

Commissioning and Procurement Executive Committee – 15 October 2024

Subject:	Harvey Hadden Sports Village solar PV installation (phase 3)		
Corporate Director: Director:	Colin J Parr - Communities, Environment and Resident Services Michael Gallagher – Environment and Sustainability (Interim)		
Executive Member:	Councillor Sam Lux - Carbon Reduction, Leisure and Culture		
Report author and contact details:	Reshma K Michael reshma.michael@nottinghamcity.gov.uk		
Other colleagues who have provided input:	Tom Straw – Finance Tom Button – Legal		
Key Decision	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	Subject to call-in
			<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Reasons: taking account of the overall impact of the decision	<input checked="" type="checkbox"/> Expenditure	<input type="checkbox"/> Income	<input checked="" type="checkbox"/> Savings of £750,000 or more
			<input type="checkbox"/> Revenue <input checked="" type="checkbox"/> Capital
Significant impact on communities living or working in two or more wards in the City			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Type of expenditure:	<input type="checkbox"/> Revenue <input checked="" type="checkbox"/> Capital		
If Capital, provide the date considered by Capital Board			
Date: Approved by Capital Board			
Total value of the decision: £4.5m (made up of £419,750 (spend) and £4m (approx. savings))			
Section 151 Officer expenditure approval			
Has the spend been approved by the Section 151 Officer? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/a			
Spend Control Board approval reference number: 9924			
Commissioner Consideration			
Has this report been shared with the Commissioners' Office? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			
Any comments the Commissioners wish to provide are listed in section 6 below.			
Wards affected: All			
Date of consultation with Executive Member: 12/08/2024			
Relevant Council Plan Key Outcome:			
Green, Clean and Connected Communities	<input checked="" type="checkbox"/>		
Keeping Nottingham Working	<input type="checkbox"/>		
Carbon Neutral by 2028	<input checked="" type="checkbox"/>		
Safer Nottingham	<input type="checkbox"/>		
Child-Friendly Nottingham	<input type="checkbox"/>		
Living Well in our Communities	<input checked="" type="checkbox"/>		
Keeping Nottingham Moving	<input type="checkbox"/>		
Improve the City Centre	<input type="checkbox"/>		
Better Housing	<input type="checkbox"/>		
Serving People Well	<input checked="" type="checkbox"/>		
Summary of issues (including benefits to citizens/service users):			
HHSV is a very high user of energy and uses on average 2,960 units of electricity per day, imports approximately 1,080,566 kWh of electricity per year and accounts for 4.8% of NCC's energy budget.			
By installing an additional 304.3KWp solar PV system into the building's design, the system is expected to generate 254,730 kWh in year-1, contributing a 20.84% reduction in building's current energy import.			
The utilisation of solar power will further help reduce greenhouse gas emissions associated with			

conventional energy sources and contribute to Nottingham City's commitment to net zero.

Exempt information:

An appendix to the report is exempt from publication under paragraph 3 of Schedule 12A to the Local Government Act 1972 because it contains information relating to commercial sensitivity and, having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

It is not in the public interest to disclose this information because this could negatively affect competitive tenders and potentially complicate the tender process by giving contractors insight into our budget constraints.

Recommendations:

- 1 To approve spend of up to £419,750 of Salix funds on Solar PV at Harvey Hadden Sports Village.
- 2 To approve seeking competitive tenders for a design and build contract in conjunction with procurement colleagues for value for money and compliance with Contract Procedure Rules and award the contract to the most economically advantageous tender received.
- 3 To delegate authority to the Corporate Director of Communities, Environment and Resident Services to enter a contract with the successful tenderer.

1. Reasons for recommendations

Our high degree of confidence in the installation/operation of the solar PV system and certainty in the longevity of the facility, coupled with the unavoidable high energy demand totalling over 1 million kWh per annum and representing nearly 5% of the council's total energy consumption each year, the benefits of approving this project far outweigh the risks. Major reason for the recommendation as follows:

1.1 Return on Investment (ROI):

The anticipated Return on Investment (ROI) for the Solar PV project is 12.5% over a 6-year period, meeting the criteria of the Salix fund. This alignment with the financial objectives of the project makes it a robust and viable investment.

1.2 Energy Independence:

The project expects to generate a 20.84% of Harvey Hadden's remaining grid energy demand, thereby offsetting a substantial portion of imported electricity and gas with renewable sources.

1.3 Social Value:

The positive carbon value of this initiative has significantly enhanced the overall net benefit. This improvement is reflected in an increased NPV of £2,087,915 Internal Rate of Return (IRR) of 24.6% and a reduced payback period of 3 years.

1.4 Environmental Sustainability:

The reduction of carbon emissions by 53.1 tons annually, coupled with an overall +10 score in the Carbon Impact Assessment, aligns positively with Nottingham's

Carbon Neutral Action Plan. The favourable environmental impact positions the organisation as a frontrunner in sustainability.

1.5 Long-Term Viability:

The project is structured for enduring feasibility, aiming for a 6-year payback period while sustaining profitability for up to 30 years. Moreover, this project initiative is centred on scalability and adaptability to incorporate upcoming technological advancements.

2. **Background (including outcomes of consultation)**

- 2.1 Harvey Hadden Sports Village (HHSV), part of the Active Nottingham network managed by Nottingham City Council, reopened in 2015 after a major refurbishment and is expected to serve as a flagship leisure centre for Nottingham's citizens long into the future and has been confirmed by corporate landlord as an asset safe from disposal.
- 2.2 As a high energy user, HHSV imports approximately 1,080,566 kWh of electricity annually, accounting for 4.8% of the council's energy budget. The phase 3 solar PV installation at HHSV is anticipated to be successful, building on the existing 67.2 kWp canopy-mounted system and 200 kWp roof-mounted system.
- 2.3 The project, fully funded by the Salix Recycling Fund, has an estimated cost of £419,750, with a payback period of 6 years, an NPV of £876,162, and projected savings of £3,659,980 in electricity and £315,907 in gas over 30 years, along with annual carbon savings of 53.1 tonnes.
- 2.4 Salix Finance Limited ("Salix Finance") provides ring-fenced funding in the form of a conditional repayable grant (the "Conditional Grant") which is matched by the participating PSB to create a low carbon fund, "the Local Fund", to pay for low carbon projects across the PSB's estate.
- 2.5 The financial savings made from projects are then paid back into the Local Fund to finance further energy-saving projects. Once a Local Fund is established it becomes self-sustaining as savings generated by completed projects are recycled to finance further projects. A local fund between Nottingham City Council and Salix Finance was set up in 2009 with equal contributions from NCC and Salix Finance creating a fund totalling £1.5m. To date, this has resulted in over 300 projects being completed with savings close to £4m.
- 2.6 The Recycling Funds in England are set to close on March 31, 2025, with a deadline to commit any remaining funds, currently in our Local Fund account, to projects by 16/08/2024. Any uncommitted funds after 16/08/2024 are subject to return with 28 days of written request by Salix Finance. Any committed funds not spent by 31st March 2025 are also subject to return within 28 days to Salix Finance upon written request. Funds spent on committed projects will be returned to Salix according to the ROI and individual project loan agreement up to a maximum period of 10 years from completion.

- 2.7 As part of the approved 2024-2027 Medium Term Financial Plan (MTFP), the Sport and Leisure Service is exploring various management models to address the council's financial challenges.
- 2.8 Initial feedback from property colleagues suggested gaining project approval and delaying installation for six months to allow for consultant evaluations, ending in October.
- 2.9 Recent comments indicate that extending this hold period could align the project with the broader leisure services strategy, provided it does not risk the Salix funding. If delaying beyond October jeopardizes the funding or timeline, it is recommended to proceed with the installation as planned. This approach ensures tendering, and contractor appointments are completed before Christmas, with installation starting in late January 2025 and completion by March, allowing time for decisions on the leisure delivery model.
- 2.10 This proposal underwent consultation with the Divisional Management Team, Corporate Director Engagement, Divisional Leadership Team, and Executive Member Briefing, all of which provided positive feedback.

3. Other options considered in making recommendations

- 3.1 Do nothing - The alternative is to not proceed with the third phase of solar PV installations at HHSV. This would neither contribute to the Council's CN28 agenda, nor result in a 20.84% reduction in the building's current energy import. Consequently, it would fail to offset a substantial portion of imported electricity and gas with renewable sources.

4. Consideration of Risk

Risks identified	Mitigation
The EPC cost is higher than budgeted for and cost exceeds the approvals	The EPC cost has been increased by 10% which is still available and has an IRR of 12.35% and payback within 6 years
The expected annual production of electricity is lower than expected	Various business cases have been produced, taking into consideration a lower-than-expected annual production (10%), which still show positive results and <10-year payback period
Once project has started, there may be additional costs that were not considered or identified	The financial business case has A 16% contingency fund built in
Pigeon presence on the roof areas could potentially lead to nesting behind solar panels and debris accumulation, which may affect the performance of the solar panel system.	Pigeon protection measures are included within the costs
ASB issues with young people climbing on the low-height roof section above the reception and gym area may result in damage to the installed solar PV units. This could lead to reduced savings from the system or the need for costly replacements.	1)Discuss the frequency and severity of ASB incidents with climbing on the roof to assess the level of risk accurately. 2)Implement Protective Measures: Install physical barriers or deterrents to prevent unauthorised access to the roof area. 3)Enhanced Security Measures: Enhance security surveillance around the area to deter ASB incidents a promptly respond to any unauthorised access.
Export Level	Analysis of calendar year 2023 has been completed

<p>There is no export meter at HHSV, therefore the true levels of export are unknown</p>	<p>on the half hourly imported electricity data and this shows there was no export from phases 1 and 2 over calendar year 2023.</p>
<p>Leisure centre strategies - Delay in installation due to strategic review at site within NCC.</p> <p>Delay the installation for 6 months, this is influenced by whether if we gain approval, we will still incur payback liabilities on any grant, if this is the case the view is we hold back on gaining approval whilst the decision on outsourcing of the service is made.</p> <p>If we would not incur any payback liabilities by gaining approval, then we could proceed, but not install for 6 months.</p>	<p>1) Proceed with gaining approval now, but do not install for 6 months, which is ending on this October, contractor will be appointed before 31st of Christmas. The installation will be starting in January 2025.</p> <p>2) Confirm with funder (Salix): Funder (Salix) has agreed to proceed with the approval process and delay installation for 6 months. They have also confirmed that there will be no payback liabilities incurred by gaining approval or committing to the project. Additionally, the funder has agreed that if the site is under strategic review, the project can be backed off without penalty.</p>
<p>Leisure centre strategies - Sport and Leisure Service's alternative management model.</p> <p>As part of the approved 2024-2027 Medium Term Financial Plan (MTFP), the Sport and Leisure Service is exploring management models to address the financial challenges currently faced by the council.</p>	<p>This has been discussed at director level and there will be a hold on progressing the installation until a formal decision has been reached. If the site is to be sold, the solar PV will not be installed. However, Harvey Hadden Sports Village will not be closed due to the level of investment, both internally and externally.</p> <p>If the decision is to follow an outsourced management model, Nottingham City Council (NCC) will control the Invitation to Tender (ITT) specification, allowing a Power Purchase Agreement (PPA) option to be included. However, if a PPA option is not commercially viable to the third party due to the offer price, an alternative approach can be proposed, where NCC retains responsibility for imported electricity and recharges it to the third party at current import rates, including the solar PV-generated electricity consumed on site.</p> <p>Since the lifetime of the PV is 30 years and if an outsourced management option is pursued, at the end of the contract (15 years), the sites will either return to management or the contract will be renegotiated, including any PPA options.</p>

5. Best Value Considerations

- 5.1 Best value will be demonstrated by working with procurement colleagues to secure the best value tender, with consideration given to cost, quality and service.
- 5.2 A costing exercise, quality questions and previous customer testimonials will be required as part of the tendering process.

6. Commissioner comments

6.1 The Commissioners approve this report. (04/10/24)

7. Finance colleague comments (including implications and value for money/VAT)

7.1 The installation of solar panels meets the capitalisation criteria and as defined in the Capital Strategy before the Capital Programme is amended this scheme requires endorsement from the Capital Board.

7.2 The project manager should not commit and Council resources until formal approval and endorsement from the Capital Board has been confirmed.

7.3 As detailed in the body of the report this scheme is to be funded from SALIX funding and therefore does not require any match funding from the Council's capital resources.

Tom Straw, Senior Accountant (Capital Programmes) - 23 September 2024

8. Legal colleague comments

8.1 This decision primarily concerns the procurement of a design and build contractor for the installation of a Solar PV.

8.2 The procurement of any services by the Council needs to be in accordance with the Council's constitution and relevant legal requirements including the Public Contract Regulations 2015.

8.3 The conditions imposed by the Salix funding need to be understood, complied with by the Council and, where appropriate, mirrored in the design and build contract.

8.4 Due to the specialist nature of the subject matter, it is likely that external legal resource would be needed and that should be factored into the budget.

Tom Button, Team Leader, Contracts and Commercial - 24 September 2024

9. Procurement comments

9.1 There are no Procurement concerns with the recommendations proposed in this report. The Procurement Team will work with the client team and Legal Services to agree an appropriate form of contract, and to appoint a contractor in accordance with Contract Procedure Rules and the Public Contracts Regulations 2015.

10. Other relevant comments

10.1 Strategic Assets and Property

The scheme is supported by SAM, subject to the final alignment with the strategic review of Leisure services. It is understood that any decision to outsource the provision of Leisure services at HHSV would trigger repayment of the Salix funding by NCC or the operator, therefore the final installation should be delayed until a decision on the operating model is confirmed.

It is also assumed that full technical due diligence on the roof structure and fixings etc will be undertaken before final implementation.

11. Crime and Disorder Implications (If Applicable)

11.1 None.

12. Social value considerations

12.1 This project demonstrates a positive environmental impact with measurable carbon value, considering the economic value of these emission reductions.

12.2 The incorporation of this solar power is projected to reduce greenhouse gas emissions from site by 53.1 tons of carbon annually, earning a +9 score on the climate impact assessment dashboard. This achievement aligns positively with Nottingham's Carbon Neutral Action Plan.

12.3 The installation of solar panels at the leisure centre not only catalyses community discussions on renewable energy and climate change but also encourages similar actions among residents and businesses. The project fosters collaboration through competitive tenders, potentially involving local entities in the delivery of Solar PV at HHSV.

12.4 This initiative not only generates clean energy but also underscores Nottingham City's commitment to renewable energy adoption and environmental stewardship.

13. Regard to the NHS Constitution (If Applicable)

13.1 N/A

14. Equality Impact Assessment (EIA)

14.1 An EIA has been completed and due regard will be given to any implications identified in it.

15. Data Protection Impact Assessment (DPIA)

15.1 A DPIA is not required because it does not involve the processing of personal information.

16. Carbon Impact Assessment (CIA)

16.1 A CIA has been completed and due regard will be given to any implications identified in it.

17. List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)

17.1 None.

18. Published documents referred to in this report

18.1 None.

