

Operational Decision Record

Publication Date 21 October 2021	Decision Reference Number 4410
Decision Title	
Corporate Assurance of District Heating Proposals including Incinerator Contract	
Decision Value	
£140,000	
Revenue or Capital Spend?	
Revenue	
Department	
Finance & Resources	
Contact Officer (Name, job title, and contact details)	
Clive Heaphy, Corporate Director of Finance and Resources 0115 87 63982, clive.heaphy@nottinghamcity.gov.uk	
Decision Taken	
<ol style="list-style-type: none">1. To appoint Ernst and Young to undertake the corporate assurance on the District Heating plans using the ESPO Framework RM6164_21.2.2. Funding for this appointment to be met from the Transformation & Improvement Fund.	
Reasons for Decision and Background Information	
<p>The contractual arrangements with WasteNotts to supply steam to the district heating network and processing of municipal waste expire in 2030.</p> <p>In order to continue to supply heat to the properties on the district heating network significant capital investment is required to either maintain the current district heating scheme or implement alternative heating solutions.</p> <p>A Strategic Review of district heating has been undertaken including evaluation of all alternative options. This review has found that the most affordable option for the Council is to construct a new heat station in 2026. In order to make an investment of this scale, Nottingham City Council needs a long term contract with WasteNotts to supply the steam, that provides the necessary surety of supply over the life of the new asset.</p>	

This is a complex project and it has been agreed that Nottingham City Council needs a robust evaluation of the proposed arrangements for District Heating beyond the current contract. The appointment of an independent company will ensure that the necessary scrutiny has been undertaken to ensure the future contract with WasteNotts is robust and that the model for district heating is affordable.

Other Options Considered and why these were rejected

Undertake review of the project by an internal team: This was discounted as this needs specialist expertise and independence from the internal project team to give the corporate assurance requested.

Do nothing: This was discounted as Nottingham City Council needs to develop a long-term solution for customers of the district heating scheme, and because the current operational risk profile of maintaining the assets without investment is not sustainable. So corporate assurance would be required to ensure the ongoing service is affordable

Reasons why this decision is classified as operational

This decision is operational as we are required to produce the appropriate level of assurance on this project to allow decision makers to agree to the ongoing arrangements for the District Heating network

Additional Information

Finance Advice

This decision seeks to:

1. Appointment of a consultant to provide the necessary scrutiny has been undertaken to ensure the future contract with FCC is robust and that the model for district heating is affordable.
2. Fund this cost of £140,000 from the Transformation & Improvement reserve.

This spend will be captured in routine updates to the CEX in accordance with the Exec Board report 20 July 2021.

Any extension to the length of contract or value will require a further decision. The role and criteria sit outside IR35 legislation and, therefore, is classed as a use of consultant under the terms of the contract; payment will only be made on the achievement of milestones as set out in the Statement of Works, therefore there is no risk of incurring additional costs due to any project slippage

Value for money should be demonstrated by the use of the procurement framework and ensuring future capital investments are appropriate.

Advice provided by Ceri Walters (Head of Commercial Finance) on 11 October 2021

Procurement Advice

The proposed use of RM6164_21 through a direct call-off is an acceptable route to procure this service. Procurement have led on the process to secure the service in line with the terms of the Framework.

Steve Oakley, Head of Contracting and Procurement 11/10/2021

Legal Advice

There are no legal concerns with this proposal which will provide additional assurance as to the Council demonstrating Best Value. The proposed contract is to be awarded under an existing framework available for the Council to use. Any call off must be in accordance with the framework requirements.

Naomi Vass, Team Leader – Contracts, Employment and Education 12/10/21

Decision Maker (Name and Job Title)

Melbourne Barrett – Chief Executive

Scheme of Delegation Reference Number

1

Date Decision Taken

15 October 2021