Exempt classification removed by Monitoring Officer 7 March 2025

CAB3307
CABINET

REPORT TITLE: CITY OFFICES ENERGY EFFICIENCY IMPROVEMENT WORKS (DECARBONISATION)

23 JUNE 2021

REPORT OF CABINET MEMBER: Cllr Kelsie Learney - Cabinet Member for Housing and Asset Management

Contact Officer: Graeme Todd Tel No: 01962 848282 Email gtodd@winchester.gov.uk

WARD(S): ST MICHAEL

PURPOSE

The purpose of this report is to request an additional capital expenditure of £205,000 following procurement of the main contract associated with delivery of the proposed energy efficiency works to the City Offices.

RECOMMENDATIONS:

1. Approve additional capital budget and expenditure on the project of £205,000 funded from Property Reserve to enable the proposed energy efficiency works to City Offices and the public toilets, bringing the total approved expenditure for this project to £465,000.

2. Undertake negotiations with all bidders to ensure the window replacement budget is within the revised £405,000 (for the window replacement element of works) budget but if necessary delegate authority to the Strategic Director – Services to undertake a new procurement exercise to obtain bids by contractors for the window replacement works to enable the proposed energy efficiency works to the city council offices.

3. Delegate authority to the Strategic Director - Services to appoint the relevant contractors and to negotiate and agree contractual heads of terms with the Contract appointment.

4. Approval to expend the revised budget of £465,000 under Financial Procedural Rule 7.4.

5. Delegate authority to the Service Lead: Legal to prepare and enter into all relevant agreements, contract negotiation and completion to enable the proposed energy efficiency works to City Offices and the public toilets.

6. Approve an exemption from the Contract Procedure Rules to procure the works via quotation as opposed to an open tender.

IMPLICATIONS:

1 COUNCIL PLAN OUTCOME

1.1 Tackling the Climate Emergency and Creating a Greener District

The Carbon Neutrality Action Plan (CNAP) includes as one of its actions, *"Complete a review of all corporate property and determine a "retro-fit" programme of energy measures (funded directly through energy savings)"*.

The City Offices is one of the larger contributors of carbon emissions within the council's operational estate. Undertaking the works set out in this report would reduce emissions by 26 tCO2e each year and see a reduction in annual energy consumption of 160,378 kWh.

2 FINANCIAL IMPLICATIONS

2.1 A budget of £260,000 to enable works to take place was approved as part of the Capital Strategy in February 2021, based on initial estimates of the cost of the works provided by consultants.

2.2 A grant of £257,946 was awarded from Public Sector Decarbonisation Scheme towards the cost of these works and was received in 2020/21.

2.3 Quotation returns for the window replacement (the most expensive element of the project) have come in at £505,000 for uPVC and £691,000 for aluminium.

2.4 Initial quotations received were higher than anticipated, and that advised by consultants as part of the initial grant application. However, the application had to be prepared at very short notice due to Salix deadlines which did not allow sufficient time for a detailed survey to be completed. In addition, there had been strict time constraints on how quickly the funding needed to be spent. The original date for the funding to be spent was September 2021, which meant the window replacement would needed to have be undertaken during the summer months where typically higher costs are expected as there is a lot of competition for school work during this period. Upon recent discussions with the funders Salix, they have agreed to extend the deadline for the fund money to be spent by March 2022, which is achievable.

2.5 Following a value engineering exercise reported in Section 3 of this report, a revised quotation amount for the preferred uPVC option is now £405,000.

2.6 Three options are set out in section 11 below, the financial implications of which are as follows:

a) OPTION 1 – THE PREFERRED OPTION: Additional capital funding of up to £205k based on the revised value engineered quotation return would be required to meet the cost of undertaking the full programme of proposed energy saving works to City Offices and the public toilets.

b) OPTION 2 (partial window replacement): No additional financial implication as all costs covered by grant. This option would involve the installation of only some windows, i.e. only two floors of windows would be installed or front, rear, and one side elevation would be completed. This option would not provide the complete energy saving to the building envelop. It may require the Council to complete the remaining windows in the future.

c) OPTION 3 (no window replacement): No additional financial implication as all costs covered by grant and some of the grant (an estimated £260,000 (rounded)) would be need to be returned to SALIX.

2.7 The works set out in option 1 would generate a modest revenue budget saving of £8,267p.a. as a result of the resulting reduction in energy consumption.

3 LEGAL AND PROCUREMENT IMPLICATIONS

3.1 It is understood that the project includes four differing streams of works and therefore various contractors in order to deliver the proposed energy efficiency works to City Offices and the public toilets. The majority of the costs relate to the window replacement of the city offices.

3.2 The window replacement element of the project was issued for formal quotation on 9th April 2021 with a return date of 7th May 2021 in keeping with the Council's Contract Procedure Rules for quotations five contractors for each option were invited to quote. Two options of window material were quoted, i.e. uPVC and aluminium windows. The quotation package was issued out to two separate groups and the lowest quotation received for uPVC £505,000 (rounded), and lowest received for Aluminium was £691,000 (rounded).

3.3 It is understood that following a value engineering exercise for the UPVc option in-line with the award criteria, cost savings in the region of £100,000 can be achieved, reducing the cost for UPVc window replacement to £405,000. Estates have reviewed the updated cost and support this cost represents value for money.

4 WORKFORCE IMPLICATIONS

4.1 The project can be delivered from within existing resources, with additional support from external expertise if required.

4.2 The window replacement will impact the staff occupation, it will be necessary to undertake the window replacement with the staff in occupation. Careful consideration will be given to how these works can be undertaken on a phased basis to minimise disruption. The Facility Manager and Unison will be consulted with prior and during the works.

5 PROPERTY AND ASSET IMPLICATIONS

5.1 The City Office metal framed building was constructed in 1969 with an approximate floor are of 1,612 square meters gross internal floor area over three floors with a flat roof over.

5.2 The existing windows to City Office are original to the building and are single glazed aluminium crittle, offering poor thermal performance. Due to the age of the building the windows have reached the end of their life expectancy. In addition the windows are very poor by current standards and upgrading of these elements is required.

5.3 An internal refurbishment of City Offices was carried out 2019/20 which included replacement suspended ceilings, LED lighting, decorations and new carpets.

5.4 Replacement windows to City Offices would aide extending the useful life of the building for a further ten years.

5.5 The proposed replacement windows are sympathetic in style a slim line mid colour grey uPVC window is proposed, aluminium has been discounted due to the high cost.

5.6 The City Offices is one of the larger contributors of carbon emissions within the council's operational estate.

6 CONSULTATION AND COMMUNICATION

6.1 Consultation was undertaken with a wide range of stakeholders and residents as part of the development of the CNAP, which identified the decarbonisation of the council's operational estate as a key objective.

6.2 The Planners are Conservation Team have been consulted as part of the process, and both have confirmed the window replacement works can be carried out under permitted development rights. Window samples have been reviewed and agreed with the Planners. Should a change in window profile be required further consultation would be needed.

7 ENVIRONMENTAL CONSIDERATIONS

7.1 Undertaking the works set out in option 1 would reduce emissions by 27 tCO2e each year and see a reduction in annual energy consumption of 165,696 kWh.

8 EQUALITY IMPACT ASSESSEMENT

8.1 The proposed window replacement will provide a more comfortable environment for staff to work in.

9 DATA PROTECTION IMPACT ASSESSMENT

9.1 None.

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
Property Unforeseen asbestos may be encountered when the existing windows are removed	An asbestos survey has been carried out, which was included within the quotation documents. A provisional sum for any unforeseen asbestos removal has been included within the figures reported.	Possible cost saving if no unforeseen asbestos is found.
Community Support There is limited opportunity for community liaison.		
Timescales Should the works not be completed by the revised completion date set by the funders SALIX there is a risk the grant funding element could not be claimed.	Continue to monitor programme. Submit monthly reporting to the funders providing an update on programme, budget and issues.	
Project capacity Insufficient staff resources	WCC has assigned sufficient internal resource to the project. Additional resource from the Council's Estate Team can be called upon if required.	
Financial / VfM Missing the deadline of 31st March 2022 to complete works could potentially result in repayment of the grant.	Continue to track material supply and contractors' progress and highlight any potential risk early on. Ongoing monthly reporting is required to the funders as part of the agreement	

Legal There is a risk a Contractor maybe insolvent or unable to complete the works.	Ensure there is an appropriate contract in place.	
Innovation New technology is being explored and considered for some parts of the project i.e. air source heat pumps	Liaise with specialist consultants	
Reputation		
Other		

11 SUPPORTING INFORMATION:

11.1 A report was commissioned from GEP Environmental in January 2021 to identify and recommend options for the decarbonisation of the City Offices and the public toilets in Winchester, which set out proposals for works costing an estimated £258k. A summary is shown in appendix 1.

11.2 A grant application was made to the Public Sector Decarbonisation Fund for the full cost of these works and notification of a successful outcome was received in February 2021. A grant award of £257,946 was made, with one of the conditions being the completion of the works by the end of September 2021. Provision was made in the council's Capital Strategy (approved in February 2021) to enable these works to take place and a Significant Officers Decision on 3rd April gave approval for capital expenditure equivalent to the Salix funding.

11.3 A quotation exercise was undertaken in respect of the window replacement in City Offices – the most expensive element in the project at an estimated £200k. Whilst the initial estimate on which the application had been based has proved to be inaccurate, it should be noted that officers had only days to prepare an application which did not allow sufficient time for a detailed survey to be completed. Two quotation returns were received – one for the installation of uPVC windows at a cost of £505k and the other for aluminium windows at a cost of £691k.

11.4 The quotation prices received are significantly higher than forecasted by the external Consultant. Unfortunately the very short time between consultant's report and grant application deadline meant there was no time to market test the prices. It may be possible to obtain a lower cost for the window replacement by omitting items from the lowest Contractors preliminary costs. It is not envisaged the cost saving would be sufficient to require no further financial contribution from the Council.

11.5 Salix is managing the Public Sector Decarbonisation Fund and has confirmed that it would like to see the grant spent. Their priority is for the installation of air source heat pump (as that is classified as a category 1 project) so that must form part of any revised schedule of works. Importantly, Salix has agreed an extension of time for the completion of the works from the original deadline of September 2021 to a new date of March 2022. .

11.6 There is merit to all of the proposed elements of the project (as detailed in appendix 1):

a) The window replacement offers by far the greatest energy saving.

b) The ceiling insulation and the new hand driers in the public toilets also provide a large energy saving, the hand driers in particular which represent an 85% reduction in energy consumption for that use and one which pays back in less than three years.

c) The air source heat pump is classified by Salix as a category 1 (priority) project – defined as "technologies that directly contribute to the heat decarbonisation of a building by installation of a low carbon heating technology". As a category 1 project this must be included within the funded works.

d) The additional solar PV and the LED lighting in the public toilets are low cost and pay back in just a few years.

11.7 Given the ambition to become a carbon neutral council by 2024, it seems inconceivable that the council would decline the offer of this funding (or part of) and there is merit to all of the works. This would be a visible statement of the council's commitment to meeting its ambition to become Carbon neutral by 2024 and would set an example for others to follow.

11.8 It is recommended that an additional £205k is made available in the capital programme for 2021/22 and that all reasonable efforts are made to reduce the final cost, with authority delegated to the Strategic Director (Services) to determine and undertake the procurement process, appoint the relevant contractors, value engineer and agree contractual heads of terms. Approval for exemption to the Contract Procedure Rules to procure the works via quotation as opposed to an open tender.

12 OTHER OPTIONS CONSIDERED AND REJECTED

Option 2

12.1 Salix has confirmed that it would like to see the grant spent, even if plans have to be adapted to ensure delivery. Their priority is for the installation of air source heat pump (as that is classified as a category 1 project) so that must form part of any revised schedule of works.

12.2 A revised package could be developed, which would utilise the grant but limit any further expenditure. This would be financially advantageous, but would limit the carbon and energy saving and would only allow for partial replacement of the windows at City Offices.

12.3 While the use of the full grant award is strongly favoured, the replacement of only some of the windows could result in an unsightly and seemingly unfinished project so this option is not favoured.

Option 3

12.4 The final option would be to undertake all of the proposed works with the exception of the window replacement. This would avoid an unsightly and seemingly unfinished project, but would reduce the annual energy saving by more than half – the energy saving would reduce from 160,378 kWh to a more modest 76,489 kWh.

12.5 The estimated cost of works (excluding window replacement) is £57,946 so would mean leaving £200k of unclaimed grant funding. Given the ambition to become a carbon neutral council by 2024, it seems inconceivable that the council would decline the offer of this funding, so this option is also not favoured.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

None.

Other Background Documents:-

Key decision by the Strategic Director (Services) - Decarbonisation of City Offices and Public Conveniences (March 2021)

Energy survey report on City Offices produced by GEP Environmental Ltd (January 2021)

APPENDICES:

Appendix 1 – Original estimates of project cost and financial / energy savings

Appendix 1

Description of Work	Energy Type	Fuel Cost p/kWh	Annual kWhrs Pre-Project	Annual kWhrs Post-Project	Annual kWh savings	% kWh savings	Project Value	Annual Financial Savings	Payback in Years	tCO_2e pa
LED Lighting Upgrade (toilets)	Electricity	14.50	54,589	48,115	6,475	12%	£4,956.50	£939	5.28	0.46
Replacement of Hand Dryers (toilets)	Electricity	14.50	31,754	4,768	26,986	85%	£11,500.00	£3,913	2.94	2.91
Double Glazing (City Offices)	Gas	2.32	246,913	163,024	83,889	34%	£200,000.00	£1,946	102.76	15.42
Solar PV (City Offices)	Electricity	11.45	144,624	139,471	5,153	4%	£7,314.00	£590	12.40	0.38
Ceiling Insulation (City Offices)	Gas	2.32	246,913	224,690	22,222	9%	£13,044.45	£516	25.30	4.09
Air Source Heat Pump (City Offices - Annexe)	Gas	2.32	246,913	231,260	15,653	6%	£21,131.25	£363	58.19	2.88
		47.41	**971,706**	**811,328**	**160,378**		**£257,946.20**	**£8,267**		**26.14**