

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Strategic Director For Economy in Consultation with the Cabinet Member for Economy- Councillor Andrew Jones.

Date: 18/08/2023

Subject: Gas boilers replacement with heat pumps at Askham Contact Centre, W6 8PR

Report author: Henry Oriabure. Project Manager

SUMMARY

This report sets out the proposed Procurement Strategy and contract award approval to select a contractor based in London with heat pumps experiences and a track record of working effectively for Hammersmith & Fulham.

Following the annual gas boilers service inspection carried out at Askham Contact Centre, by London and Kent Air Conditioning 21st June 2023, the service report certified the 75.6kW gas boiler had stopped working, irreparable and not fit for purpose.

In line with Hammersmith and Fulham net zero target by 2030 and decarbonisation strategy, Askham Contact Centre gas boilers will be completely replaced with air source heat pumps (ASHP) as against ground source heat pumps or electric heating system. ASHP heating technology system is best value for money based on the site survey inspection, market value, heat pumps positioning on site, and constraints of installing other types of renewable energy technologies.

The energy conservation measure using ASHP to decarbonise Askham Contact Centre will generate heating during cold weather and hot water for the building. Installing ASHPs will also reduce carbon dioxide emission which aligns to H&F decarbonisation strategy.

RECOMMENDATIONS

1. To note that Appendix 1 is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).
2. To approve the procurement strategy of heat pumps to provide heating and hot water for Askham Contact Centre.
3. To tender for the installation of air source heat pumps (ASHPs) to replace the existing gas boilers at Askham Contact Centre.

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	Well maintained buildings will reduce the CO2 emission and less GHG with the ASHPS making the building environmentally friendly, improves the wellbeing of users and conducive for all occupants. The contractor will be required to deliver Social Value equivalent to 10% of the contract values for all spend over £100,000. This should have a positive impact on local wellbeing prosperity.
Creating a compassionate council	Maintaining our council’s buildings to suit and meet all person's requirements and needs especially the decarbonisation strategy.
Doing things with local residents, not to them	Providing heating and hot water in line with H&F net zero target by 2030. Therefore, making the building safe and compliant for public use.
Being ruthlessly financially efficient	By tendering through captalesourcing the heat pump contract bidding and award will be competitive as evaluation will be based on quality, technical competencies, and value for money.
Taking pride in H&F	Well maintained building that can be used as model of the Council’s corporate assets on decarbonisation target.
Rising to the challenge of the climate and ecological emergency	Buildings maintained to standards that meet H&F climate and ecological commitment and towards net zero target 2030.

Financial Impact

The financial cost of installing the Air Source Heat Pumps at Askham Contact Centre can be met within the current Capital Planned Maintenance Programme approved in April 2023.

Written by: Will Stevens, Finance Manager, The Economy, 12/07/23
Verified Danny Rochford, Head of Finance THE Economy and HRA, 01/08/23

Legal Implications

The Council has the power to procure these services as they are required to support a range of its functions.

The value of the contract means that it is below the threshold for the Public Contracts Regulations 2015 (PCR) to apply. There are therefore no statutory requirements governing the procurement.

The advertising and competition requirements in those regulations therefore need to be complied with. The report sets out that the procurement procedure using captalesourcing portal as vehicle to invite bidders competent and capable of delivery heat pumps projects. This is in accordance with the procedures set out in the PCR.

This is a high value contract for the purposes of the Council's Contract Standing Orders. The use of captalesourcing portal is compliant method of procuring a contract of this value in accordance with CSO (Councils Standing Order) 18.

The value of the contract means that its award will be a Key Decision under the Council's Constitution and will need to be included on the Council's Key Decision list.

John Sharland, Senior solicitor (Contracts and procurement), 07/08/23

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

Background

1. Askham Contact Centre 75.6kW gas had stopped working, irreparable and not fit for purpose. The property has no heating system to produce heating and warm occupants if the weather suddenly gets cold. The 43.3kW gas boiler producing hot water now will be replaced with ASHP to ensure the building is completely decarbonised.
2. The objective is to provide Askham Contact Centre with low carbon heating technology system. Installing ASHPs will mitigate the carbon dioxide emission characterised with gas boilers. ASHP installation is in line with the commitment of H&F policy on decarbonising corporate assets.

3. By tendering through captalesourcing, the heat pump contract bidding and award will be competitive as evaluation will be based on quality, technical competencies, and value for money.

Reasons for Decision

4. Askham Contact Centre 75.6kW gas boiler has stopped working, irreparable and not fit for purpose.

Contract Specifications Summary

5. Heat pump supply and installation, potential DNO upgrade supply for 100amp main incomer at site to accommodate the ASHPs, noise assessment, existing plant remover, trenching, cabling, planning application, plinth works, acoustic fencing on project completion and temporary hot water supply during the installation.
6. The length of the contract is two months from the date contract is awarded. There are no options to extend or break the clauses with the contract.

Procurement Route Analysis of Options

7. The procurement could be run via an open tender or by running a mini competition via a framework. In order to secure the local outcomes we need and to offer more local organisations the opportunity to bid, the use of an open tender route is recommended as a compliant method of procuring a contract of this value in accordance with CSO (Council s Standing Order) 18.
8. By tendering through captalesourcing the heat pump contract bidding and award will be competitive as evaluation will be based on quality, technical competencies, and value for money.

Market Analysis

10. Heat pumps renewable sector market is matured with various heat pumps manufacturer such as Mitsubishi, Daiken, Viessmann, Stiebel Eltron, Grant, Valiant, Nibe, Samsung and LG for both domestics and commercial installations. Therefore, supply chains for this project will be seamless and within the contract timeframe. The building will be provided with low carbon heating system to generate heating through clean renewable energy technology.

Risk Assessment and Proposed Mitigations

- 11 Supply chains of heat pumps have significantly improved as various manufacturers stock domestics and commercial heat pumps. The shortages of heat pumps during covid-19 lock down and high demand of heat pumps have contributed to manufacturers stocking low carbon technologies products.

There is significantly improvement on the supply chains of air source heat pumps to end user.

- 12 Procurement process will ensure availability of the air source heat pumps are crucial to contract specification and deliverability by the successful contractor in line with the contractual agreement.
- 13 Please include an estimated timetable of the competition process through to contract commencing.

Key Decision Entry (Strategy)	10/07/2023
Contracts Assurance Board (Strategy)	19/07/2023
SLT/Cabinet Member/Cabinet Sign off (Strategy)	21/07/2023
Find a Tender Service Notice	01/08/2023
Closing date for clarifications	20/08/2023
Closing date for submissions	28/07/2023
Evaluation of Tenders	31/07/2023
Key Decision Entry (Award)	10/07/2023
CAB (Award)	06/09/2023
SLT/Cabinet Member (Award)	15/09/2023
Find a Tender Service Contract Award Notice	16/09/2023
Contract engrossment	16/09/2023
Contract mobilisation and implementation	16/09/2023
Contract Commencement date	17/09/2023

Selection and Award Criteria

- 14 The headline Quality/Price ratio is to be 40/60. The reason for this is to ensure suppliers provide 'value for money' using their supply chain and to also demonstrate they have the pre-requisite experience in this area as well as being able to be competitive with their tender submissions.
- 15 Social Value will be included in line with the Council's Social Value policy and all contractors will be required to make a social value proposal, join the Social Value Portal and fill in the matrix to be managed accordingly during the lifetime of the contract.
- 16 The quality evaluation will be made up of the following criteria:

Sr.	Criterion	Weighting %
1.	Competence of the proposed team	20
2.	Delivery Methodology	20
3.	Project Risks and Mitigation	15
4.	Programme	20
5.	Social Value	25%

- 17 Commercial Evaluation: The Tender with the lowest submitted total price will receive the maximum score of 100% of the price element in the commercial evaluation. Thereafter, each other Tender will be compared against the lowest priced Tender.

Contract Management

- 18 This contract will be monitored, and continuously evaluated by the project manager alongside the contractor's air source heat pumps installers and dedicated control electrical engineer. The workload of the contract would require weekly site visit, Internal and external stakeholders involved will be well informed and communicated of the progress of the works. The contract management team will meet on a weekly basis (via Teams), which are required to run such a contract to ensure installations of the heat pumps are delivered smoothly and on time. Risk assessment, health, and safety measures compliant to Construction Design and Management (CDM) Regulations 2015.
- 19 The project manager oversees the project to ensure successful delivery of the air source heat pumps on the site. KPIs are not linked to payment. Project completion is within two months, therefore annual inflationary uplifts are not applicable.

Equality Implications

- 20 There are no equality implications or risks relevant for this contract as procurement is relevant to heat pumps installation parameters and manufacturers guarantee.

Risk Management Implications

- 21 The project manager will ensure the new contract commenced under the strict procedures and processes of Construction Design and Management (CDM) Regulations 2015 to avert any health and safety issues arising from the external statutory inspections arranged via the insurance service remain effective. Risk Assessment Method Statement (RAMS) submission reviewed and relevant to site heat pumps installation before commencement of the project.

Comments verified by David Hughes, Director of Audit, Fraud, Risk and Insurance, 11 July 2023

Climate and Ecological Emergency Implications

- 22 This tender aligns with our retrofit programme and decarbonisation strategy to replace existing end of life equipment, irreparable gas boilers and gas boilers not fit for purpose with new low carbon technologies that will reduce the usage of fossil fuel across the council's corporate portfolio.
- 23 Replacement of the gas boilers with new energy efficient air source heat pumps models align to H&F Climate and ecology strategy route to net zero target by 2030. These upgrades will reduce the greenhouse gas emission, improves the air quality, health, and safety of the entire environment as well as wellbeing of the occupants and users.
- 24 It eradicates carbon dioxide emission thereby saving the cost of gas usage on the site. These will reduce future costs from the impacts of climate change and maintenance cost of the infrastructural assets of the building.

Hinesh Mehta, Head of Climate Change Dated 11th July 2023

Local Economy and Social Value Implications

- 25 It is a requirement that all contracts awarded by the council with a value above £100,000. Bidders should propose social value measures for this contract award amounting to a proxy value of at least 10% before the contract is awarded.
- 26 This social value proposal should count as 20% of the overall score of each bid.
- 27 The responsible commissioning officer should work with the Legal team to ensure that the social value measures proposed by the winning bidder are committed in the contract with remedies if they are not delivered.

Paul Clarke, Social Value Officer, 11th July 2023

Consultation

- 28 Many of these works are expected to take place within the plant room and gas boil units in the property and there should be no implication for other leaseholders in the building. As there is no requirement to contribute towards non-structural works in the properties, there are no statutory consultation implications for the same.

LIST OF APPENDICES

Exempt Appendix 1