

North Tyneside Council

Report to Director of Commissioning and Asset Management

Date: 9 November 2021

Title: Schools PFI variation

Portfolio(s): Finance and Resources	Cabinet Member(s): Councillor Martin Rankin
Report from Service Area:	Commissioning and Asset Management
Responsible Officer:	Sarah Heslop (Strategic Commercial and Procurement Manager) (Tel: (0191) 643 5456)
Wards affected:	All

PART 1

1.1 Executive Summary:

The Authority was successful in receiving funding to carry out decarbonisation works to four leisure centres within the Borough as part of the Government's national Public Sector Decarbonisation Scheme. One proposed was the Hadrian Leisure site. This leisure centre is located on the Burnside College site which forms part of a Grouped Schools PFI agreement with Kajima. In order to progress with the works an area of land is required to be removed from the PFI agreement.

The variation of the PFI agreement is something which the Director of Commissioning has the delegated authority to undertake by virtue of General Delegation GD13 contained in the Officer Delegation Scheme which forms part of the Authority's Constitution. GD 13 gives all Directors the following delegated authority in relation to contracts: -

"In consultation with the relevant Cabinet Member, Chief Finance Officer and the Assistant Chief Executive or appropriate Director of Service to approve all significant variations which cannot be contained within building and civil engineering contracts, after an allowance has been made for inflationary increases in fluctuating price contracts. (sections 5.9, 5.10 and B21 to B26 of Financial Regulations also refer.)"

1.2 Recommendation(s):

It is recommended that the Director of Commissioning and Asset Management:

- (1) Approve the variation to the Schools PFI agreement.

1.3 Forward Plan:

Twenty-eight days' notice of this report has been given and it first appeared on the Forward Plan that was published on [insert date].

1.4 Council Plan and Policy Framework

This report relates to the following priority in the 2021/25 Our North Tyneside Plan:

A Green North Tyneside; “We will publish an action plan of the steps we will take and the national investment we will seek to make North Tyneside carbon net-zero by 2030.”

1.5 Information:

1.5.1 Background

1.5.2 The Authority entered a PFI agreement with Kajima in 2002 to build and maintain Burnside College (formerly Burnside Community High School). The Authority further constructed the Hadrian Leisure centre in 2008. The leisure centre site is located within the boundary of the PFI site boundary linked to Burnside College.

1.5.3 The Authority was successful in obtaining Salix grant funding to carry out decarbonisation works by installing air source heat pumps to four leisure centres, Hadrian Leisure centre was included.

1.5.4 To carry out the works a variation is required to remove an area of land from the PFI agreement to locate and install the air source heat pumps. Through negotiations with Kajima, it is deemed more beneficial for the Authority to ‘carve out’ a larger area of land than is currently required. This is to enable the Authority to carry out any future works required without a further variation. The area to be removed from the PFI agreement is shown at appendix 1.

1.6 Decision options:

The following decision options are available for consideration by the Director of Commissioning and Asset Management:

Option 1

Approve the variation to the Grouped schools PFI agreement to enable the decarbonisation works to be undertaken.

Option 2

Not approve the variation to the Grouped Schools PFI agreement. This would result in clawback of funding and would also mean that the carbon reductions would not be met by the Authority as previously reported to the Climate Emergency Board.

Option 1 is the recommended option.

1.7 Reasons for recommended option:

Option 1 is recommended for the following reasons:

Completion of the variation will allow the decarbonisation works to be carried out and assist with the Authority’s ambition to be carbon neutral by 2030. The proposed variation will also allow any future works to be carried out on the site.

1.8 Appendices:

Appendix 1: Hadrian Leisure Centre Site Plan

1.9 Contact officers:

Sarah Heslop, Strategic Commercial and Procurement Manager, tel. (0191) 643 5456
Iain Betham, Senior Manager Strategic Investment & Property, tel: (0191) 643 8092
David Dunford, Senior Business Partner, Strategic Finance, tel: (0191) 643 7027

1.10 Background information:

There are no background papers.

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

The external costs of the variation will need to be paid by the Authority, as the variation will allow any future works to be carried out. This will cause an in-year pressure on the Schools PFI budget which will need to be funded from the schools PFI reserve.

2.2 Legal

The variation is permitted within the Public Contracts Regulations 2015. This is not deemed a material change to the PFI Agreement. As stated in the Executive Summary, General Delegation 13 is being relied upon to vary the PFI Agreement.

2.3 Consultation/community engagement

2.3.1 Internal Consultation

Internal consultation has taken place with the Cabinet Member, Director of Resources and the Assistant Chief Executive in accordance with General Delegation 13, together with Cabinet Members and officers forming part of the Climate Emergency Board.

2.3.2 External Consultation/Engagement

External consultation has been undertaken with the PFI provider. Additionally, decarbonisation of heat and improved energy efficiency are key aims of the Council's Climate Emergency Action Plan, which was developed in consultation with a range of key stakeholders.

2.4 Human rights

There are no human rights issues arising.

2.5 Equalities and diversity

There are no equalities issues arising.

2.6 Risk management

There is a risk that if the variation does not proceed the Salix grant will be clawed back

2.7 Crime and disorder

There are no crime and disorder issues arising.

2.8 Environment and sustainability

The variation to the PFI agreement will allow air source heat pumps to be installed at the Hadrian Leisure site. The overall project of decarbonising heat and improving energy efficiency will reduce carbon emissions by 221.80 tonnes per annum .

PART 3 - SIGN OFF

- Chief Executive X
- Director(s) of Service X
- Mayor/Cabinet Member(s) X
- Chief Finance Officer X
- Monitoring Officer X
- Assistant Chief Executive X