

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Bram Kainth, Executive Director of Place in consultation with Councillor Andrew Jones, Cabinet Member for the Economy

Date: 04/12/2024

Subject: Contract Award for HVAC Systems Upgrade including but not limited to Heat Pump, Air Handling Units and Hot Water Cylinders at the Public Mortuary, 200 Townmead Road, London, SW6 2RE

Report of: Jo Woodward, Director of Planning & Property, Chris Nolan, Head of Service Hard FM

Report author: Ethelbert Clarke, Project Manager

SUMMARY

This report sets out the proposed contract award to London & Kent Air Conditioning for the Upgrade of the whole HVAC system installation, including new Heat Pump, Air Handling Units and Hot Water Cylinders and associated ancillaries at The Public Mortuary. London & Kent Air Conditioning Ltd are a contractor based in London with extensive heat pump experience, including a track record of working effectively with Hammersmith & Fulham.

In line with Hammersmith and Fulham net zero target by 2030 and decarbonisation strategy, the Public Mortuary existing air-cooled chiller and 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 the Public Mortuary will generate heating during cold weather and hot water for the building and will provide a more reliable source of energy generation when compared to the existing equipment it replaces. Installing ASHPs will also reduce carbon dioxide emission which aligns to H&F decarbonisation strategy.

The whole project cost will be fully funded from the existing 2024/25 Corporate Planned Maintenance Programme (CPMP) capital budget. We are currently in the process of preparing a change notice as part of a PSDS3C application. If successful, the ASHP for this project will be funded to 43% of the cost of the ASHP, from this application.

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 To note that Appendix 1 is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person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 award a contract to London and Kent for the upgrade of the whole HVAC system installation, including new Heat Pump, Air Handling Units and Hot Water Cylinders and associated ancillaries at The Public Mortuary, for a contract term of 6 months / 24 weeks, with a total contract value of £716,889.11.

Wards Affected: Sands End

Our Values	Summary of how this report aligns to the H&F Corporate Plan and the H&F Values
Building shared prosperity	Well maintained buildings will reduce the CO2 emission and less greenhouse gas. This improves the service provided to all users. The contractor will be required to deliver Social Value equivalent to 20% of the contract values for all spend over £100,000. This will have a positive impact on local wellbeing and prosperity.
Creating a compassionate and inclusive council	The maintenance of LBHF council's buildings to suit and meet all personnel requirements and needs. The inclusion of the updated service will further enhance the local environment and contribute to the overall residents' wellbeing.
Doing things with local residents, not to them	This new equipment and the upgraded environment will provide an efficient service and enhance the visual appearance, whilst reducing energy cost and improving efficient energy usage of the buildings and compliant for public use. This will reduce the CO2 emission and greenhouse gases whilst enhancing a more resident friendly environment for resident to live, work and play.
Being ruthlessly financially efficient	By tendering through capital ESourcing the whole HVAC services, including 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	The installation of energy efficient and carbon reducing equipment in well maintained buildings can be used as models of the Council's corporate assets on improving and providing an efficient service and in part addressing the decarbonisation target and strategy
Rising to the challenge of the climate and	Buildings serviced and maintained to meet LBHF population expectations and wellbeing as well as providing a service that will last for a further 20+ years will enhance the climate and ecological standards by reducing CO2 emission and

Our Values	Summary of how this report aligns to the H&F Corporate Plan and the H&F Values
ecological emergency	greenhouse gases to help meet LBHF Climate Strategy commitments towards net zero target for 2030.

Financial Impact

3. The proposed contract award to London & Kent Air Conditioning Ltd to supply and instal the HVAC systems upgrade has a total contract cost of £716,889.11. These works include, but are not limited to, heat pump, air handling units, hot water cylinders and associated mechanical, electrical and builders works.
4. The total contract cost will be fully funded from the existing Corporate Planned Maintenance Programme capital budget for 2024/25. Works are expected to be completed within 2024/25.
5. A CreditSafe report run on 3rd October 2024 for London & Kent Air Conditioning Ltd showed a credit score of 75 (indicating very low risk) and a contract limit of £225,000. The credit score is above the Council's minimum threshold score of 50, however, the contract value is below the Creditsafe recommended contract limit. In order to mitigate any risk to the Council, the service will need to ensure that payments are made on completion of satisfactory work or to agreed milestones, and should continue to monitor the supplier's performance and financial viability throughout the contract period.
6. Place Finance officers will work closely with the budget holders to monitor spend within the agreed budget and will report updates to the financial position via the Council's quarterly Capital Programme Monitoring report.

*Implications completed by: Will Stevens, Finance Manager (Place), 3 October 2024
Verified by: Kellie Gooch, Head of Finance (Place), 4 December 2024*

Legal Implications

7. This report recommends that the SLT Member approves the award of a contract for the supply and installation of the HVAC Systems Upgrade System to London and Kent Air Conditioning Limited in the sum of £716,889. The value means that this is below the threshold for the Public Contracts Regulations 2015 to apply so the contract award is not subject to any statutory requirements. The award follows an open procurement which is a compliant process under the Council's Contract Standing Orders.
8. The value of the contract means that this is a key decision under the Council's Constitution and will need to be included on the key decision list on the Council's website.
9. Details of all contracts that have a value of £5,000 or greater must be published by the SLT Member in the Corporate Contracts Register on the e-tendering system in accordance with the Transparency Regulations 2015 and the Local

Government Transparency Code 2015 published by the Department for Communities & Local Government.

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

Implications prepared by: John Sharland, Assistant Director of Legal Services, 7th October 2024

Background Papers Used in Preparing This Report

None.

DETAILED ANALYSIS

Proposals and Analysis of Options

Tender Evaluation

11. The Tender went live on Friday, 7th June 2024 on the capitalEsourcing e-tendering portal as an open procurement. It ran for more than a month, and included an extension of time period, with a closing date of Friday, 26th July 2024 which gave all potential bidders plenty of opportunity to ask questions and submit their tender.
12. Initially there were 34 interested parties that viewed the opportunity on capitalEsourcing to review the documents provided. Of the 34 bidders, 7 declined to tender, 7 submitted tenders, 6 were compliant and 1 was rejected due to late submission. The remaining bidders provided no response.
13. Six of the tender submissions met all minimum quality requirements. One failed the technical evaluation section. Tender evaluations were based on price submitted for carrying out the decommissioning of the existing air-cooled chiller, gas fired boilers and hot water generators, existing supply and extract air handling units and replacement with new Air Source Heat Pump, new air handling units with heat recovery and new hot water calorifiers and the quality response to technical questions. The split between the commercial and technical envelopes was 60%:40% respectively and the results are included in Appendix 1.
14. When the tenders were initially evaluated, it was found that two bidders had submitted what were identified as abnormally low tender prices. We sought targeted clarification from the two bidders, confirmation of the specific cost items believed to be abnormally low. Whilst one bidder, responded with a revised price submission, the other bidder did not revise their price submission. In analysing the tender submission after the clarification request it was concluded that one bidder's tender submission should be rejected due to it being abnormally low.

Please see below risk analysis of the preferred option:

Risk	Risk Score	Mitigations
Legal challenge from unsuccessful bidder.	L	Legal and procurement advice has been taken throughout to ensure compliance.
Supplier failure to deliver installation of the whole HVAC system including the Heat Pump.	L	Winning bidder has a history of success of installation of HVAC systems and Heat Pump Installations.
Any delay to delivery of the project.	M	Payment to the Contractor will be made after each milestone is delivered in arrears. Chosen HVAC system equipment including Heat Pumps are readily available.
Likelihood of the existing HVAC equipment failing.	H	If the existing Chiller and Air handling units fail the impact will be high. There are no available parts to replace any further failed parts.

Reasons for Decision

16. To award a contract to London & Kent Air Conditioning Ltd, which has provided the most economically advantageous tender, scoring high on quality at a competitive price.
17. London & Kent Air Conditioning Ltd through its tender submission has shown to excel in competency with various accolades and memberships of key organisations.
18. London & Kent Air Conditioning Ltd is a multi-skilled contractor with the key skills required. A specialist air conditioning and heat pump contractor who is also able to provide and install the equipment as required.
19. London & Kent Air Conditioning Ltd have a good track record working with the council being the principal contractor of the installation of the Heat Pump Install at Grey Hound Road and the supply and installation of a dry air-cooled condenser at 145 King Street.
20. The award of this contract for these urgent works will ensure the reliability of the assets with less disruptions to the services that operate out of this building.

21. Failure to award this contract will see further deterioration in the reliability of the assets, which could see the closure of the services leaving the West London Boroughs with no functional mortuary.

Contract Management

22. This contract will be managed by a dedicated Facilities Management (FM) project manager with the support of the FM management team.
23. There will be weekly contract meetings as well as meetings at the key stages of the works. The project manager will have the option to withhold funds if works are not completed to satisfactory standard and the contractor would then be required to rectify its fault before payment is released.
24. The contractor will submit to the contract's manager (FM Project Manager) details of what contributions were made over the course of the contract and what set financial social value Key Performance Indicator (KPI) measures were achieved. The contractor has committed to social value. Associated TOMs measures have been submitted to the Social Value Portal (SVP). This will be monitored by the contract manager via the social value portal.

Procurement Implications

25. The procurement has been recorded on the Council's [capitalEsourcing](#) eProcurement portal as ITT_17091 / PROJ_22139.
26. The Procurement and Commercial team have reviewed the moderated evaluation scores and assured the weighted scores are correct in line with the methodology published in the procurement document suite for this project.
27. The Procurement and Commercial team have confirmed all Conflict of Interest and Confidentiality Undertaking Declarations have been completed and uploaded to the Council's [capitalEsourcing](#) eProcurement portal.
28. A Contract Award Notice must be published to Contracts Finder, to satisfy the requirements of the Public Contracts Regulations 2015 for contracts equal to and over £30,000 (including VAT). This must be completed using the Council's [capitalEsourcing](#) eProcurement portal.
29. The contract must be added to the [capitalEsourcing](#) eProcurement portal, to ensure it is published on the Council's [Contract Register](#) in line with the legislated transparency obligations.
30. A named contract manager must be allocated to the contract on the Council's [capitalEsourcing](#) eProcurement portal.

Chris Everett, Category Lead – Procurement and Commercial, 20th November 2024

Equality Implications

31. There are no potential equality impacts on groups that share protected characteristics or risks relevant for this proposed contract as procurement is only relevant to equipment installation parameters and manufacturer's guarantee.

Implications were prepared by Natalie Porter on behalf of Yvonne Okiyo, Strategic lead for EDI, 3rd October 2024

Risk Management Implications

32. The project manager will ensure that the new contract will begin 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.
33. The contractor must produce a risk assessment via their Risk Assessment Method Statement (RAMS) submission before the works started. These RAMS will be reviewed and agreed, relevant to site heat pumps installation before the commencement of the project works on each site. RAMs must be available for review and validation by LBH&F at any time.

Implications were prepared by: Jules Binney, Risk and Assurance Manager, 4th October 2024

Climate and Ecological Emergency Implications

34. This award aligns with our retrofit programme and decarbonisation strategy to replace existing end of life equipment, irreparable gas boilers and chillers not fit for purpose with new low carbon technologies that will reduce the usage of fossil fuel across the council's corporate portfolio.
35. 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.
36. 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, Assistant Director Climate Change, 4th October 2024

Local Economy and Social Value

37. It is a requirement that all contracts let by the council with a value above £100,000 propose and commit to social value contributions that are additional to the core services required under the contract.

38. The supplier has proposed Social Value contributions via Social Value Portal.
39. It is recommended that the commissioner works closely with the Social Value team to ensure that any contributions proposed by contractors are deliverable and supported by an appropriate delivery plan or method statement.
40. 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.

Implications completed by Oliur Rahman, Social Value Officer 20 November 2024.

LIST OF APPENDICES

Exempt Appendix 1 – Summary of Evaluation