



London Borough of Hackney – Decisions taken by the Cabinet Procurement and Insourcing Committee on Tuesday 2 May 2023

This document outlines the decisions taken by Cabinet Procurement Insourcing Committee on Tuesday, 2 May 2023.

Decisions listed below that are Key Decisions which will come into force and may then be implemented on the expiry of 5 clear working days unless called-in by at least 5 non-executive members in writing and submitted to the Monitoring Officer.

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Part A – Items considered in public

7	CHE S191 London Fields Lido Teaching Pool - Appointment of Works Contractor	<p><b>RESOLVED:</b></p> <p><b>1. That Cabinet Procurement &amp; Insourcing Committee (CPIC) approves the selection of the preferred contractor (Contractor B), as noted in the Exempt Appendix A, and the issue of the Scape ‘Project Request’ form to Contractor B to carry out the Feasibility Study to develop the new teaching pool and ancillary facilities at London Fields Lido.</b></p> <p><b>2 Subject to the satisfactory completion of the Feasibility Study, that CPIC agrees to delegate the approval to enter into a ‘Pre-Construction Services Agreement’ with Contractor B referenced in paragraph 5.15, to the Group Director, Climate, Homes &amp; Economy Directorate in consultation with the Group Director of Finance and Corporate Resources.</b></p> <p><b>3. That CPIC agrees to delegate the approval of the Contract Award for the appointment for the main works (subject to agreement being reached with the Contractor B on price and supporting information for the building contract) to the Group Director, Climate, Homes &amp; Economy Directorate in consultation with the Group Director of Finance and</b></p>
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		<p><b>Corporate Resources.</b></p> <p><b>4. Subject to the award of contract in paragraphs 3.1 and 3.3 above, that CPIC agrees to authorise the Director, Legal, Democratic and Electoral Services to agree and enter into all necessary legal documentation in relation thereto.</b></p> <p>Reasons For Decision</p> <p>1. The Council has long recognised the impact that sport and physical activity can have on the achievement of its vision / priorities and, in recent years, has made improvements to both the quality and operation of its sport and leisure facilities. However, we are now at a watershed in terms of having to make some decisions about how the facilities will continue to meet the demands and expectations of the community, within the context of a changing population and reducing resources.</p> <p>2. The future of the Council’s Sport and Leisure provision has been re-evaluated over recent years, given the expected changing population, increasing customer expectations and age and condition of the leisure buildings. The review process adopted an integrated approach towards the Council’s leisure facilities that sought to:</p> <ul style="list-style-type: none"> <li>● Improve the quality of provision to ensure it continues to meet the demands and expectations of the community;</li> <li>● Remove barriers, improve access and increase participation;</li> <li>● Improve the financial and environmental sustainability of provision; and</li> <li>● Identify opportunities to attract inward investment to fund the new or improved sport and leisure provision.</li> </ul> <p>3. This Report relates to the appointment of a preferred works contractor following completion of a procurement exercise using the Scape Framework, for the development of the new teaching pool at London Fields Lido.</p>

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		<p>4. As previously mentioned, in September 2022, a multi-disciplinary consultant team was appointed to project manage and design the development of a new enclosed teaching pool at London Fields Lido. The new pool will provide a valuable new facility that can be used by the whole community throughout the year and will complement the existing and extremely popular open air 50m main Lido. The new facility needs to be sustainable, both financially and economically, and reduce carbon emissions.</p> <p>5. The Project is logistically challenging, being built within a live site, as both the Lido and adjacent Parks’ depot will need to remain in use. The new pool and associated accommodation will also need to be connected to the existing building and will require structural alterations. Pool projects are inherently difficult, specialist developments and it is therefore important to employ a contractor with suitable experience of this type of project.</p> <p>6. The total Project Budget is £4.5m, with £3.9m of this being the construction cost. This is below the Public Contract Regulations - ‘Public Works’ threshold of £4,447,447, excluding 20% VAT. There are no additional revenue costs to the Council associated with the development of the new teaching pool and ancillary facilities, as London Fields Lido is already included within the leisure management contract with GLL and any increase in operational costs will be offset by the additional income generated by the new teaching pool.</p> <p>7. COVID, Brexit, and most recently the war in Ukraine and the cost of living crisis, are all having a significant impact on the construction market, with an upturn in construction activity coinciding with a lack of available materials and resources. This has led to significant price increases and contractors will therefore prioritise well run, low risk projects, with a high probability of them going ahead.</p> <p>8. A potential recession may slow down construction activity, however this is only likely to see a levelling of the market, rather than a wholesale reduction in prices, and it will inevitably put contractors under financial strain. It will be important, therefore, to select a contractor that is both experienced in the delivery of wet leisure facilities and financially stable.</p> <p>9. As reported to HPB, the original preferred route for the procurement of a works contractor for the London Fields Lido teaching pool was to appoint the</p>

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		<p>contractor through a single stage design and build procurement utilising an established framework such as Constructionline. However, the final decision would depend on the available frameworks, and the appetite of the contractors for this project and a single stage design and build procurement route. To confirm the procurement route, soft market testing of this approach was carried out to assess the level of interest and experience of the contractors available i.e. good leisure and swimming pool experience.</p> <p>10. The results of the soft market testing confirmed that:</p> <ul style="list-style-type: none"> <li>● There was no appetite for a single stage procurement route from contractors with suitable leisure/pool experience;</li> <li>● The contractors approached are still busy with a good pipeline of opportunities and are only interested in a two-stage procurement route;</li> <li>● The project is too small for some of the contractors; and</li> <li>● Without being prompted, interested contractors suggested the use of an established framework and subsequently confirmed their interest in bidding through the Scape Framework.</li> </ul> <p>11. A 'Two Stage Develop and Construct' procurement route was therefore chosen for the project, with the Building Contract being procured through the Scape Framework (England and Wales, £0-£7.5m), which fully complies with Regulation 28 of the Public Contracts (England, Wales and Northern Ireland) Regulations 2015.</p> <p>12. Two contractors were appointed to this Framework. Tenders were requested from both contractors who were also invited to a Post Tender Presentation Meeting. The tenders were assessed on a quality only basis, following assessment of both their tender documents and their post tender presentation (see Exempt Appendix A for details of the Scape Framework contractors).</p> <p>13. The Contractors on the Framework were provided with as much information about the project as possible and posed 3-4 questions, such as team/track record, methodology/programme, added value and social value. The contractors prepared a presentation in response to the questions and presented this to our evaluation panel. The</p>

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		<p>topics/questions were weighted to help with the scoring and selection, as per the ITT documents that Procurement issued via ProContract.</p> <p>14. This process will allow the selection of a preferred Contractor to work with the Council's project team during the pre-construction phase (Stage 1).</p> <p>15. Once the Contractor has been appointed, the Scape 'Project Request' form will be issued to the Contractor to complete a Feasibility Study, which will include their view on design, enabling works, demolition, surveys, utilities, programme, risk, construction logistics etc., and will provide a cost estimate and confirm their pre-construction fees in line with the Scape Framework Agreement. Assuming this is satisfactory, the preferred contractor will be appointed under a Pre-Construction Services Agreement (PCSA), to work with the Council's project team and price the works once the design has been developed in sufficient detail (for this project it will be at the end of Stage 4). This will be carried out on an open book basis where the contractor obtains 3-4 quotes for each package. The agreed Overhead &amp; Profit and management rates set out in the Framework Agreement are then added to this and the quotations for each package will be scrutinised by the cost consultant (F+G) to ensure the Council achieves best value. This is broadly the same process that the Council followed for the development of the new Britannia Leisure Centre, albeit through a different Framework.</p> <p>16. The Building / Works Contract will then be entered into with the preferred Contractor upon completion of the pre-construction period, tendering the sub-contractor packages and agreeing a fixed contract sum for the works (Stage 2). There is no obligation to enter into the Building / Works Contract if an agreement cannot be reached with the preferred Contractor during the pre-construction period.</p> <p>17. As outlined in recommendations 3.2 and 3.3, delegated approval is being sought for the reasons outlined below:</p> <ul style="list-style-type: none"> <li>● Once the contractor's Feasibility Study has been completed and considered satisfactory by the Council's project team, it's important that the preferred contractor is appointed under a Pre-Construction Services Agreement (PCSA) without delay, to work with the Council's project team to develop the design in sufficient detail to allow the preferred contractor to tender their subcontractor packages and agree a fixed contract sum for the works.</li> </ul>

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		<p>Completion of the contractor’s Feasibility Study is a very quick exercise, taking 3 weeks and would normally be done under a PCSA. However, the Scape Framework requires this to be two separate instructions, hence the need to be able to move quickly and seamlessly into the PCSA following the successful completion of the Feasibility Study.</p> <ul style="list-style-type: none"> <li>• Due to the current volatility of construction costs, the contractor’s supply chain needs to be engaged as soon as possible, to keep costs low and ensure the project is delivered within budget. It’s worth noting that the cost of the teaching pool project has increased by more than 20% since the project was approved and funding included in the Council’s capital programme. Any delay in the reporting and approval process could result in further cost increases which could render the project undeliverable.</li> </ul> <p>Alternative Options (Considered and Rejected)</p> <p>1. Alternative options considered and rejected for the procurement of the works contractor for the new teaching pool at London Fields Lido were outlined in the Business Case report presented to HPB:</p> <p>Options outlined on pages 23 and 24 of the agenda pack.</p>
8	FCR S193 Decarbonisation of Heat in Commercial Buildings (PSDS3b)	<p><b>RESOLVED:</b></p> <ol style="list-style-type: none"> <li><b>1. To Note the process used for the selection of Asset Plus (using the GLA ReFit Framework) as the delivery partner for the decarbonisation of heat in the Council’s Corporate Buildings including appointment as Principal Designer and Principal Contractor for CDM Regulations.</b></li> <li><b>2. To award a 2 year contract to deliver the Public Sector Decarbonisation Scheme 3b Sites project to Asset Plus at a value of £16.6m and for the Council to continue to work with Asset Plus across the whole portfolio of Corporate properties.</b></li> <li><b>3. To note that as further projects are developed through the work that will be</b></li> </ol>

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		<p><b>undertaken to assess the heating systems in other Corporate Buildings, they will be brought back to this Committee, Hackney Procurement Board or approved by officers in line with the Gateway Process and financial scheme of delegation.</b></p> <p>Reasons For Decision</p> <ol style="list-style-type: none"> <li>1. Decarbonisation of Corporate Properties is a vital step in reducing carbon across the Council's operations identified in both Manifesto commitments and in the forthcoming CAP which is due to be presented for adoption in June 2023.</li> <li>2. On completion, this project will replace largely end of life gas powered heating equipment in nine buildings with heat pumps displacing 8m kWh gas with 1.6m kWh electricity thereby saving in excess of 1,545 tCO<sub>2</sub>e.</li> <li>3. The project will also act as a demonstrator that the Council takes decarbonisation seriously and is investing in Climate Change mitigation measures thereby acting as a beacon for other businesses to follow.</li> <li>4. The project will decarbonise heating through the installation of Ground Source Heat Pumps (GSHP) at London Fields Lido, Clissold Leisure Centre and Stoke Newington Town Hall and Library (one system managing both buildings) and Air Source Heat Pumps (ASHP) at Queensbridge Leisure Centre, Trowbridge Centre and 3 schools.</li> <li>5. The project will take 2 years to deliver with the ASHP sites delivered in the first year and the GSHP in the second. Completion is expected around December 2024 leaving a 3 month contingency before grant monies expire. The main reason for the protracted delivery is that the GSHPs will require permits from the Environment Agency as heat will be extracted from the aquifer below ground under the sites.</li> <li>6. The project will cost £16.8m of which £16.6m will be awarded to Asset Plus to competitively procure, deliver and complete the installations. The remaining £200k will fund a Project Manager appointed to manage the project working with Asset Plus, the local sites and property management and the Grant Funder, Salix Finance.</li> <li>7. In developing the Investment Grade Proposal (IGP) project costs have been estimated</li> </ol>

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		<p>based on quotes obtained in August 2022 based on concept designs, estimates for grid upgrade and contingency. The Council has included a further contingency to allow for some price movements in the market between the cost estimates used for grant application and the final pricing fixing through procurement stages described below (14). The quotes used to establish project costs were obtained after most of the recent construction cost inflation had been incurred in the market.</p> <p>8. The £12.2m Grant has been provided by Salix Finance through the Public Sector Decarbonisation Scheme 3b (PSDS) and will be complemented by £4.6m internal capital allocation approved through the Capital Programme.</p> <p>9. Procurement of the project was completed in the second half of 2021 through a competition within the GLA Re:Fit Framework where the 12 pre-procured contractors on the GLA ReFit Framework were invited to provide terms against a portfolio of Council buildings.</p> <p>10. Three suppliers on the framework responded to the competitive tender issued. The bids were scored using a 90% quality score and 10% price with Asset Plus scoring highest in Quality and joint highest in price. The 90% quality also included suppliers ability to secure competitive pricing through their supply chain for the cost of the installations which forms the bulk of the cost of the project</p> <p>11. Pricing within the Re:Fit Framework is based on a fixed cost for surveys up to IGP Stage with an open book process through installation based on tendered construction/installation costs plus a pre-agreed margin. Work completed by Asset Plus through the programme (design, project management, training, handover etc) is based on pre-agreed labour rates assessed during the competition.</p> <p>12. Asset Plus offered a zero cost survey and IGP stage with competitive labour rates and margins. As such, they were appointed as the supplier for surveys and IGP services under the Re:Fit Framework..</p> <p>13. Asset Plus provides a cost and savings performance guarantee. Costs are guaranteed after the final contractor procurement stage described below</p> <p>(14) whilst savings in kWh are guaranteed at a 90% of predicted performance level adjusted for weather, site use variations etc. The guarantees will operate at a project portfolio level rather</p>



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		<p>than at a site specific level and will be subject to the Council reporting significant changes of use within the buildings.</p> <p>14. The project will be delivered in stages with a design phase followed by procurement through Asset Plus’ established supply chain. These contractors have a track record of delivery of this type of equipment. At least 3 quotes for each site will be gathered by Asset Plus with the award being made to the most economically advantageous offer. The selection will be by Asset Plus within the Re:Fit Framework working with Council Officers with judgements made on price, quality, programme and social value. If possible, local contractors or those using local subcontractors will be favoured but it should be noted that these installations involve specialised technical equipment and experience in successful delivery must be paramount.</p> <p>15. The procurement of contractors for the project will be split according to technology with the 3 GSHP sites awarded to one contractor and the 5 ASHP contracts awarded to another. This reflects the different types of technology and the different timescales for delivery following the permitting stage required for GSHP.</p> <p>16. Grid upgrades are expected only on one site (London Fields Lido) and will be coordinated with the project working to install the new teaching pool to minimise cost and site disruption. The project teams have been coordinating for the last 9 months on this approach. All sites will be reviewed with the Distribution Network Operator, UK Power Networks (UKPN) and, where required for capacity or for technical reasons such as harmonics, the supply will be upgraded. As the local statutory monopoly supplier, these upgrade contracts will be awarded to UKPN under their terms and conditions including pre-payment.</p> <p>17. Following the installations, the Council is required to monitor and report on savings to the Funder with a more detailed International Performance Measurement and Verification Protocol (IPMVP) based process available from Asset Plus at extra cost should this be required. This level of detail is not required by Salix as the funder.</p> <p>Alternative Options (Considered and Rejected)</p> <p>Alternative options considered include:</p>

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		<ul style="list-style-type: none"> <li>● Do nothing. All of the buildings identified have fossil fuel heating systems that are at or nearing their end of life and will need replacing. Therefore doing nothing will result in emergency replacements after failure which could occur at any stage. In some sites, especially Leisure Centres, the costs of emergency works are increased by loss of revenue if heating systems fail as the sites often have to close due to no hot water, inadequately heated swimming facilities etc). Doing nothing is not considered a viable option.</li> <li>● Like for Like Replacement. Replacement of boilers would cost substantially less overall but would not attract external funding and would not achieve carbon savings of any magnitude. Given the impact of the grant where the Council contribution is largely defined by the like for life replacement costs, the grant makes the full project cost only a little more than the full Low Carbon project recommended.</li> <li>● ASHP throughout. It would be possible to deliver the projects using ASHP rather than GSHP which are substantially more expensive. ASHP would have been difficult to progress at Clissold due to noise concerns and at London Lido due to planning requirements for the size of equipment required. GSHP attracts larger grants due to the increased carbon savings and the systems will provide extra capacity to be used in future heat network projects making the ASHP option less attractive.</li> <li>● Re-procure a different principal contractor. Asset Plus were appointed following a procurement exercise within the terms of the Re:Fit Framework which therefore meets the regulatory and governance requirements.</li> </ul> <p>2. Insourcing was not considered a viable option due to the specialised nature of the equipment to be installed. As the market matures and more</p>

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		qualified and experienced staff become available in the market this option may be able to be reconsidered for maintenance and for future installations and replacements.