

Crawley Borough Council

Report to Overview and Scrutiny Commission 24th June 2019

Report to Cabinet 26th June 2019

District Heat Network – Operations, Maintenance and Billing Contract

Report of the Head of Major Projects and Commercial Services - **HPS/20**

1. Purpose

- 1.1 This report seeks approval to commence procurement for the appointment of an Operations, Maintenance and Billing Contractor for the Town Centre District Heat Network (DHN). It is further recommended that authority to appoint the contractor, once the tender exercise is complete, is delegated to the Head of Major Projects and Commercial Services and the Head of Corporate Finance, in consultation with the Cabinet Member for Environmental Services and Sustainability and the Leader.

2. Recommendations

- 2.1 To the Overview and Scrutiny Commission:
 - 2.1.1 That the Commission consider the report and decide what comments, if any, it wishes to submit to the Cabinet.
- 2.2 To the Cabinet
 - 2.2.1 The Cabinet is recommended to:
 - a) Approve the undertaking of a procurement exercise to enable the appointment of an operations, maintenance and billing contractor for the town centre DHN.
 - b) Delegate authority to the Head of Major Projects and Commercial Services to undertake the procurement exercise to appoint the Operations, Maintenance and Billing contractor for the town centre DHN in accordance with the Council's Procurement Code. (Generic Delegation 7 will be used to enact this recommendation)
 - c) Delegate authority to the Head of Major Projects and Commercial Services and the Head of Corporate Finance, in consultation with the Leader of the Council and the Cabinet Member for Environmental Services and Sustainability to enter into a contract with the most advantageous bidder, once the tender exercise is complete.

3. Reasons for the Recommendations

- 3.1 Operations, maintenance and billing functions associated with a District Heat Network are specialist functions, appropriate experience for which does not currently exist 'in house'. The recommendations will enable a procurement exercise to be undertaken to appoint a suitable qualified and experienced contractor to undertake these functions on behalf of the Council.

4. Background

- 4.1 On 8th February 2017, the Cabinet considered report DEC/02 on the town hall redevelopment site and made recommendations to Full Council. The Council approved recommendations to facilitate the development of a town centre District Heat Network through the development of an energy centre and associated plant as part of the town hall redevelopment with the capability of being expanded in due course. The report noted that the development of the DHN would be subject to approval of a separate business case in due course.
- 4.2 The DHN Business Case was considered by Cabinet on 31st October 2018 (Report Number HPS/15) and Cabinet made recommendations to Full Council to approve a capital budget for the development of the town centre DHN. Planning approval for the DHN was granted in November 2018
- 4.3 The Developed Design pack (Stage 3) was completed in March 2019 and this was issued as part of the design and build tender material for the appointment of the contractor to construct the DHN. The design and build tenders have been submitted and are currently being evaluated. Once the agreed design and build contractor has been confirmed, the Business Case will be reviewed to ensure compliance with the business case approved by Cabinet and Council in October and November 2018 respectively.

5. Description of Issue to be resolved

- 5.1 The Design and Build of the DHN is programmed for practical completion in June 2020, in time to serve the town hall redevelopment phase 1 residential scheme (the affordable housing block). It will be helpful for the Council to have appointed a suitably experienced Operations, Maintenance and Billing Contractor in advance of the practical completion to enable this contractor to form part of the testing, commissioning and sign off of the DHN plant.
- 5.2 To enable the Operations, Maintenance and Billing contractor to be appointed by June 2020, the Council will need to advertise the tender opportunity by August 2019. Approval is therefore sought to commence the tender process to ensure progress is made in accordance with the project programme. Delegating authority to appoint the contractor once the tender exercise is complete will shorten the overall tender and appointment programme to ensure the contractor is appointed in advance of the design and build practical completion.

6. Information & Analysis Supporting Recommendation

- 6.1 Operations, maintenance and billing functions associated with a DHN are specialist functions for which the Council does not currently hold relevant expertise 'in house'.

With very few exceptions, DHN operations, maintenance and billing is undertaken by specialist contractors. Such contractors are typically able to deploy significantly greater resource in developing common operating procedures and customer service standards than single site operators. This scale will typically provide efficiency savings and ensure greater consistency and compliance.

7. Implications

- 7.1 There are no immediate implications associated with the recommendations to commence procurement and to delegate the approval of the contractor appointment. The recommendations enable the DHN project to progress in accordance with the project programme and ensure the contractor is appointed to assist with the testing and commissioning process.
- 7.2 The tenders for the Design and Build of the DHN are currently being evaluated. Once the tender evaluation is complete, a review of the business case will be undertaken to ensure the capital costs and projected revenue returns accord with those provided in the Business Case in October and November 2018. At that point, should either the capital cost or the projected revenue return not be acceptable to the Council, the option to cancel the DHN project remains open. In that scenario, the heating systems for the respective commercial and residential schemes associated with the town hall redevelopment would be redesigned to stand alone schemes. The Operations, Maintenance and Billing Contractor procurement would cease at that point. It is anticipated that the outcome of the DHN Design and Build tender and the capital and revenue business case implications will be understood by July 2019.

8. Background Papers

None

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