

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Cabinet

Date: 06/03/2023

Subject: 'In principle' approval of WOS contract with a value of up to £14m

Report of: Councillor Andrew Jones, Cabinet Member for the Economy and
Councillor Wesley Harcourt, Cabinet Member for Climate Change and Ecology

Report author: Grace Farnham, Property Transformation Project Manager

Responsible Director: Jonathon Pickstone, Strategic Director of The Economy

SUMMARY

1. Cabinet is asked for 'in principle' approval to award a Works / Optimisation Service (WOS) contract for retrofitting and decarbonising HF Council properties and to delegate approval for the award to the Strategic Director of the Economy.
2. The WOS contract will be used for the installation of Energy Conservation Measures (ECMs) at H&F non-domestic properties, supporting the Council to achieve its net-zero carbon target and reduce borough carbon emissions.
3. The works will be paid for from the Council's annual rolling Capital Planned Maintenance Programme budget and, already approved at Cabinet, alongside decarbonisation grant monies applied for from the latest round of the Public Sector Decarbonisation Scheme (PSDS3b) administered by BEIS/ Salix. 'In principle' decision is sought because the grant announcement has been delayed at BEIS/ Salix, so at present the actual total project value cannot be determined.
4. Cabinet's agreement will enable the Council to award a contract and start spending grant monies as soon as possible once the grant results are announced, necessary because grant funding is time limited.
5. This decision follows the procurement strategy taken to Cabinet on 18th July 2022 and the award report for an IGP contract which have enabled necessary assessment and costing work to be completed to inform this decision report.

Recommendations

1. That Cabinet provides 'in principle' approval for award of contract up to a value of £ 14m via the REFIT framework (subject to the size of the PSDS3b grant awarded by Salix), but where the total value of the contract will not

exceed the combined amount of grant funding received (£6.04m or less) and funding available to be allocated to the scheme via the CPMP budget.

2. To delegate the authority to approve the award of the WOS contract (which will be awarded after the announcement of funding in March / April 2023 when the contract value can be determined) to the Strategic Director of the Economy in consultation with the Cabinet Member for the Economy.

Wards Affected: (Give the Wards directly affected, or “None” or “All”)

Our Values	Summary of how this report aligns to the H&F Values
Building shared prosperity	The installation of low carbon technologies in public buildings will allow residents across the borough to benefit from greener and more efficient buildings.
Creating a compassionate council	This project, directly contributing to the Council's efforts to tackle climate change, demonstrates compassion by taking action to protect the future health of H&F's people and environment.
Doing things with local residents, not to them	This activity is part of a strategy which has been informed and scrutinised by the resident-led 'Climate Strategy Implementation Group'
Being ruthlessly financially efficient	Grant funding from PSDS3b offers the opportunity to drastically reduce H&F's financial contribution to the identified decarbonisation projects and will provide a sum of up to £6,037,165 to make capital improvements to the Council's assets. The approach set out in this report will ensure that the Council is able to maximise the amount of external funding available to invest and decarbonise its assets.
Taking pride in H&F	The decarbonisation of public buildings will enable the Council to lead by example in delivering a cleaner and greener borough
Rising to the challenge of the climate and ecological emergency	The works are an important step to achieving the Council's 2030 net zero commitment

Financial Impact

The overall cost of the Works / Optimisation Service (WOS) contract has been assessed as up to £14million, which is inclusive of a £0.5 million contingency.

Officers are awaiting a decision on a grant application for up to £6.04 million from the PSDS3b.

The Council's contribution to the cost of this contract will be funded from the four-year Corporate Planned Maintenance Programme (CPMP) budget of £12.5m for the period 2021/22-2024/25. The total remaining funds within the current CPMP funding agreement is £10.8m which covers the 2-year period for which the grant is valid.

Financial Regulations require the Director of Finance to accept any grant funding and the associated terms & conditions once the grant has been confirmed and before procurement.

The work on these schemes will be enhancing Council assets and therefore, will be capital in nature. There are no significant risks that the cost will fall to revenue given officers will have control over which works are handed to the contractors.

Once the grant amount has been confirmed and accepted by the Director of Finance, a further approval report will be required to approve the appointment of contractors. As part of this report, Finance comments will need to be provided to confirm the financial status of the contractors, the amount of grant secured and the terms of that grant, the payment model, the funding required and available from the CPMP.

Will Stevens, Finance Manager (The Economy), 26 January 23

Verified by Sukvinder Kalsi, Director of Finance, 30 January 23

Legal Implications

The value of the WOS Contract to be awarded will be over EU thresholds and so the Public Contracts Regulations 2015 will apply.

It will be a High Value Contract under the Council's Contract Standing Orders (CSOs) and these will also apply to the contract.

The WOS Contract will be procurement from the RE:FIT Framework set up by the Crown Commercial Service. The Framework complies with the PCRs. The rules of the Framework will have to be complied with when awarding a contract under it. Using the Framework will also comply with the CSOs.

The relevant Cabinet Member will need to approve the award of the contract (CSO 21.1). All contract awards over £100,000 must be submitted to the Contracts Assurance Board before being submitted for approval to the decision maker as set out in CSO 21.1.

Where the award report concerns the award of contract in excess of £300,000 in value or the expenditure is otherwise significant, then 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 for that decision as shown on the website AND (if a Regulated Contract) expiry of the Standstill Period.

Joginder Bola, Senior Solicitor (Contracts & Procurement), 24 January 2023

Background Papers Used in Preparing This Report

None.

DETAILED ANALYSIS

Proposals and Analysis of Options

Background

6. Since declaring a climate and ecological emergency and publishing its 2030 net zero commitment, the Council has developed a roadmap to decarbonise its non-domestic portfolio.
7. Cabinet took a key step in the roadmap in July 2022 when it approved a procurement strategy to use the RE:FIT framework to award up to two contracts to a suitable 'energy partner':
 - I. An 'IGP contract' to develop high-level assessments (HLAs) and investment grade proposals (IGPs) for decarbonisation and retrofit projects
 - II. A 'Works/Optimisation Service' (WOS) contract, with a value of up to £8m, to manage the installation and delivery of low-carbon heating systems and energy conservation measures (ECMs)
8. After a successful procurement exercise, Asset Plus Limited were awarded the IGP contract (with a value of £0) in August 2022; as per the RE:FIT framework, the Council is now able to award a 'follow-on' WOS contract to the Asset+ without an additional tendering exercise.
9. Since their appointment, Asset+ supported the Council to make a more ambitious application to PSDS3B which – if successful – would require the award of a £11m+ contract (exceeding the approved procurement strategy for an £8m contract). Accounting for the possibility of inflation around 11%, the indicate award sum becomes £ 13.5 m. A £ 0.5 m contingency has then been included to account for project factors.
10. The grant announcement has been delayed by BEIS / Salix, so at present the actual total project value cannot be determined; if less funding is awarded than applied for in our application, then the contract value may be lower. However, should the grant be equal or greater than the amount requested, the contract is likely to be up £ 14m (including contingency), thereby requiring a new approval from Cabinet.

11. Once funding is awarded, the timeframe for spending the entirety of the grant is very short, requiring the Council to mobilise a WOS contract immediately, to mitigate the risk of not being able to spend the full grant amount before the expiry of the grant period.
12. To reduce the risk of underspending grant monies, prior approval to award a high-value contract will enable the Council to:
 - maximise the Council's chances to spend the entire grant awarded and
 - progress an ambitious and part grant-funded retrofit programme that will deliver the decarbonisation of seventeen of the Council assets; this scheme of work will contribute significantly to the Council's efforts to decarbonise its non-domestic portfolio, in line with the net-zero by 2030 target.

Contract value and available budget

13. Due to delays with Salix's assessment of PSDS3b applications, the Council has not yet heard back about the outcome of its grant application. An announcement is expected in March / April. Once the grant value is known, a total value for the contract can be agreed with Asset+ who would then be awarded with WOS contract (subject to negotiation and social value commitments).
14. Based on the High-Level Assessments (HLAs), the contract was initially expected to be in the region of £11m; however, in light of likely design changes to the selected retrofit projects and anticipated increases in project costs (e.g. increasing cost of materials, labour equipment etc.), this report seeks in principle approval to award a contract with a value of up to £13.5m plus contingency, so that the programme can remain flexible and responsive to market/supply chain changes.
15. It's estimated that the monies will enable the Council to decarbonise seventeen of its properties.
16. If H&F's application to PSDS3b is successful, then the funding provided from the CPMP budget will be supplemented with any grant monies awarded by Salix / BEIS. The outcome of the grant application is expected to be announced in Apr / May 2023.

Reasons for Decision

17. Cabinet's approval is required in order to
 - Progress the Council's commitment to a net zero 2030 operational estate by delivering a further phase of decarbonisation works.
 - To start the works as soon as possible, enabled by the quick award of contracts, which will maximise the Council's chances of spending all grant monies (if awarded by BEIS/ Salix) before the expiry of the grant period.

Equality Implications

18. An initial EQIA has been completed and no negative impacts have been identified. However, a subsequent EQIA will be completed once the Council has the results of the grant funding and the detailed IGPs to ensure an accurate assessment can be made. This will be included in the award report.

Risk Management Implications

19. The report recommends giving in 'principle' approval to award a contract via the RE: FIT framework, subject to funding approved under the capital programme and confirmation of external grant funding from the Public Sector Decarbonisation Scheme administered by BEIS/ Salix. This is in line with the Council objective of being ruthlessly financially efficient.
20. The report identifies that the timeframe for spending the entirety of the grant is very short and, without the action being recommended here, there is a risk of not being able to spend the full grant amount before the expiry of the grant. Officers will need to ensure that expenditure incurred is in line with the grant conditions and that suitable documentation is obtained and retained for inspection by the grant funder. Robust project and contract management arrangements will be required to ensure the successful delivery of the programme in line with the funding conditions.

David Hughes, Director of Audit, Fraud, Risk and Insurance, 23 January 2023

Climate and Ecological Emergency Implications

21. The proposed WOS contract will, if successfully executed and funded, decarbonise 17 of H&F's larger corporate buildings and schools. To meet the H&F 2030 net zero target, the Council will need to retrofit the majority of the corporate buildings and schools under its operational control. In line with wider strategic advice from the Committee on Climate Change, the GLA, BEIS and others, the primary focus of this work will be on making buildings more efficient through measures like insulation, and replacing gas fired boilers with electric heating, mainly heat pumps. This contract is essential to enabling this to happen at the pace required by the 2030 target, enabling heat pumps and associated retrofit works to take place in 17 buildings and schools initially and further buildings and schools as funding becomes available.

Implications verified by: Hinesh Mehta, Head of Climate Change, 23 January 2023

Local Economy and Social Value

22. It is a requirement that all contracts awarded by the council with a value above £100,000 provide social value commitments that are additional to the core services required under the contract. These commitments must amount to at least 10% in value of the price of the contract proposed.

23. Paragraph 13 states that Asset Plus will be asked to commit to deliver social value measures before it is awarded a contract. These commitments should be of a proxy value of at least 10% of the price of the contract and should include persuasive method statements to provide confidence that these measures can and will be delivered.

24. It is advised that the commissioner works with Legal to ensure appropriate social value clauses are included in the contract so that the council can enforce its right to compensation if social value commitments are not delivered.

Paul Clarke, Social Value Officer, Economic Development Team, 24 January 2023

Property

25. The works contract will enable progress towards decarbonisation of the council's operational portfolio, a commitment by 2030.

Jonathan Skaife, Acting Head of Commercial Property, 21 January 2023

LIST OF APPENDICES

None