

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Acting Strategic Director for the Economy

Date: 18/02/2022

Subject: Macbeth Annex and Broadway Nursery Decarbonisation Contract Award

Report author: Grace Farnham, Property Transformation Project Manager

Summary

A [Procurement Strategy report \(December 21\)](#) was approved for the procurement of a contractor to deliver the Council's 'Public Sector Decarbonisation Scheme 2' (PSDS 2) projects at two H&F sites (Macbeth Centre and Broadway Children's Centre).

This paper outlines the outcome of the procurement exercise and recommends that approval is given to appoint Accent (Air Conditioning Services) Ltd, as the contractor for the PSDS 2 contract, as the successful tenderer.

RECOMMENDATIONS

1. To approve the award of the PSDS 2 contract to Accent (Air Conditioning Services) Ltd for a total value of £595,768.94 for the completion of the schemes.
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Wards Affected: Avonmore & Brook Green and Hammersmith Broadway

Our Values	Summary of how this report aligns to the H&F Values
Building shared prosperity	As part of their bid, the contractor has agreed to purchase materials and employ locally (where possible); as such, local social and economic value should be delivered as part of the scheme. In addition, most experts consider that climate change mitigation adds both social and economic value in the long term.
Creating a compassionate council	The project will improve buildings users' experience of two properties which are core to the Council's service delivery: 1. The Adult Education Service and 2. A children's centre run for the community by a Voluntary and Community Sector Organisation (VCSO). These sites will benefit from an upgraded heating system including new heat emitters and controls. Currently, the heating systems

	<p>within the buildings are past their lifespan and faulty making an uncomfortable learning environment.</p> <p>The project will improve thermal comfort and appearance of the two venues, thereby improving the experience for residents who rely on H&F services.</p>
Doing things with local residents, not to them	<p>These projects have been developed in light of the recommendations from the Climate & Ecological Emergency (C&EE) Commission and the resident-led Climate Strategy Implementation Group; as such, the decarbonisation of these two buildings is contributing to achieving against residents' vision of a net-zero borough by 2030.</p>
Being ruthlessly financially efficient	<p>These projects bring the opportunity to utilise up to £460k of external grant funding, while also improving two of our buildings to make them more efficient and reduce energy costs. The grant money accounts for significant portion of total project cost, thereby offering an RFE opportunity to deliver against a strategic priority (building a net-zero carbon borough)</p>
Taking pride in H&F	<p>Installing low-carbon heating systems in two of the Council's sites demonstrates a commitment to a cleaner, and greener borough – thereby taking pride in H&F and its institutions. These projects will improve the condition of two significant buildings in the H&F corporate portfolio. They will also demonstrate climate leadership to the wider community.</p>
Rising to the challenge of the climate and ecological emergency	<p>This project relates to the decarbonisation of two H&F-owned properties. The high-carbon gas heating and hot water systems at these two sites will be removed and replaced by low carbon technologies – this work is essential to meeting the Council's target and rising to the challenge of the C&EE. The projects will provide a model and key lessons for the removal of gas fired heating from other corporate buildings, school and housing.</p>

Financial Impact

As outlined in the procurement strategy, previously grant funding totalling £465,330 had been made available to the council from Salix Finance to fund the PSDS2 projects, with the risk that this funding could be withdrawn from the Council should procurement does not progress at pace (enabling the grant to be drawn down by March 2022).

As not all expenditure will be incurred by the end of March 2022, discussions have taken place with Salix to allow the following mitigations:

- Salix will allow H&F to claim 100% of the expenses accrued before April 2022 from the grant fund with H&F picking up the remaining costs of the scheme after this date.

- Draw down on the grant using vesting certificates to prove ownership of materials and equipment which may arrived on site after March 2022 but will be purchased beforehand.

Based on the above, it is estimated that expenditure which will be eligible for grant funding will amount to £200,000. Therefore, the Council would be liable to fund the remaining project expenditure (£395,768.94). These costs will be met from capital funding within the Planned Maintenance Programme for 2021/22.

Accent Services (Air Conditioning) Limited has a credit rating of 70/100 as at 9th February indicating it to be of low financial risk.

No annual uplifts are expected given that this is a one-off cost for installation of decarbonisation measures.

Furthermore, there are additional financial benefits of the project – it is expected that, after retrofit, both buildings will benefit from lower annual running/utility costs due to the installation of both efficient heating systems and energy efficiency measures (e.g. roof insulation).

*Implications completed by: Andre Mark Head of Finance, Corporate Services, Improvement and Analytics, 9th February 2022
Verified by Emily Hill, Director of Finance, 16 February 2022*

Legal Implications

On 23rd December 2021, the Strategic Director for Economy (in consultation with the relevant Cabinet Member) approved the procurement strategy for a works contract for property upgrades at Macbeth Centre and Brook Green Children’s Centre. The strategy was for a short procurement over a 4-week period inviting 5 suppliers to tender. This was to ensure that the contract was awarded, and works were completed by the end of March, a condition of the grant funding from BEIS/Salix. The Council has carried out the procurement in accordance with the strategy. This report recommends awarding the contract to Accent (Air Conditioning Services) Ltd as the Most Economically Advantageous Tender.

The deviation from the 60:40 weighting quality to price prescribed by the CSOs, is justified by the fact that quality is assumed given the pre-screening of suppliers (all Samsung certified suppliers). The focus of the procurement was therefore on pricing.

The appropriate decision maker is the SLT Member in consultation with the relevant Cabinet Member.

As the award report concerns the award of contract in excess of £300,000 in value, it is a Key Decision (see Article 12 of the Constitution) and must be submitted to Committee Services for publication on the Council’s website. The award decision cannot be implemented without the expiry of the call-in period.

Once the decision is made to approve the award, the Council must publish a contract award notice on Contracts Finder containing at least the name of the contractor, the date on which the contract was entered into, the value of the contract and whether the contractor is an SME or BSCE (reg.112(1) PCR).

As the contract has a value over £100,000 it must be sealed by Legal Services (CSO 15.6.2).

Implications completed by: Angela Hogan, Chief Solicitor (Contracts and Procurement), 10th February 2022

Background Papers Used in Preparing This Report - none

DETAILED ANALYSIS

Proposals and Analysis of Options

1. Following the approval of the Procurement Strategy, a fully compliant procurement process was conducted in line with that strategy (i.e. the invitation to quote was sent directly to five selected suppliers).
2. A single stage tender was carried out, and one bid was received from Accent (Air Conditioning Services) Ltd. It should be noted that one of the selected suppliers chose not to submit a bid, citing the Council's social value requirements and volume of documentation as the main limiting factors, particularly given the short length of the contract.
3. Accent (Air Conditioning Services) Ltd passed the qualification and technical envelope and submitted a price within the expected cost envelope of the project; as such the recommendation is to approve the award of the contract to Accent.
4. Bids were evaluated against three sets of criteria:
 - i. Minimum standards (assessed on pass/fail basis)
 - ii. Quality (30% of final score): A series of method statements relating to technical ability to deliver the works including programme management, risk management, customer liaisons, and health and safety.
 - iii. Price (70% of final score): A total price for delivery of the projects at both sites, calculated by a breakdown of the costs of the works and resources required.
5. The winning tenderer (Accent (Air Conditioning Services) Ltd) received a quality score of 63.34%, a price score of 100% and a total score of 89%.

6. The social value offer of 13.6% exceeds the minimum 10% required with a particularly strong offer relating to spend in local supply chain and spend with local MSMEs.

The following commitments were made by the bidder:

Ref	TOM	Proxy	Target / commitment	SLEV
NT18	Total amount (£) spent in LOCAL supply chain through the contract	£2.25	15000	£33,750.00
NT19	Total amount (£) spent through contract with LOCAL MSMEs	£2.25	20000	£45,000.00
NT15a	Helping VCSEs and MSMEs achieve net zero carbon by 2030	£96.11	8	£768.88
NT28	Donations or in-kind contributions to local community projects (£ & materials)	£1.00	1000	£1,000.00
NT21	Equality, diversity, inclusion training for staff/supply chain staff	£96.11	8	£768.88
				£81,287.76

Options Appraisal

7. Option 1: Award the contract to Accent Services (Air Conditioning) Limited. This is the recommended option. Accent Services (Air Conditioning) Limited were the only tenderer to submit a bid and meet the requirements, and the Council requires a contractor to deliver the two PSDS projects (or otherwise lose up to £465k of funding); appointing the contractor will enable the Council to meet its commitment to decarbonise its assets (H&F value 6) and invest in its stock in an RFE way. In addition, given that the pre-tender cost estimate was upward of £700k, the appointment of this bidder (who has costed the project at £595,769) represents a cost saving.
8. Option 2: Do not award the contract. This is not recommended as appointing a contractor is essential to the successful delivery of the PSDS projects and for retaining the funding from Salix. The tender process has identified a competent contractor of a quality standard to complete the works; not awarding a contract would mean the council would be left without a compliant provider to deliver the works and without an opportunity to spend the grant before its expiration.

Contract

9. These works will be subject to a JCT Intermediate Building with Contract Design. A draft contract was issued with the tender and this will be finalised and engrossed, prior to being executed as a deed, following approval of award.
10. Contract award letters will be issued and mobilisation with the successful contractor will begin. There is no TUPE applicable.
11. The Contract will be managed by the Head of Facilities Management.

Reasons for Decision

12. To enable LBHF to carry out the government-funded PSDS 2 projects and support its commitment to decarbonising all of its assets by 2030.
13. The recommendations are based on a competitive procurement exercise in which the Contractor recommended for appointment was the only tenderer to submit a compliant and successful bid.

Equality Implications

14. An Equality Impact Assessment for this project has been completed and is appended to the report. In summary, there are potentially greater negative impacts for disabled people relating to parking at Macbeth. The specification for the project clearly communicates to the contractor how and when the welfare facilities can be erected, including the requirement to maintain access routes, and communicate clearly with residents when there may be any impact to this. In addition, the welfare facilities within the carpark will only be erected for the time necessary to complete the works and be taken down in a reasonable time following this. The contractor is expected to abide by LBHFs Customer Charter Code of Conduct (which forms part of the contract) which outlines how operatives should behave and interact with residents, as well as standards set in the service specification around respectful behaviour and minimising inconvenience and nuisance of works.
15. The EQIA outlines in more detail the mitigating actions taken to ensure any impacts based on a protected characteristic are neutralised.

Implications completed by: Grace Farnham, Property Transformation Project Manager 07403983400 on 4th February 2022

Risk Management Implications

16. The report recommends the appointment of a contractor following a competitive procurement process and to ensure that grant funding for the project can be secured and used. This is in line with the council priority of being ruthlessly financially efficient. The scheme will deliver low carbon heating systems at two sites which will contribute towards the council objective of rising to the challenge of the climate and ecological crisis by delivering carbon savings

Implications completed by: David Hughes, Director of Audit, Fraud, Risk and Insurance, 8th February 2022

Climate and Ecological Emergency Implications

17. The proposed retrofit projects have been assessed and recommended by expert technical consultants as the most appropriate for these two buildings.

18. The main purpose of the project is to deliver low-carbon heating systems at two sites, thus delivering carbon savings for H&F. As such, the project will contribute directly to the Council's ambition to tackle the Climate and Ecological Emergency.

Implications verified by: Hinesh Mehta, Strategic Lead, Climate & Ecological Emergency Unit, 8th February 2022

Procurement implications

19. The results of the evaluation process have been verified against the Capital E-sourcing tendering system on 11/02/22 by Elliot Tyrell, Governance and Procurement Officer (Economy).

Implications completed by Will Shanks, Head of Contract Governance (Economy), 11th February 2022

Local Economy and Social Value Implications

20. Social Value contributions were proposed by Accent in their bid amounting to 13.6% of the value of the contract and totalling £81,287.76 in proxy value, detailed in paragraph 6 above. The majority of the contributions are towards including businesses based in Hammersmith and Fulham, including micro, small and medium enterprises (MSMEs), in the supply chain of the contract.
21. The statements provided in the bid about how these social value measures will be delivered do not include a method other than to work closely with the council. Instead, the statements do note conditions whereby the measures may not be able to be delivered. Two of the measures relating to providing expert hours to support MSMEs based in Hammersmith and Fulham including those in the voluntary and community sector and those in its own supply chain, do not have statements relating to them. However, the proxy value of this support is £1,537.76 (0.3 per-centage points) and so is not critical to the minimum social value contribution (10%) required of this contract.
22. Therefore, there is a risk that the social value proposed to be contributed is not delivered. Financial remedies should be included in the contract that may be used should the contracted measures not be delivered.

Implications verified by: Paul Clarke, Economic Development Officer, 17th February 2022.

Consultation

23. The design and delivery of the project has been developed in consultation with AAP who will be project managing the installations.

24. The Director of the VCSO (the tenant) at Brook Green and H&F Officers running and managing Macbeth have been consulted, communicated interest in the scheme, and agreed for enabling works (e.g. surveys) to be carried out on site.

Property Implications

25. These two projects are the start of a significant programme of capital works required across the non-domestic portfolio to achieve the Council's commitment to net zero. By improving the energy efficiency of the properties, the project also supports the Council to meet its compliance commitments (e.g. Minimum Energy Efficiency Standards / MEES).

26. The project will deliver improvements to two properties within the council's portfolio, by upgrading heating systems and energy efficiency measures (e.g. insulation).

Implications verified by: Jonathan Skaife (Acting Head of Asset Management, 07780228467) on 8th February 2022