

Report for Resolution

Report to Cabinet
21 September 2011

Report of Director of Regeneration & Development

Subject Award of contract for the installation of photovoltaic panels to council homes

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Purpose

The purpose of this report is to advise Cabinet of the tender process for the installation of photovoltaic panels (PV) to council homes and seek approval for delegated authority to award the contract.

Recommendations

To delegate to the director of regeneration and development, in consultation with the head of finance and portfolio holders, authority to award the contract subject to a satisfactory evaluation process.

Financial Consequences

The award of this contract will result in additional income to the Council (the use of which was outlined in the report to cabinet on 27th October 2010). The actual income is unknown at this stage and will be part of the supplier's tender submission.

In addition to the above as this is a service concession arrangement, there will be complex accounting issues which will require specialist advice costing around £5K to £10K.

Risk Assessment

1) Risk of challenge from unsuccessful or other suppliers.

The tender process will either follow an open process or make use of a new framework agreement which is currently being reviewed with award criteria being based on the most economically advantageous tender, but there is always a risk of challenge from unsuccessful suppliers.

2) Risk of supplier failure

There is a risk that the appointed supplier could fail during the life of the contract. Whilst the initial installation will be relatively short the contract period will be for 25 years. Clearly with a contract period of this length the risk of supplier failure increases, however the impact of a supplier failure is relatively low as the PV installations will still function and provide tenants with free electricity until they fail due to a lack of maintenance (assuming the business is not sold on). The real risk would be that the income from the supplier may stop, which may affect any work

this may fund. It is also worth noting that the Council is not investing in the supplier.

3) Risk of reduced feed-in tariff post April 2012

The risk is that there is limited time to install the required number of systems in order to gain the current feed-in tariff before the tariff is reviewed. This may lead to a reduced number of suppliers tendering on the basis that they do not feel the project is deliverable in the time.

4) Risk of damage to Council assets & obstruction of access for future maintenance

There is a risk that damage/future maintenance liabilities to the property could result from the installation of the system and of obstructions in terms of access for future maintenance works or complete re-roofing. This risk is mitigated by the contract management processes and procedures (that will be managed in-house) and by restrictions, indemnities and damage clauses that are included within the contract conditions and specification. NPLaw are advising on this aspect and finalising contract conditions on the Councils behalf.

In addition properties that are not programmed for re-roofing works within the term of the lease period will be prioritised where possible.

5) Risk to future council house sales

There may be legal implications in respect of future 'right to buy' applications from current tenants. In order to mitigate any such risk we have contacted other authorities who have awarded/are in the process of awarding similar contracts in order to assess how this has been covered in their contracts, and NPLaw are drafting appropriate clauses for inclusion within the Councils contract conditions.

Strategic Priority and Outcome/Service Priorities

The report helps to meet the strategic priority "Safe and healthy neighbourhoods – working in partnership with residents to create neighbourhoods where people feel secure, where the streets are clean and well maintained, where there is good quality housing and local amenities and where there are active local communities" and the service plan priorities.

Executive Member: Councillor MacDonald - Housing

Ward: All

Contact Officers

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Background Documents

Report to Cabinet 27 October 2010, "PV for free – Installing photovoltaic solar electricity systems in council homes"

Report

Background

1. In July 2009, the government presented the new Feed-in Tariff (FIT) Programme or “Clean energy cash back”. The three main benefits of this programme are:
 - The generation tariff – This is a guaranteed payment to the owner of the PV system for energy kW of energy produced over the next 25 years. For all installations completed by 31st March 2012, this will be fixed at 41.3p per unit for the remaining lifetime of the FIT.
 - The export tariff – This is a guaranteed payment (currently 3p per unit) for every unit of energy that is generated but not used by the household and thus is exported back to the grid. At present this cannot be measured accurately and a figure of 50% of all generated electricity is used to calculate payment.
 - Free electricity – The average household could save between £100 and £200 per year on their energy bills as a result of having a PV system installed.
2. As part of this programme, Norwich City Council intends to appoint a supplier to supply and install PV solar energy systems to approximately 3,000 Council owned properties on a “PV for Free” basis.
3. Essentially this approach involves Norwich City council “leasing” out the roofs of council homes to the successful supplier who then installs and maintains the PV panels for the next 25 years and in return the supplier receives the FIT. The Council will benefit from “income” from the supplier (including the export tariff) but the exact amount is not known at this stage as it forms the basis for the “price” element of the tender submission.
4. Tenants in properties where the systems are installed will then benefit from free electricity with priority being given to those in areas of greatest fuel poverty.
5. Approval for delegated authority to the Director of Regeneration & Development to make an award is now being sought in order to speed up the approval process and minimise delays in delivering this work.

Tender process

6. An open tendering process will be used. This is the quickest competitive process and will be used in order to reach a conclusion at the earliest opportunity. An alternative is a new framework agreement where suppliers have already been through the pre-qualification process. This is currently being investigated and if this agreement is suitable will provide an even quicker route to appointing a supplier. If the framework agreement is not suitable then the open process will be as follows.
7. A notice will be placed on the national portal Contracts Finder (Business link)

and we will use the NCC supplier database (though unlikely to have any relevant suppliers) inviting tenders.

8. Suppliers will be asked to submit details of their company in terms of finance, contractual matters, insurances, quality assurance, environmental standards, equality and diversity policies, references and previous experience and these will be evaluated to see if there are any reasons to disqualify the supplier from the process.
9. At the same time suppliers will submit details of how they would meet the requirement for the work required and the income they will guarantee to the Council over the contract period. These will be evaluated at the same time as the company details.

Tender evaluation

10. The tender evaluation process requires suppliers to submit method statements to explain how they will deliver the work and meet requirements such as customer care etc, which is known as the “quality” element of the bid. The responses given are then evaluated against pre-determined criteria with scores being allocated for each question. At the same time the income offered by each supplier to the Council is ranked in order and scores then allocated for each supplier. Both scores are then added together to give a final outcome and a preferred supplier.
11. The evaluation criteria are stated in the tender documents as the most economically advantageous tender, i.e. the submission that presents the best combination of quality and price (or income in this case).

Tenants will be included in the evaluation of the submissions.

Evaluation results

12. It is anticipated that the results of the evaluation will be known by the end of October 2011 but an exact date will depend on how many tenders are received.

Finance

13. As mentioned in the ‘Financial Consequences’ section of this report the award of this contract will result in an income to the Council, however until the contract is awarded the level of income will not be known as this forms part of the evaluation criteria.