



DECISION TITLE: TECHNICAL FINANCIAL ADVISORY SERVICES
CABINET MEMBER FOR RESOURCES
SEPTEMBER 2013
Deadline date: 4th October 2013

Cabinet portfolio holder: Responsible Director:	Councillor David Seaton, Cabinet Member for Resources John Harrison, Executive Director – Strategic Resources
Is this a Key Decision?	YES If yes has it been included on the Forward Plan : Yes Unique Key decision Reference from Forward Plan : KEY/04OCT13 / 03
Is this decision eligible for call-in?	YES
Does this Public report have any annex that contains exempt information?	YES <i>There is an Exempt Annex attached to this report which is not for publication in accordance with paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972 in that it contains information relating to the bidders final tenders, details of the Council's evaluation of the final tenders and the outcome of the evaluation process, all of which contain commercially sensitive information affecting the Council's and bidders respective business positions relating to the scoring and ranking in the final tender evaluation. The public interest test has been applied to the information contained within the exempt annex and it is considered that the need to retain the information as exempt outweighs the public interest in disclosing it because to do so would compromise the respective positions of the Council and bidders in relation to the procurement, market confidence, probity and integrity in the procurement process.</i>
Is this a project and if so has it been registered on Verto?	YES

RECOMMENDATIONS

1. The Cabinet Member is recommended to approve the award of a contract to Deloitte LLP relating to the delivery of Technical Financial Advisory Services for Peterborough City Council and the Energy Services Company (ESCo), 'Blue Sky Peterborough' on a 'call-off' basis. The duration of the contract will be for an initial two year period with extension provision for a further two year period; and
2. Authorise the Executive Director of Strategic Resources to award any call-off assignments against the contract as and when required.

1. SUMMARY OF MAIN ISSUES

- 1.1 This report seeks the Cabinet Member's approval to the recommendations to enable the Council to award a contract for the delivery of Technical Financial Advisory Services for Peterborough City Council the ESCo and related projects on a call of basis for an initial duration of two years, with provision to extend by a further two year period.

2. PURPOSE OF THIS REPORT

- 2.1 This report is for the Cabinet Member for Resources to consider exercising delegated authority under paragraph 3.3.8(a) of Part 3 of the constitution in accordance with the terms of their portfolio at paragraph 3.9(a).
- 2.2 There is an Exempt Annex attached to this report which is not for publication in accordance with paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972 in that it contains information relating to the bidders final tenders, details of the Council's evaluation of the final tenders and the outcome of the evaluation process, all of which contain commercially sensitive information affecting the Council's and bidders respective business positions relating to the scoring and ranking in the final tender evaluation. The public interest test has been applied to the information contained within the exempt annex and it is considered that the need to retain the information as exempt outweighs the public interest in disclosing it because to do so would compromise the respective positions of the Council and bidders in relation to the procurement, market confidence, probity and integrity in the procurement process.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	
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4. DETAILS OF DECISION REQUIRED

- 4.1 This report seeks the approval of the recommendations proposed within the recommendations section of this report to the appointment of Deloitte LLP as the preferred bidder.
- 4.2 The Council, as part of its Environmental Capital Agenda, is seeking to produce 'green energy' to power homes and businesses to the city through an Energy Services Company ('ESCO'), known as Blue Sky Peterborough Limited. The Council has already made progress in supplying and installing solar panels on some of the rooftops of its buildings and is looking to develop further sites to accommodate green energy with a view to selling surplus energy to generate income.
- 4.3 In order to continue to explore its strategic options for the Council and its 'ESCO', professional Technical Financial Advisory services are required to assist in undertaking and exploring a range of options including approaching acquisition targets and joint venture partners and to understand the financial and commercial viability of such options. The service will also cover the provision of financial and commercial advice around proposed procurements, acquisitions or relevant delivery models related to the ESCo and the Councils energy strategy and business activity.

5. CONSULTATION

- 5.1 Consultation has been undertaken with the Executive Director – Strategic Resources and the Council's external legal advisors, Pinsent Mason LLP.

6. ANTICIPATED OUTCOMES

- 6.1 It is anticipated that the recommendation to award the contract to Deloitte LLP will be approved and that the contract with Deloitte LLP will deliver security in the delivery of financial models in relation to a number of projects within the ESCo project portfolio.

7. REASONS FOR RECOMMENDATIONS & ANY RELEVANT BACKGROUND INFORMATION

- 7.1 As part of the Council's status as the Home of Environmental Capital, the Council is seeking to ensure that, where energy is used, it will be done so effectively and efficiently. The Council is committed to using sustainable energy sources and will invest in, demonstrate and promote the benefits of energy efficiency and renewable generation. In doing so, the Council will help to reduce the impact of climate change and its own contribution to the causes of climate change.

- 7.2 The Council therefore requires technical financial advice for the Council and the ESCo and its related projects in assessing the financial and commercial viability of such projects and the impact to the ESCo and the Council as a whole.

7.3 Scope of Services Required

The services required will include, but are not limited to the following:-

- Corporate Finance and Finance Strategy
- Investment and Banking Services
- Finance Operations Support
- Economic Analysis

Technical Financial Advisory Services are required but not limited to the following:-

- Blue Sky Peterborough – Energy Services Company (ESCo)
- Green Deal
- Energy Performance Contracting Programme (EnPC)
- Energy From Waste
- Collective Energy Switching
- Roof Mounted Solar PV
- Energy Parks (Ground Mounted Solar PV and Wind Turbines)

7.4 Method of Procurement

The Government Procurement Service (GPS) Framework Agreement for consultancy, 'ConsultancyONE', framework agreement code RM1502 to appoint the Technical Financial Services consultant under Lot 4.1 was considered to be the most appropriate route to market.

7.5 Procurement Process and Evaluation Methodology

Under the terms and conditions of the use of the framework, a cost / quality ration was selected as required. An appropriate ratio of 30% cost to 70% quality was selected and all suppliers on the framework were asked to submit an interest in the opportunity.

CRITERIA		
Item	Description	Weighting %
1)	Key Quality	70
2)	Financial	30

7.6 Four suppliers responded to the expression of interest.

BDO Consultancy
Deloitte LLP
Ernst & Young
Ove Arup

7.7 The cost element was based on the GPS rate card supporting the ConsultancyONE Framework, however each supplier was asked to consider submitting discounted rates against this card. The evaluation methodology for cost was as follows:

The price submitted by bidders were evaluated as representing 30% of the overall marks. The lowest priced rate submission received was allocated a 100% mark (i.e. the full 30%) and then other submissions were allocated marks based on their difference between their rate submission and the lowest rate submission and subsequently marks were deducted from their overall mark. Points were awarded from 1 to 3 according to rate, with 3 points being awarded to the lowest rate in each classification and 1 point to the highest rate in the classification. It was anticipated that the majority of advice would be undertaken at Management Consultant Level (see rates submitted in Appendix 1)

7.8 The quality element was based on the evaluation of the response to the following key criteria:-

- Understanding and demonstrable experience of advice and support of an ESCo – 10%
- Experience on similar type projects, including relevant references – 20%
- Experience of successfully assessing the financial and commercial viability of renewable energy projects and energy efficiency projects – 30%
- Understanding the Council's requirements – 15%
- Ability to meet the Programme Timescale – 10%
- Key personnel and pedigree – 10%
- Cultural fit and relationship management – 5%

7.9 Each criterion were marked on a scale of 1 to 10 using the following methodology:

- 0 to 4 marks – less than acceptable; response/answer/solution/information lacks convincing evidence of skill/experience sought; lack of real understanding of requirement or evidence of ability to deliver.
- 5 to 6 marks – Acceptable response/answer/solution/information to the particular aspect of the requirement; evidence given of experience/skill sought.
- 7 to 8 marks – Above acceptable; response answer/solution/information demonstrates real understanding of the requirement and evidence of ability to meet it; based on good

experience of the specific provision required or relevant experience of comparable service or supply.

- 9 to 10 marks – Excellent; response/answer/solution provides real confidence based on experience of the service or supply provision required; indicates that the bidder will add real value to the organisation with excellent skills and deep understanding of the service requested.

7.10 Tender Submission and Interview

The selection process was conducted in 2 phases;

Phase 1 – analysis of tender submissions against the evaluation criteria; and

Phase 2 - bidders successful at achieving the required standards (three maximum) at Phase 1 were invited to give a presentation to assess their experience and their proposed approach and were marked against the evaluation criteria.

A maximum of three bidders were selected to Phase 2, the Presentation Stage. Of the maximum three bidders, only those bidders who exceeded an average mark of five or more on each criterion were invited to the presentation stage (Phase 2). Bidders who scored a mark of four or less on any criteria were excluded from the remainder of the process. The final scoring for Quality was weighted as follows:

Item	Description	Weighting %
1)	Tender Submission	50
2)	Interview	50

The summary of the process is attached in the Exempt Annex in Appendix 1.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 Procurement through an OJEU Restricted process was considered however this was discounted as the time constraints and cost involved in the procuring of the services outweighed any benefits. The GPS Frameworks are considered value for money particularly as a discount was applied to Deloitte LLP's rates.
- 8.2 Do nothing. This was considered not to be an option, since any project being delivered through the ESCo requires complex financial modelling that supports the business case for each project which is unavailable in-house.

9. IMPLICATIONS

- 9.1 The appointment of Deloitte LLP as Technical Financial Advisors will support each of the business cases relating to the various projects by the Council and the ESCo and will ultimately contribute to offsetting the ongoing pressures to the Council's budget through renewable energy schemes.
- 9.2 Any commissions made by the ESCo will be paid for by them.
- 9.3 The GPS framework agreement code RM1502 to appoint the Technical Financial Services consultant under Lot 4.1 is in accordance with EU procurement rules. The legal and financial implications of the arrangements between ESCo and Council are as set out in

paragraphs 9.1.3 and 9.2 of the Cabinet Member Decision Notice for setting up the ESCo dated 13 June 2011.

10. DECLARATIONS / CONFLICTS OF INTEREST & DISPENSATIONS GRANTED

The Executive Director of Strategic Resources is also the Managing Director of the ESCo 'Blue Sky Peterborough'.

11. BACKGROUND DOCUMENTS

None.