

JUBILEE 2 COMBINED HEAT AND POWER UNIT - APPOINTMENT OF SERVICES AND MAINTENANCE CONTRACTOR

Submitted by: Executive Director – Operational Services

Portfolio: Culture and Leisure

Ward(s) affected: All (particularly Town)

Purpose of the Report

To seek approval to enter into a five or ten year contract with an external provider to maintain and service the combined heat and power unit at Jubilee 2

Recommendations

(a) That a contract is entered into for the servicing and maintenance of the combined heat and power unit at Jubilee 2.

(b) That the Executive Director – Operational Services is authorised to accept the most economically advantageous tender following consultation with the Portfolio Holder for Culture and Leisure.

Reasons

To ensure the continuity of service of the Combined heat and power unit at Jubilee 2, resulting in the efficient use of energy, reduce revenue expenditure and assist the Council in reducing its carbon footprint.

1. Background

1.1 As part of the design and development of Jubilee2 coupled with the commitment by the Council to reduce the level of carbon emissions produced by its services, officers explored a variety of sustainable energy solutions as part of the design process. As a result it was determined that one of the most effective solutions was to include a gas fired combined heat and power (CHP) unit.

The benefits of including a CHP unit into the design of Jubilee 2 included the provision of heating to the building, the production of electricity as a bi product of the units operation, thus limiting the need to import electricity directly from the national grid during the day to day operation of Jubilee 2, delivering a reduction in carbon emissions on behalf of the authority.

The combined heat and power unit was commissioned during the handover period of Jubilee 2 in December 2011. At the time your Officers explored a number of options in maintaining the CHP unit and it was determined that the best option was to enter into a one year maintenance agreement with the manufacturer of the CHP unit, 'Ener-g', at a cost of circa £5,000, the contract for which will expire in December 2012, in association with the initial warranty period.

2. Issues/Progress Update

2.1 The CHP is currently operated in the region of seventeen hours a day as it has been identified that that it is more cost effective to import electricity when the Jubilee 2 facility is closed to the public.

- 2.2 Since the commissioning of the CHP unit in December 2011; to date the unit has generated 298,468 Kwh of electricity, 444,716 Kwh of heat, and delivered a carbon saving of 168,530KgC, and a revenue saving of around £28,000, contributing to the effective and efficient operation of the Jubilee 2 facility.
- 2.3 As previously noted in this report the current arrangements for the maintenance and servicing of the CHP unit are due to expire in early December 2012. Based on this information a procurement process has now commenced to appoint a contractor to maintain the CHP unit for a five or ten year period. It is envisaged the cost to enter into a contract with an external provider for the periods identified will be in the region of £50,000 - £100,000, dependant on the most advantageous contract term.
- 2.4 Given the significance of this appointment the procurement procedure has followed best practice guidelines with the opportunity being advertised nationally through contracts finder. The selection criteria for the appointment of the service provider will be based upon best practice and the Most Economically Advantageous Tender (M.E.A.T.) evaluating both quality and price. In this instance the ratio between quality and price was agreed at 60% quality and 40% price.

A detailed breakdown of the shortlisted companies will be provided for consideration at your meeting, where your Officers will recommend following completion of the evaluation the preferred Contractor seeking your endorsement. Officers have agreed as part of the procurement process and prior to formal award of contract to utilise a ten day standstill period.

3 **Proposal**

- 3.1 That Cabinet endorse the appointment of the successful contractor to service and maintain the CHP unit at Jubilee 2 for either a five or ten year period.

4. **Reasons for the Preferred Solution**

- 4.1 To ensure the continuity of service of the combined heat and power unit at Jubilee 2, contribute to the efficient use of energy, reduce revenue expenditure and assist the Council in reducing its Carbon footprint

5. **Financial and Resource Implications**

- 5.1 It is estimated that the annual cost of a maintenance and servicing contract will be in the region of £10,000. This can be met from the provision made within the annual revenue budget for Jubilee2.

The estimated cost is expected to be between £50,000 and £100,000 depending on whether a five or ten year contract term is chosen.

6. **Outcomes Linked to Sustainable Community Strategy and Corporate Priorities**

- 6.1 The effective operation and maintenance of the CHP unit contributes to the delivery of the Council's Strategic Priorities as set out in the Corporate Plan, in reducing the negative impacts the Council has on the environment.

7. **Legal and Statutory Implications**

- 7.1 The Council has a statutory obligation under the Climate Change Act to explore and

implement initiatives to reduce their Carbon emissions where applicable to do so.

8. **Equality Impact Assessment (EIA)**

8.1 Jubilee 2 has been designed as an inclusive facility that will seek to optimise access from all sections of the community. The decision in relation to appoint a contractor to maintain the CHP unit will not have any detrimental impact on the accessibility of services provided.

9. **Major Risks**

9.1 A full risk assessment/log will be developed in conjunction with the Council's Corporate Risk Manager and the contract will be subject to regular review and can be supplied on request.

10. **Key Decision Information**

10.1 The estimated total cost of £50,000-£100,000 for maintaining and servicing the CHP unit over a five or ten year contract will be met on a pro rata basis from the revenue budget as per the previously agreed business plan for Jubilee2.

11. **Previous Cabinet Decisions**

None

12. **List of Appendices**

None