

ABERDEEN CITY COUNCIL

COMMITTEE	Communities, Housing and Infrastructure
DATE	25 th August 2016
DIRECTOR	Pete Leonard
TITLE OF REPORT	Installation of feature lighting to multi storey blocks at Balnagask (Morven, Brimmond, and Grampian Courts)
REPORT NUMBER	CHI/16/186
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

The purpose of the report is to update Members on the progress:

- in developing this project,
- in purifying the risks to this project, and
- to seek approval for the noted recommendations

This Report is a follow up to report CHI/15/163, which was presented to the Communities, Housing and Infrastructure on 19 May 2015.

2. RECOMMENDATION(S)

It is recommended that the Committee confirms their authorisation for:

- a. the creation of the contract with NPS Property Consultants Limited, and
- b. the project to proceed, notwithstanding the risks noted in Section 6.

3. FINANCIAL IMPLICATIONS

The project remains on course to be delivered within the previously approved capital cost.

This project is designed to have no adverse revenue cost. The capital cost of this project has been given an indicative estimate of £150,000. It is

intended that the HRA will recoup the initial capital outlay for the communal lighting, from the savings in revenue costs, over an estimated period of seven years. Once the HRA has recouped this outlay, it is proposed that the benefit of the reduced electricity costs (for the communal electrical lighting) will then be shared between the HRA and the private owners.

4. OTHER IMPLICATIONS

Not altered since approved report CHI/15/163.

The consent of the private owners will be required, if this project is to proceed. Of the 156 flats, within these three blocks, eight have been sold under Right-to-Buy legislation.

5. BACKGROUND/MAIN ISSUES

5.1 Programme

This project was previously delayed by the change to the Government's Feed in Tariff rules. This resulted in a necessity for the project to be financially remodelled. The Council's original partner chose, as a result, to withdraw from this project. A new offer has now been received from an alternative potential partner. The technical and procurement review of this new offer is currently well advanced. **See Section 5: Disapplication of the Internal Procurement Regulations**

Energy monitoring, is due to commence in August 2016. The installation of the new lights is expected to commence towards the end of 2016.

5.2 Development of detail of project

The analysis of the scope of this project and the detail of its implementation have been finalised by the design team.

Following the Government's change to the "Feed in Tariff" the initially proposed photovoltaic collectors have been removed from the proposals.

The lighting proposals for the communal areas have been extended so as to increase lux levels to these areas to current standards.

The feature lighting has been redesigned so as to permit future maintenance to be achieved in a safe and cost effective manner.

5.3 Financial Model: Pilot Project

During the course of the works energy use is to be recorded before and after the installation of the new lights. It is intended that these records will be used to inform decisions on whether future projects, of this type, should be undertaken.

6. IMPACT

Improving Customer Experience –

Enhanced local identity, reduced energy costs

Improving Staff Experience –

N/A

Improving our use of Resources –

reduced energy costs

Corporate -

This project supports the regeneration of Torry

Public –

This project supports the regeneration of Torry

7. DISAPPLICATION OF INTERNAL PROCUREMENT REGULATIONS

The new Aberdeen City Council Procurement Regulations were approved by the Finance, Policy and Resources Committee on 7 June 2016. Under regulation 3.10 thereof the requirement for prior Committee approval to enter into a contract for the Balnagask Lighting project was disapplied on the understanding that approval would be sought from Communities, Housing and Infrastructure at its meeting on 25 August 2016.

The suspension of the Procurement Regulations was on the basis of the award of the contract to Norse Energy Limited a company registered in England and Wales under company number 08358987.

It transpires that in practice the related group company with which Aberdeen City Council requires to contract for these works is NPS Property Consultants Limited a company registered in England and Wales under company number 02888194.

Both companies have their registered address at Lancaster House, 16 Central Avenue, St Andrews Business Park, Norwich Norfolk, NR7 0HR. The reason for contracting with NPS rather than Norse is that NPS is the company set up for contracting with the necessary financial requirements in place with HMRC.

Members are requested to confirm authorisation for the creation of the contract with NPS Property Consultants Limited, as per the above recommendation.

Context to recommendation

This project has been conceived as being:

- initially cost neutral to the private owners and to offer a reduction in their future electricity costs.
- designed to recoup much of its initial installation cost through savings in revenue costs; and
- a pilot project, for potential future installations.

The knowledge and willingness to undertake calculations and develop a lighting design (so as to develop these design principals into a deliverable scheme) are not commonly available. The Council is unaware of any previous project which combines these technical proposals with a funding model designed to achieve these design principals.

In all, six potential suppliers have been approached with a view to them developing the Council's outline proposal on a speculative basis to assist the Council in establishing the viability of this project.

Two companies were identified, in 2013, which were experienced in installing feature lighting to high rises: Erco and Northern Light. Neither company was, however, able to assist with developing a project within the noted constraints.

Further three companies, with experience of delivering more complex energy projects, were then approached. The Mark Group, Lovell Partnership and Mears Group. Neither the Mark Group nor Lovell Partnership took up the invitation to develop this project.

Mears Group did, however, wish to develop this project. Mears Group prepared a lighting proposal and a business plan which was the basis of the proposal that was approved by Committee on 19th May 2015. On 2nd February 2016 Mears, however, chose to withdraw from the project. It is understood that the Government's changes to the Feed-In-Tariff was a factor in this decision.

A fourth company with experience of developing and undertaking more complex energy project was then identified. This is Norse Energy, which is a business unit owned by Norfolk County Council. Norse have remodelled the finances of the project and made a new offer to Aberdeen City Council: to undertake the project within current and projected electricity costs, while meeting the original design principals of the project. They have also undertaken to assist with the monitoring and reporting aspects of this pilot project.

It is noted that without this investment by Norse the practicality of this project would remain unknown, as would the detailed means of achieving this project. Therefore a decision has been made to make a direct award to Norse to install the feature lighting, and energy efficient communal lighting to Grampian, Brimmond and Morven Courts on this pilot project, so as to allow the Council to understand whether this type of work can be cost effectively undertaken in other locations.

It is noted that the Council considers this project to be pioneering. It is noted the CH&I Committee have expressed an interest in this type of project being undertaken in other locations. Once the success of this pilot has been established, the Council will be in a position to competitively tender subsequent phases of this type of work.

If the requested exemption from Standing Orders had not been authorised then the project would either be closed or put in significant doubt. If the project was advertised, any such advertisement would have to be framed in such a way as not to rely on the work undertaken by Norse and their supply chain. As well as incurring delay and expense, soft market testing has suggested that such an advertisement may achieve little, or no, response. In addition, there would be significant doubt as to the quality of any response that could be achieved, in the absence of the information prepared by Norse.

8. MANAGEMENT OF RISK

The primary risk within this project is a reputational one.

The private owners have been invited to give their consent to these proposals, or otherwise.

All the private owners that reside within these blocks have given written consent to these proposals. No responses have, however, been received from the three private landlords, despite significant efforts by officers.

Members are advised that if the project proceeds without these consents there will arise a small reputational risk, and a potential risk that a Court

might instruct work to be removed. These risks, however, appear to be outweighed by the benefits of proceeding with this project.

9. BACKGROUND PAPERS

Shaping Aberdeen: people; place; improving customer experience; and improving our use of resources.

10. REPORT AUTHOR DETAILS

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