

Options

15. Officers need to proceed with this contract award for Stage 1. The alternative options are either to delay the contract award and lose some of the Salix Phase 3b grant funding in Year 1, which would mean finding alternative funding to make up for the lost grant or reducing the scope of the works to match the reduced funding available. Alternatively, the council could decide to take a decision to terminate the project entirely. These options could leave the council as being seen less favourably for future grant success with Salix and would not deliver against the current approvals for the schemes.

Financial Implications

16. As set out above, the Salix Phase 3b grant £1,822,332 in year 1 cannot be rolled over into year 2. This means there is a risk the £1,822,332 Year 1 grant for WHLTC and WLC Centre will not fully be spent by 31 March 2024. Should this happen, the council will either need to find alternative funding to fund the gap itself, reduce the scope of the project, or terminate the project.
17. The delivery of both projects has revenue savings of £46,266 annually for WLC and £92,765 annually at WHLTC. Whilst the immediate impact may not be achieved in the current leisure contract these savings improve the operational delivery of the new contract from 31 August 2026.
18. A forecast of likely accruals return was submitted to Salix on 15 February 2024, along with a Schedule 5 Payment Request, for works completed to date at £165,993. Officers have forecasted further spend prior to current procurement exercise being concluded at £611,035, resulting in a remaining £1,045,304 in the Year 1 allocation.
19. By awarding to the main contractor in line with the timeline in paragraph 14 officers expect to be able to commit the majority of the remaining allocation for Year 1 2023/24.
20. Should the tender costs exceed the approved financial budget, officers will work with Salix and exercise a 'Change Request' under the terms set out in the GOL. This will be a request to deliver the project with further funding support from Salix in Year 2 of the grant or reduce the delivery of the programme and scope of works to ensure the project is delivered within the agreed budget available.

Legal Implications

21. The council has accepted the grant funding and is bound by the terms and conditions set out within the agreement unless varied by agreement with Salix. This means that if all the Year 1 funding cannot be committed within the financial year 2023/24 then the sum not committed is likely to be lost to the council. The Council is able to draw down from the PAGABO framework and is doing so by means of a mini competition.
22. Under section 3 Payment of the Grant. Item 3.5 mentions that in the event of any overspend by the council in its delivery of the project outside of the sums set out in the Project Programme, or awarded in each financial year, the amount of such overspend shall be met by the council from its own funds unless Salix, in its absolute discretion:
 - 3.5.1 agrees to increase the Grant by an amount equal to the overspend; or
 - 3.5.2 agrees to adjust the Project Programme and/or reduce the Measures so as to ensure that the remaining Grant is sufficient to meet the remaining costs require for delivery of the Project.
23. If the costs evaluated at tender stage breach the budget agreed subject to main contractor award and payment in Year 1 of the Salix grant, officers will work with legal and finance to ensure further options are explored under the terms set out within the GOL and meet with Salix to establish where conditions can be altered to support the budget available or terminate the project entirely.

Climate and ecological impact implications

24. The purpose of the delivery of both projects is to support the council to accelerate the delivery of its decarbonisation programme contributing to a reduction of approximately 25 per cent in carbon emissions across the council's assets and up to a 65 per cent carbon reduction at Wantage Leisure Centre and at White Horse Leisure and Tennis Centre.
25. Officers continue to work with the Climate and Biodiversity Team in completion of the Impact Assessment Tool in the delivery of both WHLTC and WLC projects.

Equalities implications

26. There are no anticipated equalities implications.

Risks

27. Should the award of a main contractor not be agreed within the timelines explained in the report then some of the Year 1 Salix grant will be lost. The process of a 'Change Request' will then need to be explored or an alternative decision would be to scale back or terminate the delivery of the project.
28. If the project is terminated future applications under the Salix grant process could be seen as less likely to be successful due to the background of the Phase 3b project being terminated and the resulting lack of confidence from Salix in the council being able to deliver decarbonisation project in the future.
29. With the recent procurement challenge faced during the consultancy tender there is always the potential risk to face a challenge during the main contractor award.
30. Direct project related delivery risks are agreed and part of the process of consultancy management during the process main contractor delivery.

Conclusion

31. As a result of the procurement challenge the council has not been able to progress the project as set out in the original timeline. To enable the council to maximise the agreed year 1 funding from Salix for this project officers have undertaken of a two-stage procurement process to ensure the appropriate award of a main contractor.
32. Officers are seeking Cabinet approval to award of a main contractor by way of delegated authority to the Head of Development and Corporate Landlord in consultation with the Head of Finance and the Cabinet Member for Finance and Property to enter a Pre-Construction Services Agreement for Stage 1 and the second stage for the full project delivery under a Joint Contracts Tribunal Design & Build contract, for the WHLTC and WLC. This will provide the best opportunity for the contractor to be able to complete the works in a timescale that allows the commitment of the grant funds available in Year 1 and deliver within the approved budget for the project.

33. A budget has been approved as part of the 2023/24 and 2024/25 council's financial years which includes the council's contribution via Community Infrastructure Levy funds and Salix Phase 3b grant. Bids from the current procurement exercise will only be accepted by the Head of Development and Corporate Landlord in consultation with the Head of Finance and Cabinet Member for Finance and Property if the cost summary is within the budget already in place. Acceptance will be within the parameters set in the Constitution which allows virements between budgets of up to £200,000 or five per cent of the total relevant budget (whichever is greater) within a year and between any relevant budgets or between budgets for capital projects.
34. Should the tenders returned on Friday 8 March 2024 exceed the agreed budget amount, officers will seek further support on the next steps and will need to liaise with Salix further. In the first instance Officers would be exercising the items set out under section 3 'Payment of the Grant' referred to in the legal section by seeking request for an additional grant from Salix to cover the shortfall in Year 2, or to adjust the project programme and measures to remain within budget, by amending the scope of the project that would impact on the level of carbon savings.

Background Papers

- Cabinet Report - Revenue Budget 2023/24 and Capital Programme 2023/24 to 2027/28 Cabinet approved Friday 3 February 2023
- Council Report - Revenue Budget 2023/24 and Capital Programme 2023/24 to 2027/28 Council approved Wednesday 15 February 2023