

REPORT OF  
The Strategic Director for Place  
TO  
Procurement Board  
ON  
3<sup>rd</sup> March 2021

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TITLE: Approval for an Exception to Contractual Standing Orders to award a contract for the installation of Air Source Heat Pumps to Rothwell Group in support of the Greater Manchester Regional Heat and Energy Decarbonisation Delivery Scheme.

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RECOMMENDATION:

That the Procurement Board approves an exception to Contractual Standing Orders as permitted within the City Council Constitution for the reason(s) highlighted in the table below and the award of the Contract for the installation of Air Source Heat Pumps to Rothwell Group as detailed in the table below:

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Detail required	Answers
Title/Description of Contracted Service/Supply/Project	Installation of Air Source Heat Pumps in support of the Greater Manchester Regional Heat and Energy Decarbonisation Delivery Scheme
Name of Successful Contractor	Rothwell Group
Supplier Registration Number (to be supplied by Corporate Procurement)	03382494
Type of organisation (to be supplied by Corporate Procurement)	Private Limited Company
Status of Organisation (to be supplied by Corporate Procurement)	SME
Contract Value	£4,275,691.18   Full Project
Contract Duration	6 months
Contract Start Date	01/04/2021

<b>Contract End Date</b>	30/09/2021	
<b>Optional Extension Period 1</b>	6 months	
<b>Optional Extension Period 2</b>	N/A	
<b>Who will approve each Extension Period?</b>	Procurement Board (extension > £150k)	
<b>Contact Officer (Name &amp; number)</b>	Majid Maqbool	
<b>Lead Service Group</b>	Place	
<b>Reason for CSO Exception</b> (select all that apply)	The goods / services / works are only obtainable from one provider and there is no other provider available to allow genuine competition <input type="checkbox"/>	
	The execution of works or the supply of goods or services is controlled by a statutory body <input type="checkbox"/>	
	Delivers Best Value to the Council <input type="checkbox"/>	
	Special education, health or social care contracts, if it is considered in the Council's best interests and to meet the Council's obligations under relevant legislation <input type="checkbox"/>	
	The execution of works or the supply of goods and services is required so urgently as not to permit compliance with the requirements of competition <input checked="" type="checkbox"/>	
	Security works where the publication of documents or details in the tendering process could prejudice the security of SCC and Salford residents <input type="checkbox"/>	
	Procurements made through, or on behalf of, any consortium, local authority, statutory or similar body, provided that tenders or quotations are invited and contracts placed in accordance with national or EU legislation. <input type="checkbox"/>	
<b>Funding Source</b>	Grant	
<b>Ethical Contractor</b>	Mayor's Employment Charter	<input type="checkbox"/>
	Committed to sign up to the Charter	<input type="checkbox"/>
	Accredited Living Wage Employer	<input type="checkbox"/>

## EXECUTIVE SUMMARY:

The purpose of this report is to request an exception to Contractual Standing Orders to approve the award of a contract for the installation of Air Source Heat Pumps to Rothwell Group in support of the grant funded Greater Manchester Regional Heat and Energy Decarbonisation Delivery Scheme.

Salford City Council has been part of a consortium bid, led by the Greater Manchester Combined Authority (GMCA), in preparation for the bid the GMCA applied for Low Carbon Skills Fund in order to secure 100% grant funding for Heat or Solar PV studies to confirm suitability of the site for the proposed installations. They secured c £1m for the studies and SCC secured over £70k for 38 surveys on our 23 sites.

The GMCA procured the Heat Studies into the Air Source Heat Pumps through the Procure Plus Framework and the Rothwell Group. Phase 1 works were managed and delivered by GMCA through this framework and the commission also included the option to commission design and installation (Phase 2) if the bid was successful.

The Phase 2 of the project is to be managed and delivered through the same Procure Plus framework that was commissioned by the GMCA but with the contract terms and management by Salford City Council. The Council have direct access to this framework and this is a compliant procurement route.

Contract award to Air Source Heat Pumps to Rothwell Group will support in the delivery of all installation works within the 6 month project timescales, grant funding and spend is dependent upon practical completion on site by Sept 21, with this tight timescale it is essential Salford is in a position to award the contract quickly. Award to Rothwell will also provide continuity of service from phase 1 works into phase 2 and will prove economically beneficial as Rothwell have completed detail design and costings which can be held into delivery of phase 2.

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#### BACKGROUND DOCUMENTS:

Five year environment plan for Greater Manchester.

Salford's Climate Change Strategy - Creating a city prepared for the future.

Decision taken by Paul Dennett, City Mayor at the Property/Regeneration Briefing on 25th January 2021 to approve the participation of Salford City Council in the Greater Manchester Regional Heat and Energy Decarbonisation Delivery Scheme.

Report submitted at the Property/Regeneration Briefing on 8 February 2021 and subsequent decision taken by Paul Dennett, City Mayor to approve the continued participation of Salford City Council in the Greater Manchester Regional Heat and Energy Decarbonisation Delivery Scheme. Approval was also granted for the acceptance and signing of a Grant Funding Agreement, once it has been received and in line with the bid made to the funder.

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#### KEY DECISION: Yes

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#### DETAILS:

The Greater Manchester's 5-Year Environment Plan sets out GM's long-term environmental vision. The plan sets out urgent actions that need to be taken in the next 5 years to help achieve this carbon neutrality. On 17 July 2019 the council unanimously declared a Climate Emergency underlining the seriousness of the need to mitigate climate change.

Grant funding from the £1 billion Public Sector Decarbonisation Scheme fund has been sought to 100% fund the proposed investments from Salix as the funding body and Department for Business, Energy & Industrial Strategy (BEIS). As part of a consortium bid with 15 GM partners, the GMCA applied for £80.7m of grant funding on 23rd November 2020.

The funding is to deliver installation of heat decarbonization and energy generation technologies across the public estate. The intended outcome of this project is to decarbonise the heating and increase local renewable energy generation, as well as stimulate growth within the green economy. The outcomes from the proposed project will also contribute towards Greater Manchester's target of becoming a carbon-neutral city region by 2038.

As one of the partners in the bid, Salford City Council applied for the installation of 11 solar PV, and 12 Air Source Heat Pumps, across 21 Salford City Council owned sites. We have applied for 100% grant funding and the total value of the works will be £5.26m, with the Air Source Heat Pump installations costing £4,275,691 as detailed below:

<b>Site</b>	<b>Project Costs</b>	<b>Additional Contingency</b>	<b>Total Cost</b>
Civic Centre	£1,676,764	£50,000	£1,726,764
Broughton Hub	£1,248,246	£25,474	£1,273,721
Clifton Country Park	£22,083	£450	£22,534
Blackleach Country Park	£29,340	£598	£29,939
Salford Sports Village	£497,742	£10,158	£507,900
Whittle Street CH	£45,187	£922	£46,109
Cleavley Track	£202,065	£4,123	£206,188
Winton Pavilion	£69,729	£1,423	£71,152
Patricroft Pavilion	£73,034	£1,490	£74,524
Guildhall CC	£180,331	£3,680	£184,011
Northfield CH	£25,298	£516	£25,815
St Simon Street	£104,888	£2,140	£107,029

All works relating to the supply, installation and commissioning are to be carried out by Rothwell Group, and the installations have to be delivered by September 2021 in order to be eligible for the grant funding.

Savings will consist of a combination of technologies that are to be incorporated into the new heating designs for each site. A summary of technology types and anticipated energy and carbon savings that were outlined within the Salix bid toolkit are summarised as follows:

<b>Technology Type</b>	<b>Saving (kWh)</b>	<b>Saving (Tones Co2)</b>
Air Source Heat Pumps	699,026	88.1

Building Energy management Systems (BEMS)	210,686	39.3
Heating Controls	179,367	33.6
Insulation (cavity wall)	26,440	5.7
Insulation (new glazing)	26,440	5.7
Insulation (loft)	13,049	3.2
Insulation (pipe)	637,682	119.4

It is anticipated that total energy saving will be 1,792,690kWh, with total carbon savings of 295 tonnes through the elimination of gas usage at 8 sites and oil at 2 sites. Ongoing monitoring of savings will be carried out following post implementation of all projects for a period of 3 years as part of the scheme in order to monitor the results and ensure the saving target of £500/tonne of carbon is achieved.

#### Rothwell Group:

Rothwell Group is a Greater Manchester based company. Appointment of them to this GM wide scheme demonstrates a level of social value within the contract both as a local provider and employer. This sector is also considered to be an emerging one, which will benefit from schemes of this size being delivered locally by GM regional specialists.

Selection of Rothwell Group for this contract, is a continuation of the joint Phase 1 & 2 commissioning arrangements which the GMCA put in place through the Procure Plus framework and is related to the completed phase 1 feasibility studies they carried out in support of the joint GM funding application.

They completed detailed design and feasibility surveys at the 12 Air Source Heat Pump sites across Salford City Council's estate, provided survey reports inclusive of; structural assessments, detailed energy data (current usage and projected savings), equipment design drawings and detailed installation, commissioning and systems management specifications.

Following a successful grant funding application to Salix Finance for phase 2: design and installation, we are now looking for an exception for Salford City Council to award the contract for these works to Rothwell Group using the procurement that the GMCA initiated through the Procure Plus framework.

This next phase would be a one-off 100% grant funded capital project dependent on completion within a strict timescale. Contract award to Rothwell Group will put Salford in the best position to be able to complete all Air Source Heat Pump installation works by Sept 21.

#### SOCIAL VALUE:

Social value activity is provided as a measurable element through the Procure Plus Framework which Rothwell Group are signed up to. Subject to the award of the contract, Rothwell Group will confirm proposed activity under the social value guidance within the framework e.g. the employment of additional staff members and providing job specific accredited training, which would be in line with the aim of the grant fund in

the Chancellor's 'Plan for Jobs 2020'. Support from the Procure Plus framework can be provided to suppliers with access to Re:vision the charity subsidiary of Procure Plus, assisting local people into sustainable employment.

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#### KEY COUNCIL POLICIES:

- Five-year environment plan for Greater Manchester
  - Salford's Climate Change Strategy – Creating a city prepared for the future
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#### EQUALITY IMPACT ASSESSMENT AND IMPLICATIONS:-

Not applicable.

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#### ASSESSMENT OF RISK:

Risks have been evaluated and considered both at a project level (Air Source Heat Pump installation) and at scheme level (Greater Manchester Regional Heat and Energy Decarbonisation Delivery Scheme).

Procurement of necessary specialist contractors to deliver the installations was identified at an early stage as a potential risk. Numbers of specialists in this sector are growing but at a slow rate so it can be difficult to secure a single contractor for a project this size. Competition for contractors was also a key consideration with other GM partners also looking to secure specialists on similar projects. Mitigation for this risk was to engage in procurement activities at the earliest opportunity to give Salford the best chance at securing the specialist contractor required.

During site delivery/installation works disruption to Council Services during this time is a considered and measured risk. Mitigation for this is to complete detailed reviews of feasibility reports/surveys to identify possible disruptions, installation duration, key usage of sites and then to implement reduction measures. The impact of COVID 19 is also a key consideration to be factored in but could mean reduced usage of buildings, the team will work closely with colleagues in Property Services to manage this.

Overall delivery of the Greater Manchester Regional Heat and Energy Decarbonisation Delivery Scheme within the Sept 21 timescales is a potential risk and a delay in this contract award could also prove to be significant both at a project and scheme level.

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#### SOURCE OF FUNDING:

Public Sector Decarbonisation Funding - Grant

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## LEGAL IMPLICATIONS:

Ordinarily when commissioning contracts for the procurement of goods, services or the execution of works the Council as a 'contracting authority' must comply with the Public Contract Regulations 2015 (PCR) as well as the provisions of its own Contractual Standing Orders (CSO's), Financial Regulations and the duties of Best and Social value. In addition, whilst these services fall within the "light touch regime", the PCR require that contracting authorities treat candidates equally and in a non-discriminatory way and act in a transparent manner, failing which the award of a contract may be subject to legal challenge.

However, in exceptional circumstances where CSO's permit, the Council may dispense with strict compliance of its CSO's, and the report sets out the reasons for the request for the exception, in accordance with paragraph 3.1 of CSO's. Whilst exceptions to CSO's may be authorised by an approval from the Procurement Board, there is still a risk of challenge from aggrieved providers if the usual tender process has not been followed on the basis that it ought to have been advertised and put out to competition.

The risk of challenge increases with the value and duration of a proposed contract being awarded. The report sets out the reasons for the need to enter this contract, the benefits and the social value to the Council, and also states the reasons for the request for exception, such as the urgency required in appointing Rothwells and the specialist nature of the services.

The Council is also under a best value duty to carry out its functions economically, efficiently and effectively with the objective to achieve value for money in all public procurement. The Council has considered the circumstances in this matter and concluded that the recommendation to award the contract to Rothwells. Is considered to be of least risk and of most benefit to the Council.

Also Regulation 32 of PCR allows a direct award of a contract without publication (a direct award) "(b) where the works, supplies or services can be supplied only by a particular economic operator .... (because) competition is absent for technical reasons" if it could be seen that Rothwells are a unique provider , or (c) insofar as is strictly necessary where, for reasons of extreme urgency brought about by events unforeseeable by the contracting authority, the time limits for the open or restricted procedures or competitive procedures with negotiation cannot be complied with", so if a genuinely urgent situation, this could be argued.

Supplied by: Tony Hatton

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## FINANCIAL IMPLICATIONS:

Further to the report submitted at the Property/Regeneration Briefing on 8 February 2021 and approval the continued participation of Salford City Council in the Greater Manchester Regional Heat and Energy Decarbonisation Delivery Scheme.

Salford City Council's proposals include the installation of 11 solar PV, and 12 Air Source Heat Pumps, across 21 Salford City Council owned sites, set out in this report.

As per the bid submission, the schemes are fully grant funded totalling £5.260m, with the Air Source Heat Pump installations costing £4,275,691.

Subject to the grant being secured, approval to award the Contract for the installation of Air Source Heat Pumps to Rothwell Group.

Should the grant not be approved, completed feasibility studies at all sites would be available to peruse future funding opportunities and additional reports will be required to draw down against approved invest to save resource, USB in the approved place capital programme.

Supplied by: Natalie Birchall

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#### PROCUREMENT IMPLICATIONS:

GMCA applied for Low Carbon Skills Fund in order to secure 100% grant funding for Heat or Solar PV studies. They secured c £1m for the studies and SCC secured over £70k for 38 surveys on our 23 sites.

GMCA have utilised the Procure Plus Framework to engage a supplier for this project. The Procure Plus Framework is a compliant route which complies with SCC standing orders.

SCC will claim back the monies from the grant monies obtained by GMCA as part of Greater Manchester's 5-Year Environment Plan.

Supplied by: Heather Stanton

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HR IMPLICATIONS: Not applicable.

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#### CLIMATE CHANGE IMPLICATIONS:

This Project is in line with the ambitions of the GM 5 year environment plan. Salford has put forward 11 solar PV projects and 12 heat pump systems as part of the decarbonisation of the public estate work. The installation of Solar PV will result in revenue savings on electricity. The solar works will contribute to the GM target to install 45MW of renewable power to the grid. This along with the heat pumps will save carbon from the operation of all these Salford's building.

Supplied by: Mike Hemmingway

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OTHER DIRECTORATES CONSULTED:

Not applicable

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CONTACT OFFICER: Majid Maqbool

TELEPHONE NUMER: 0161 607 6987

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WARD(S) TO WHICH REPORT RELATE(S):

All

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