

<p>CABINET MEETING – 14 April 2010</p> <p>EXECUTIVE SUMMARY SHEET – PART I</p>	
<p>Title of Report: Procurement of Combined Heat and Power Unit at Washington Leisure Centre</p>	
<p>Author(s): Deputy Chief Executive</p>	
<p>Purpose of Report: To approve the procurement of a replacement Combined Head and Power Unit (CHP) at Washington Leisure Centre.</p>	
<p>Description of Decision: Cabinet is recommended to authorise the Deputy Chief Executive to commence the procurement of a CHP unit under a no capital cost discount energy purchasing arrangement as part of the planned refurbishment programme at Washington Leisure Centre.</p>	
<p>Is the decision consistent with the Budget/Policy Framework? *Yes</p>	
<p>If not, Council approval is required to change the Budget/Policy Framework</p>	
<p>Suggested reason(s) for Decision: The existing leased unit at Washington Leisure Centre is 17 years old is coming to the end of its useful life and is to be removed by the leasing company.</p>	
<p>Alternative options to be considered and recommended to be rejected: To retain the existing equipment. This is not an option as the leasing company is to remove the existing equipment. Capital purchase is not recommended as it transfers the operation risk of the specialist equipment to the Council.</p>	
<p>Is this a “Key Decision” as defined in the Constitution? Yes</p> <p>Is it included in the Forward Plan? Yes</p>	<p>Relevant Scrutiny Committee: Environment and Attractive City</p>

Report of the Deputy Chief Executive

PROCUREMENT OF A COMBINED HEAT AND POWER UNIT AT WASHINGTON LEISURE CENTRE

1.0 Purpose of the Report

- 1.1 To approve the procurement of a replacement Combined Head and Power Unit (CHP) at Washington Leisure Centre.

2.0 Description of Decision

- 2.1 Cabinet is recommended to authorise the Deputy Chief Executive to commence the procurement of a CHP unit under a no capital cost discount energy purchasing arrangement as part of the planned refurbishment programme at Washington Leisure Centre.

3.0 Proposal

- 3.1 Washington Leisure Centre is shortly to undergo a major refurbishment. To ensure that the energy costs and carbon emissions from the building are kept to a minimum it is proposed to install a CHP unit that will meet the majority of the Centre's electricity requirements.
- 3.2 The existing Centre has a leased CHP unit installed. However, this unit is at the end of its expected lifespan and will be removed by the owner (Energ) by the end of 2010 due to high maintenance costs. A replacement CHP unit is required to be installed to meet the future requirements of the Centre.
- 3.3 The preferred method of financing the CHP unit is via a 10 year Discount Energy Purchasing (DEP) lease arrangements rather than capital purchase. Under a DEP arrangement the CHP unit is provided at no capital cost to the Council and the Council enters into an agreement to purchase the electricity generated. This electricity is produced by the unit at a lower price than the electricity supply company. All the operational risk and maintenance charges lie with the CHP provider rather than the Council under a DEP arrangement. This arrangement mirrors the procurement option chosen for the Aquatic Centre, and Hetton and Silksworth pools.
- 3.4 Officers from the Corporate Procurement Team will work with the Head of Land and Property in order to ensure the most appropriate CHP unit is chosen to secure the best value for money and to minimise energy usage.

3.5 A schedule of DEP costs along with machine reliability and suitability and delivery times will provide the basis on which the suppliers will be evaluated.

4.0 Reason for Decision

4.1 The existing leased unit at Washington Leisure Centre is 17 years old is coming to the end of its useful life and is to be removed by the leasing company.

5.0 Alternative Options

5.1 To retain the existing equipment. This is not an option as the leasing company is to remove the existing equipment. Capital purchase is not recommended as it transfers the operational risk of the specialist equipment to the Council.

6.0 Relevant Considerations/Consultations

6.1 The Director of Financial Resources and the Chief Solicitor have been consulted and their comments are contained in the body of the report.

7.0 Background Papers

7.1 Washington CHP file held by Property Services.