



Cabinet
21 July 2014

**Report from the Strategic Director of
Regeneration and Growth**

Wards Affected:
ALL

**Authority to award contract for bio-fuel supplies for Brent Civic
Centre CCHP plant**

1.0 Summary

- 1.1 This report requests authority to award contracts as required by Contract Standing Order No 88. This report summarises the process undertaken in tendering this contract and, following the completion of the evaluation of the tenders, recommends to whom the contract should be awarded.

2.0 Recommendations

- 2.1 That Members note that for the reasons detailed in paragraph 3.6, it is proposed that the price is fixed for 3 years with indexation of the annual price in subsequent years.
- 2.2 That Members award the contract for bio-fuel supplies for Brent Civic Centre CCHP plant to Fleetsolve Limited.

3.0 Detail

Background

- 3.1 This report concerns the contract award for bio-fuel supplies for Brent Civic Centre combined cooling, heat and power (CCHP) plant.
- 3.2 CCHP refers to the simultaneous generation of electricity and useful heating and cooling from the combustion of a fuel utilising the necessary plant equipment to produce electricity, heat and cooling in one single, highly efficient process.

- 3.3 Fleetsolve Ltd supplied, fitted and maintained the CCHP unit at Brent Civic Centre, as a sub-contractor to Skanska, the main building contractor. At the time of the contract negotiations for the Fleetsolve CCHP solution in March 2012 there was a proposed maintenance arrangement and fuel supply arrangement put forward by Fleetsolve Ltd. At that time it was agreed to revisit these arrangements and to finalise agreements once the building had been completed and handed over to the Council to manage. Since this time the maintenance contract element has been agreed and put in place by Europa FM services as part of their requirements under the Total FM solution. A term contract for the fuel supply remains outstanding.
- 3.4 Fleetsolve Ltd currently supplies the fuel for the Civic Centre CCHP unit under a temporary contractual arrangement. In the absence of a permanent fuel contract in place the council has continued to purchase fuel under the terms of the temporary arrangement but is paying a premium price for the supply of bio-fuel for the CCHP unit. The council needs to award a contract for the on-going supply of the fuel to ensure best value and a more economical rate for the supply of bio-fuel and to comply with procurement legislation and the council's Standing Orders and Financial Regulations.
- 3.5 In considering the procurement of the supply of bio-fuel, it is considered that the optimum length of contract is five years. This duration will provide for security of supply for this innovative product and will allow suppliers to be confident in their market place to make suitable investments in supply infrastructure. A fixed price over the five year term of the contract will give the Council price certainty within the volatile fuel supply market. Approval to tender was given on this basis.
- 3.6 Following receipt of approval to tender, further consultation with the market has been undertaken to inform tender documentation. Shifts in the market identified that the market favoured a shorter fixed price period – three years rather than five. Conscious of the need to ensure a degree of price certainty over the duration of the contract however, it was considered appropriate to tie any increases or decreases in the fourth and subsequent years to RPIx. Rather than delaying the procurement process further by seeking prior approval to this change, it was deemed preferable to proceed with the tender but to highlight the change to the Executive when seeking approval to award.
- 3.7 The Civic Centre is certified by the Building Research Establishment Environmental Assessment Method (BREEAM) as BREEAM Outstanding and is currently the greenest public building in the UK. In order to maintain this certification the type of bio-fuel used in the CCHP would need to be at least a 2nd generation bio-fuel. The contract specification requires that the supplied bio-fuel meets the requirements of the BREEAM Outstanding 'in

use' certification and also the requirements to achieve double Renewables Obligation Certificates (ROCs).

- 3.8 ROCs are tradable certificates issued to operators of accredited renewable generating stations for the eligible renewable electricity generated. Brent Civic Centre CCHP qualifies for these. The council can trade ROCs with other parties and they have a monetary value which can rise and fall. Because of its advanced nature, the bio-fuel currently used to run the CCHP plant is categorised as a 2nd generation bio-fuel (approved by The Building Research Establishment - BRE). 2nd generation bio-fuels are defined as those which are produced from waste by-product which would otherwise not be useable. This makes the CCHP in the Civic Centre eligible for double ROCs, which will potentially provide an income for the council to offset the cost of the fuel. This income is estimated at around £180,000 per annum. It is important that the fuel supplied for the CCHP therefore falls into this or a higher category to meet the necessary income assumptions. ROCs claims will be processed during 3rd quarter 2014-15.

The tender process

- 3.9 The new contract will be let using a service specific contract for 5 years.
- 3.10 Advertisements were placed on the London Tenders Portal and in the Official Journal of the European Community (OJEU), on 2 April 2014. The contract was advertised using the Open Procedure. 9 suppliers expressed an interest, of which one submitted a completed prequalification questionnaire and tender.
- 3.11 Checks were carried out on the basis of the supplier's financial standing and technical ability, including quality control processes, experience and risk assessment procedures. The single supplier who tendered passed this shortlisting stage, and their tender was then evaluated. The tendering instructions stated that the contract would be awarded on the basis of the most economically advantageous offer to the Council and that in evaluating tenders, the Council would have regard to the following:
- Proposals for minimising the transport distances involved in the supply and delivery of the fuel (20% weighting); and
 - Total price over the term of the contract (80% weighting).
- 3.12 In addition to submitting information providing details of proposed arrangements for meeting the quality criteria and the price for the supply of the fuel over the term of the contract, tenderers were required to provide evidence that the proposed product conforms with EN14213:2003 (standard relating to 2nd generation bio-fuels) as this was an essential requirement of the contract specification.

Evaluation process

- 3.13 The tender evaluation was carried out by a panel of officers from Property and Projects.
- 3.14 All tenders had to be submitted electronically no later than 22 May 2014 at 2pm. The electronic tender box was opened on 22 May 2014 and 1 tender was received. Each member of the evaluation panel read the tender using evaluation sheets to note down their comments on how well each of the award criteria was addressed.
- 3.15 The panel met on 12 June 2014 and the submission was marked by the whole panel against the award criteria.
- 3.16 The evaluation panel scores are contained in Appendix 1. As a single tender was received which met acceptable standards and price, officers therefore recommend the award of the contract to that tenderer, Fleetsolve Ltd.
- 3.17 Should Members agree the award, the contract will commence on 11th August 2014.

4.0 Financial Implications

- 4.1 The Council's Contract Standing Orders state that contracts for supplies and services exceeding £250k or works contracts exceeding £500k shall be referred to the Cabinet for approval of the award of the contract.
- 4.2 The estimated value of this contract is £382,500.00 per annum.
- 4.3 It is anticipated that the cost of this contract will be funded from existing Facilities Management budgets which includes a total allocation of £783,000 for energy and utilities in 2014-15.
- 4.4 There is a potential for additional income of £180,000 per annum from Renewable Obligations Certificates (ROCs as identified in Paragraph 3.8 above). This would have the impact of reducing the Council's expenditure on the fuel that meets the relevant criteria. ROCs claims will be processed during 3rd quarter 2014-15.

5.0 Legal Implications

- 5.1 The estimated value of this contract over its lifetime is higher than the EU threshold for supplies and the award of the contract therefore is governed fully by the Public Procurement Regulations 2006 (the "EU Regulations"). This requires the council to observe all requirements of the EU Regulations in awarding the contract, including notification of the award the EU Publications Office.

5.2 The award of the contract is subject to the council's own Standing Orders in respect of High Value contracts and Financial Regulations. As a result Cabinet approval is required for the award of the contract.

5.3 Given the council only received one tender, it is not necessary for the council to observe the EU Regulations relating to the observation of a mandatory minimum 10 calendar day standstill period before the contract can be awarded.

6.0 Diversity Implications

6.1 The proposals in this report have been subject to screening and officers believe that there are no diversity implications.

7.0 Staffing/Accommodation Implications (if appropriate)

7.1 This service is currently provided by an external contractor and there are no implications for Council staff arising from the contract.

8.0 Public Services (Social Value) Act 2012

8.1 This contract is for the supply of goods only and is therefore not subject to the provisions of the act.

9.0 Background Papers

9.1 Tender documents.

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APPENDIX 1

BIO-FUEL SUPPLIES FOR BRENT CIVIC CENTRE CCHP PLANT CONTRACT TENDER EVALUATION GRID

The tenders were evaluated using the following criteria:

Following provision of satisfactory evidence that the proposed product conforms to EN14213:2003 (standard relating to 2nd generation bio-fuels) the Tender moved forward to the scored quality and price stages, where:

Quality: 20%

Price: 80%

Price to be based on fuel supplied conforming to the set standards and compliance with the sustainability criteria stated.

Evaluation Criteria	Score	Weighting	Weighted Score
1. Proposals for minimising the transport distances involved in the supply and delivery of the fuel	3	100%	75%
Weighted Total Quality Score		20%	15%
2. Price Score		80%	80%
Total Tender Score		100%	95%

The quality scores were based on the following methodology:

Score	Criteria
0	No response
1	Poor or unsatisfactory response showing limited evidence of ability to meet requirement – omissions/weaknesses in key areas
2	Weak response suggesting there may be shortcomings of a less serious nature.
3	Good response suggesting the specification will be satisfactorily met in all relevant respects.
4	Excellent response suggesting the specification will be satisfactorily met in all relevant respects with added value.