

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Executive Director of Place and Executive Director for Finance, in consultation with the Cabinet Member for the Economy and Cabinet Member for Climate Change and Ecology

Date: 25/07/2024

Subject: Decarbonisation of the Council's nondomestic portfolio. Contract award for PSDS3C

Report author: Jonathan Skaife, Assistant Director, Commercial Property

Responsible Director: Bram Kainth, Strategic Director, Place

Summary

1. The Council is progressing its commitment to achieve net zero by 2030, including the decarbonisation of properties in its non-domestic portfolio.
2. The Council has been awarded a Public Sector Decarbonisation Scheme 3C grant administered by Department for Energy and Net Zero (Salix Grant) totalling £5,465,412. The grant funding requires match funding from the Council, which will be funded from the Corporate Planned Maintenance Programme budget.
3. On 15th April 2024 Cabinet delegated approval for award of contracts up to a value of £ 12m 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. April's Cabinet paper followed the procurement strategy approved at Cabinet on 18th July 2022 and reaffirmed the in-principle approval to award a contract already approved at Cabinet on 6th March 2023.
4. Asset Plus Limited were appointed as the Council's preferred contractor in August 2022 via the RE:FIT framework. The Council is therefore now able to award a 'follow-on' WOS contract to the Asset Plus without any additional tendering exercise.
5. This paper therefore recommends the appointment of Asset Plus Ltd as the prime contractor for the PSDS 3C contract up to a value of £ 12 m via the REFIT framework.

RECOMMENDATIONS

1. That the Strategic Director of Place and Strategic Director for Finance, in consultation with the Cabinet Member for the Economy and Cabinet Member for Climate Change and Ecology, approve a works contract up to a value of £ 12 m to Asset Plus Ltd via the RE:FIT framework.

Wards Affected: All

Our Values	Summary of how this report aligns to the H&F Values
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	<p>The project will improve buildings users' experience of properties which are core to the Council's service delivery.</p> <p>These sites will benefit from an upgraded heating system including new heat emitters and controls. Currently, the heating systems within the buildings are past their lifespan and faulty.</p> <p>The project will improve thermal comfort and appearance of venues, thereby improving the experience for residents who rely on H&F services.</p>
Doing things with local residents, not to them	These projects have been developed in light of the recommendations from the Climate & Ecological Emergency 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.
Being ruthlessly financially efficient	These projects bring the opportunity to utilise external grant funding, while also improving Council buildings to make them more efficient and reduce energy costs. The grant money accounts for a significant portion of total project cost, thereby offering an RFE opportunity to deliver against a strategic priority (building a net-zero carbon borough).
Taking pride in H&F	Installing low-carbon heating systems 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 buildings in the H&F portfolio. They will also demonstrate climate leadership to the wider community.
Rising to the challenge of the climate and	High-carbon gas heating and hot water systems 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

ecological emergency	C&EE. The projects will provide a model and key lessons for the removal of gas fired heating from corporate buildings and schools.
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Financial Impact

The overall cost of the Works / Optimisation Service (WOS) contract has been assessed as up to £12 million, which will be funded from the £5.5m Salix grant and a maximum LBHF contribution of £6.5m which is inclusive of an LBHF funded 10% contingency for the project, with spend to be incurred over 2024/25 and 2025/26.

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.

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.

Will Stevens, Corporate Finance Manager for The Economy, 5 June 2024

Verified by Danny Rochford, Head of Finance for Economy, 5 June 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 means that it is a "public works contract" as it is above the thresholds for the Public Contracts Regulations 2015 (PCR) to apply. Asset Plus were appointed under the RE:FIT framework. Under the terms of their appointment, they have to submit Investment Grade Proposals (IGPs) for the approval of the authority. Following this, they can be appointed to undertake the works (the WOS contract). The requirements of the PCR are therefore complied with.

The value of the proposed award means this is 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 has been awarded by way of a call-off agreement under a suitable third-party framework agreement (ie the RE:FIT framework). This method of procurement complies with the CSOs.

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, Assistant Director, Legal Services, 11th June 2024

DETAILED ANALYSIS

Proposals and Analysis of Options

Background

1. 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.
2. 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).
3. 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.
4. 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 successfully won £5,465,412 to support decarbonisation of both schools and corporate sites. News of the outcome is expected by March/ April 2024.
5. Salix grant funding secured needs to be spent by March 2026, with 50% spent in financial year 2024-5 and the remaining 50% spent in financial year 2025-6.
6. The Council plans to spend a minimum of £10,762,693 with Asset Plus to ensure its match funding commitment. A contract award will be issued up to a value of £ 12m to account for unforeseen projects costs that might arise, but also for flexibility to change the buildings in scope during the two-year process.
7. Awarding a contract promptly up to a maximum of £ 12m whilst the precise list of sites and scope of works included are worked through during the two-year

project enable the Council to start spending the grant quickly to reduce the risk of clawback. This flexible approach mitigates the risk of not being able to spend the full grant amount before the expiry dates of 31st March 2025 (50%) and 31st mitigate the risk of not being able to spend the full grant amount before the expiry of the grant period by 31st March 2026.

Procurement Implications

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.

All contracts need to be logged on the contract register, allocated a contract Manager and improvements to assets verified as worked are progressed.

It is understood that the RE:FIT framework identified for this requirement operates on a 2-tier structure. The tier 1 process was used to award a contract to Asset Plus Limited for the IGP contract and it is now intended to trigger the tier 2 process to award a “follow-on” contract for the second stage of the requirement.

It is recommended that the “follow-on” contract is clear that payment will only be made by the Council after delivery of the requirement to the Council’s satisfaction, and thereafter within 30 calendar days of receipt of a undisputed invoice.

Verified by: Joanna McCormick, Assistant Director Procurement & Commercial, 11th June 2024

Risk Management Implications

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: Jules Binney, Risk and Assurance Manager, 4th June 2024

Climate and Ecological Emergency Implications

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.

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, 7th June 2024

Local Economy and Social Value

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.

Against a £9.2m contract value, the supplier has proposed commitments to a proxy value of £911,305 in added value contributions.

It is recommended that the Commissioner works with Legal to ensure contracts provide the Council with a right to secure remedies should the suppliers fail to deliver against the Social Value commitments.

Completed by: Oliur Rahman, Head of Employment and Skills, 9th July 2024

Property

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, 7 June 2024

LIST OF APPENDICES

None