

Finance & General Purposes Committee

Meeting Date: 18th February 2026

Report Author: Andrew Briggs

Subject: Heat Decarbonisation Programme – Project Update

1. Purpose

To provide Members with an update on the status of the Heat Decarbonisation Programme funded through the Public Sector Decarbonisation Scheme (PSDS), detail proceeding actions, and outline key upcoming dates.

2. Background

The Council secured grant funding through the Government's Public Sector Decarbonisation Scheme to support the replacement of fossil fuel heating systems with low carbon alternatives across four of its community buildings.

The project forms a key part of the Council's commitment to carbon reduction, improved energy efficiency, and long term sustainability.

3. Current Position

A compliant procurement exercise was undertaken via a CCS framework. Seven suppliers were initially engaged; however, only one fully compliant tender was received by the closing date.

The submitted tender was technically acceptable but materially exceeded the financial assumptions included within the original Salix funding application. Officers subsequently met with the contractor to review scope and explore value engineering opportunities.

While cost reductions were identified, the revised position remained financially unviable when assessed against the approved funding envelope.

As a result, no contract was awarded.

4. Engagement with Salix

Following discussion with the Council's Salix Project Manager, officers were advised to re-test the market through an open procurement (ITT) to encourage wider competition and hopefully improve affordability.

Salix confirmed this was an appropriate and compliant route given current market conditions, which are impacting many authorities delivering similar decarbonisation schemes.

The project remains live, and funding is not currently at total risk, provided programme milestones are met.

5. Officer Actions

Officers have:

- Updated Members on project affordability and risk (FEB 26 FGP)
- Engaged with Salix to keep them updated on status and seek advice.
- Instructed the consultant to prepare tender documentation for an open procurement.
- Issued the ITT on Contracts Finder (12th Feb).
- Strengthened the scope and pricing structure to reduce contractor risk allowances.
- Implemented a procurement timetable aligned with PSDS funding deadlines.
- Maintained a position of no contractual commitment pending a viable outcome.

6. Procurement Strategy

The Council will now undertake an Open Tender advertised via Contracts Finder.

An appointed contractor will be responsible for design development from RIBA Stage 3 through to installation and commissioning.

This approach is intended to:

- Increase market engagement
- Improve price competitiveness
- Provide a deliverable scheme
- Protect funding

7. Key Programme Dates

Milestone	Date
Open ITT Publication	12 th February 2026
Finance & General Purposes Committee Update	18 th February 2026
Tender Return Deadline	12 th March 2026
Tender Evaluation	13 th March 2026
Extraordinary Council Meeting (Award Decision)	Week commencing 16 th March 2026
Salix Forecast Return	20 th March 2026
Orders Placed (to protect funding)	Before 31 st March 2026
Final Salix Accrual Deadline	16 th April 2026

The programme is time critical due to funding requirements.

Councillors need to be aware that they may be asked to conduct contractor interviews on **13th March 2026**.

8. Risk

Financial Risk – Low

Market pricing for decarbonisation works remains volatile. The re-tender is intended to test affordability before any commitment is made.

Programme Risk – Medium / High

Delivery is dependent on successful procurement and contractor mobilisation.

Funding Risk – Medium

Salix remains engaged and supportive. Officers are positioning procurement activity to funding deadlines.

9. Market Conditions

Feedback from both the Crown Commercial Service and Salix indicates that limited tender returns, contractor capacity pressures, and cost inflation are being experienced nationally across heat decarbonisation projects.

The Council's experience is therefore consistent with wider public sector delivery challenges.

As part of the Council's due diligence, officers have engaged with other public sector bodies currently delivering Public Sector Decarbonisation Scheme (PSDS) projects to better understand market conditions and procurement outcomes.

Feedback indicates that the challenges experienced by the Council are consistent with those being encountered nationally, including:

- Limited tender returns
- Contractor capacity constraints
- Elevated pricing compared to early feasibility estimates
- Tier one contractor overheads significantly increasing project costs

Authorities delivering similar schemes reported improved affordability where procurement approaches encouraged participation from appropriately sized mechanical and HVAC contractors, rather than relying solely on larger national frameworks.

It was also noted that some authorities have needed to adjust project scope, revisit procurement routes, or re-test the market before securing a financially viable outcome.

This benchmarking exercise provides assurance that the Council's experience reflects broader sector pressures rather than project specific issues.

10. Next Steps

Officers will:

- Manage the clarification process and site visits.
- Evaluate submissions and arrange interviews.
- Report back to Members with a recommendation.
- Continue engagement with Salix to ensure compliance.

Should the re-tender fail to produce an affordable and deliverable outcome, Members will be presented with options, including potential scope revision or withdrawal from the scheme.

11. Financial Implications

At this stage, no additional financial commitments have been entered into by the Council.

The objective of the re-procurement is to secure a solution that aligns with the approved grant and represents value for money.

12. Recommendation

Members are asked to:

NOTE the current project position and officer actions.

APPROVE an Extraordinary meeting WC 16th March.