

## LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Cabinet

**Date:** 15/04/2024

**Subject:** Decarbonisation of the Council's nondomestic portfolio - Approval of approach to contract award/s

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

**Report author:** Sebastian Mazurczak. Energy and Compliance Manager, Economy

**Responsible Director:** Jonathon Pickstone, Strategic Director of The Economy

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### SUMMARY

1. The Council is progressing its commitment to achieve net zero by 2030, including the decarbonisation of properties in its non-domestic portfolio. Cabinet is asked, in light of the grant funding timelines, to delegate approval to award Works / Optimisation Service (WOS) contract(s) for retrofitting and decarbonising HF Council properties to the Strategic Director for Economy and the Strategic Director for Finance, in consultation with the Cabinet Member for the Economy and Cabinet Member for Climate Change and Ecology.
  2. WOS contract(s) 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 part funded by the Public Sector Decarbonisation Scheme administrated by Department for Energy and Net Zero (Salix Grant) to which the Council has most recently applied for grants totalling £5,465,412. The grant funding requires match funding from the Council, which will be funded from the Corporate Planned Maintenance Programme budget.
  4. Cabinet's agreement will enable the Council to award a contract and start spending grant monies as soon as possible if Salix grant funding is won, necessary because grant funding is time limited. The most recent Salix grant application results are expected to be announced by March/ April 2024. If unsuccessful, the Council will continue to apply to future rounds.
  5. This paper follows the procurement strategy approved at Cabinet on 18th July 2022 and the in-principle approval to award a contract already approved at Cabinet on 6<sup>th</sup> March 2023. The Council was not awarded the Salix (Phase 2) funding after Cabinet's last approval in March 2023 as the scheme was overwhelmed by applications. Cabinet is being asked to reaffirm its in principle support to award again should the Council be successful in future grant rounds, whether in March/ April 2024 or thereafter.
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## RECOMMENDATIONS

1. That Cabinet delegates approval for award of contracts to the Strategic Director of the Economy and Strategic Director for Finance, in consultation with the Cabinet Member for the Economy and Cabinet Member for Climate Change and Ecology with contracts awarded after the announcement of grant funding in March /April 2024.
2. That Cabinet notes the contracts will be up to a value of £ 12 m (subject to the size of the PSDSC grant awarded by Salix), but where the total value of the contract will not exceed the combined amount of grant funding received (£5.465m or less) and Council funding available to be allocated to the scheme.
3. If the current application with Salix is unsuccessful, for Cabinet to confirm the same delegation for future Salix applications up the same value of £ 12 m without returning to Cabinet again for approval.

**Wards Affected: All**

<b>Our Values</b>	<b>Summary of how this report aligns to the H&amp;F Values</b>
Building shared prosperity	The installation of combined low carbon technologies and renewable energy technologies in public buildings will allow opportunities within the borough for businesses and employment, creating better social, economic, and environmental conditions within the borough.
Creating a compassionate council	The decarbonization projects will directly contribute to the Council's H&F plan 2023-2026 for a stronger, safer, kinder borough as it tackles decarbonizations and energy poverty, showing great savings in both.
Doing things with local residents, not to them	Building on shared prosperity, cannot be done hand in hand without resident's contributions, through engagement which maintains a strong and capable third sector that is well equipped to support its rapidly changing communities.
Being ruthlessly financially efficient	Cutting inefficiencies, streamlining processes and workstreams to run alongside each other and share of resources is just one of the ways where this Net-Zero Carbon Project will succeed, but as well as scrutiny of paybacks and analyzing investment against gains and use of alternative frameworks to find the best efficient delivery models.
Taking pride in H&F	The decarbonization of public buildings will enable the Council to lead by example in delivering a cleaner, better, and greener borough by 2030 and giving gravitas to its H&F Plan 2023-2026 for a stronger, safer, kinder borough for everyone.

Rising to the challenge of the climate and ecological emergency	By the Net-Zero Decarbonization Programme, H&F will proudly lead work with residents and partners to build a clean, safe and sustainable future that works for the benefit of all people and the environment and enable the recovery of the borough's rich local ecosystems.
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## Financial Impact

The purpose of this report is to request an in-principle contract award approval, to enable the expediting of a major carbon reduction capital investment programme of works that is part funded by grant.

The overall cost of the Works / Optimisation Service (WOS) contract has been Assessed as up to £12 million, of which the maximum LBHF contribution will be £6.4m which is inclusive of a LBHF funded 10% contingency for the project, with spend to be incurred over 2024/25 and 2025/26.

Officers have received a decision on a grant application from the PSDS3c Salix bid phase, and LBHF have been successful in being awarded £ 5,376,849. Of which the corporate value is £3,418,343 and the schools value is £1,958,506. The final form of the programme can now be drawn up, within the budget envelope outlined here (£11.777m), plus the payment model to the contractor.

The Council's contribution to the cost of this contract will be funded from its Corporate Planned Maintenance Programme (CPMP) capital budget in the first instance, with other capital budgets being reviewed for potential usage.

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.

*Verified by: Will Stevens, Corporate Finance Manager for The Economy, 4 April 2024*  
*Verified by Danny Rochford, Head of Finance for Economy, 4 April 2024*

## Legal Implications

The Council has power to undertake these works as they will make its non-domestic buildings work more effectively and in a way that is more environmentally beneficial. This is conducive to and calculated to facilitate the carrying out of the Council's functions from these buildings.

The value of the WOS Contract/s to be awarded will be a "public works contract" as it is above the thresholds for the Public Contracts Regulations 2015 (PCR) to apply. The requirements of the PCR will need to be complied with in any contract award process. This could be an award by way of a call-off contract under a third-party framework agreement if this appears to be an efficient method of procurement and offers best value.

The value of the proposed award means this will be a High Value Contract under

the Council's Contract Standing Orders (CSOs) and these will need to be complied with in relation to any procurement strategy and contract award. The contract could be awarded by way of a call-off agreement under a suitable third-party framework agreement. This method of procurement complies with the CSOs. The rules of the Framework will have to be complied with when awarding a contract under it. Subject to compliance with CSOs additional work can be awarded to Asset Plus under their existing contract.

This is a key decision under the Council's Constitution. It will need to be included on the key decision list on the Council's website.

*John Sharland (Senior solicitor, Contracts & Procurement), 4 April 2024*

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## **Background Papers Used in Preparing This Report**

None

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## **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 two contract types to a suitable 'energy partner':
  - An 'IGP contract' to develop high-level assessments (HLAs) and Investment grade proposals (IGPs) for decarbonization and retrofit projects.
  - 'Works/Optimization Service' (WOS) contracts 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 Plus without any additional tendering exercise.
9. Since their appointment, Asset Plus have supported the Council to make three grant applications to Salix Funding:
  - PSDS 3 saw the Council awarded £250,000, enabling the Council to match fund and deliver the installation and delivery of low-carbon heating systems and energy conservation measures at two Council owned sites, its Macbeth Centre and Brook Green Nursery.
  - PSDS 3B (Phase 2) saw Salix finance overwhelmed with applications and was not in a position to award H&F a grant.
  - PSDS 3C (Phase 3) which, submitted on 7<sup>th</sup> November 2023, is seeking grant monies totaling £5,465,412 to support decarbonisation of both schools

and corporate sites. News of the outcome is expected by March/ April 2024.

10. Salix funding, if won, will need to be spent by March 2026, with 50% spent in financial year 2024-5 and the remaining 50% spent in financial year 2025-6.
11. If the Council's wins its full grant application sum, the Council plans to award a minimum contract of £10,762,693 to Asset Plus (RE:FIT awarded supplier) to ensure its match funding commitment.
12. Once grant funding is awarded, the timeframe for spending the entirety of the grant is very short, requiring the Council to mobilize WOS contracts immediately to mitigate the risk of not being able to spend the full grant amount before the expiry of the grant period by 31<sup>st</sup> March 2026.
13. To reduce the risk of underspending grant monies, prior approval to award a high-value contract with delegated authority will enable the Council to:
  - maximize the Council's chances to spend the entire grant awarded.
  - progress an ambitious part grant-funded retrofit programme that will deliver the decarbonization of initially seventeen of the Council assets (submitted to PSDS3C); this scheme of work will contribute significantly to the Council's efforts to decarbonize its non- domestic portfolio (including School buildings), in line with the Council's net-zero by 2030 target.

### **Contract value and available budget**

14. Due to the process of Salix's assessment of PSDS3c applications, the Council has not yet heard back about the outcome of its grant application. An announcement is expected in February/ March 2024. Once the grant value is known, a total value for the contract can be agreed.
15. It's estimated that the monies will enable the Council to decarbonize seventeen of its properties initially (of what already submitted in the application) but further assessment work is underway across the wider portfolio to identify further suitable sites.

### **Procurement Implications**

16. The framework operates differently to others to accommodate the grant funding offered by central government and can link the assessment of change needed to works undertaken. The awards themselves would need to proceed in line with the rules of the framework and in line with our Contract Standing Orders.
17. All contracts need to be logged on the contract register, allocated a contract Manager and improvements to assets verified as worked are progressed.

*Verified by: Joanna McCormick, Assistant Director Procurement & Commercial, 16 February 2024*

### **Risk Management Implications**

18. The report recommends giving in 'principle' approval to award

contracts via the RE: FIT Framework, subject to funding approved under the capital programme and confirmation of external grant funding from the Public Sector Decarbonization Scheme administered by Department for Energy and Net Zero and Salix. This is in line with the Council objective of being ruthlessly financially efficient.

19. 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 provider. Robust project and contract management arrangements will be required to ensure the successful delivery of the programme in line with the funding conditions.

*Verified by: Binney Jules, Risk and Assurance Manager, 16 February 2024*

### **Climate and Ecological Emergency Implications**

20. To meet the H&F 2030 net zero target, the Council will need to retrofit the majority of its corporate buildings and schools under its operational control.
21. The primary focus of this work should be on removing gas from all H&F sites but likewise look at making the buildings more energy efficient by looking at fabric first approach. This contract is essential to enabling this to happen at the pace required by the 2030 target, enabling heat pumps and associated retrofit works as well as renewable energy technological interventions to take place in buildings and schools initially and further buildings and schools as funding becomes available.

*Verified by: Hinesh Mehta, Head of Climate Change, 16 February 2024*

### **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. 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, 4 April 2024.*

## **Property**

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

*Verified by: Jonathan Skaife, Assistant Director, Commercial Property Services, 15 February 2024*

## **LIST OF APPENDICES**

**None**