

CABINET PROCUREMENT & INSOURCING COMMITTEE

CONTRACT AWARD REPORT

Title of Report	Decarbonisation of Heat in Commercial Buildings (PSDS3b)
Key Decision No.	FCR S193
CPIC Meeting Date	2 May 2023
Classification	Open Report with Exempt Appendices A and B
Ward(s) Affected	All
Cabinet Member	Cllr Mete Coban
Key Decision	<p>Yes</p> <hr/> <p>This results in the Council incurring expenditure or savings which are significant having regard to the Council's budget for the service/function.</p>
Group Director	Ian Williams, Finance and Group Resources
Contract value, <u>both</u> Inclusive of VAT and Exclusive of VAT (for the duration of the contract including extensions)	<p>£19.9m incl VAT £16.6m excl VAT</p>
Contract duration (including extensions e.g. 2 yrs + 1 yr + 1 yr)	2 year

1. Cabinet Member's Introduction

- 1.1. The Council declared a Climate Emergency in 2019 committing to reach net zero emissions by 2040. This commitment has since been increased to include achieving net zero for core Council operations (non-tenanted buildings and transport) by 2030 in line with the adoption of the UK100 targets.
- 1.2. Decarbonisation forms part of the Council's priorities with installation of low carbon heating solutions in Corporate Buildings a particular manifesto commitment, this being an integral part of the Climate Action Plan and our net zero Energy Strategy. It should be noted that this work has since been part of the workstreams managed by Hackney Light and Power Delivery Board
- 1.3. This project is largely funded by a grant (£12.2m) from the Public Sector Decarbonisation scheme (PSDS 3b) over 2 years with a contribution from the Capital programme of £4.6m. The grant is time limited with 50% to be spent by March 2024 and 50% to be spent between April 2024 and March 2025.
- 1.4. The project is expected to save in excess of 1,550 tCO₂e each year compared with the current heating systems in the 8 buildings within the project.
- 1.5. The work on the project to date has been undertaken by Asset Plus, following their procurement in late 2021 as supplier of energy saving retrofit services within the GLA Re:Fit Framework. The initial stages of survey and Investment Grade Proposal (IGP) were completed with no charge as part of the Framework offer.
- 1.6. There is now a need to appoint Asset Plus within the provision of the ReFit Framework and the competitive processes undertaken to select the firm as delivery partner to progress this work. This will ensure continuity of design and approach, maintain standards as well as helping to meet a tight project schedule. It will also facilitate ongoing work to assess around 150 buildings with a view to a further grant application in October 2023.

2. Group Director's Introduction

- 2.1. This report summarises the process used to procure Asset Plus within the ReFit Framework as supplier to the Council for decarbonisation and energy savings in Corporate buildings including schools, libraries, tenanted buildings and the core Corporate Campus and operational sites.
- 2.2. The Council has been supported through the GLA Retrofit Accelerator programme which is intended to assist the organisation to set up and successfully implement retrofit projects across the Council. Through the Retrofit Accelerator, GLA has provided support from Turner and Townsend

to the Council to assist with the process to appoint suppliers within the Re:Fit Framework.

- 2.3. The award winning Re:Fit Framework operated by the GLA Retrofit Accelerator is a procurement initiative that has been used by over 250 public sector organisations since it was launched in 2009. By 2021, over £180 million of works had been procured across more than 1,000 buildings saving in excess of 52,000 tonnes of CO₂ and £10m of energy costs each year.
- 2.4. The Council have adopted a Partner Bid approach whereby the Council appoints a delivery partner based on their capability, pricing, costs for Investment Grade Proposals (IGP) and approach to project management.
- 2.5. A mini-competition within the Re:Fit Framework was conducted to appoint the Service Partner and Asset Plus was appointed initially to conduct the necessary survey work up to IGP stage. Asset Plus also assisted the Council substantially in securing the £12.2m Public Sector Decarbonisation Scheme 3b grant for the works proposed in this report.
- 2.6. The Council now proposes to appoint Asset Plus to deliver the first project under the Re:Fit Framework funded by the £12.2m PSDS grant and associated £4.6m Council capital within the Capital programme.
- 2.7. The project will install heat pumps into nine properties comprising 3 Leisure Centres, Stoke Newington Town Hall/Library, 3 schools and a property let out through the Commercial Property team saving in excess of 1,545 tonnes Carbon Dioxide equivalent (tCO₂e).

3. Recommendations

Cabinet Procurement and Insourcing Committee is recommended to:

- 3.1 **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.**
- 3.2 **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.**
- 3.3 **Note that as further projects are developed through the work that will be 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**

4. **Related Decisions**

- 4.1. Asset Plus were appointed to provide surveys and proposals up to Investment Grade Proposal (IGP) stage following a competition using the Re:Fit Framework.
- 4.2. Approval for the appointment following procurement through an Approval to Award Contract Report attached at Exempt Appendix A.

5. **Reason(s) For Decision / Options Appraisal**

- 5.1. 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.
- 5.2. 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 tCO₂e.
- 5.3. 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.
- 5.4. 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.
- 5.5. 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.
- 5.6. 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.
- 5.7. In developing the Investment Grade Proposal (IGP) project costs have been estimated 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 (5.14).

The quotes used to establish project costs were obtained after most of the recent construction cost inflation had been incurred in the market.

- 5.8. 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.
- 5.9. 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.
- 5.10. 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
- 5.11. 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.
- 5.12. 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..
- 5.13. Asset Plus provides a cost and savings performance guarantee. Costs are guaranteed after the final contractor procurement stage described below (5.14) 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 than at a site specific level and will be subject to the Council reporting significant changes of use within the buildings.
- 5.14. 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.

- 5.15. 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.
- 5.16. 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.
- 5.17. 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.

5.18. **Alternative Options (Considered and Rejected)**

Alternative options considered include:

- 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.
- 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.
- 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.

- 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.

5.19. Insourcing was not considered a viable option due to the specialised nature of the equipment to be installed. As the market matures and more 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.

6. Project Progress

6.1 Developments since the Business Case approval

The budget holders and operating teams for all sites have been shown the Concept Designs and a process for sign off of the Developed/Scheme Design is being developed in consultation with Corporate Property. This will facilitate meeting Council design standards and will start the process to train the users and maintenance managers in the different ways to manage heat pumps compared with gas fired boilers.

6.2 Whole Life Costing/Budgets

The costs for ongoing maintenance will be similar to those currently incurred on similar sized boiler plant. The current boiler plant is coming to its end of life stage and so there is likely to be some maintenance savings available for the initial years.

All installations will be planned for future heat network connection to facilitate using heat networks as they develop over the Borough to be able to be used for plant replacement at the appropriate time.

6.3 Risk Assessment/Management

Risk	Likelihood	Impact	Overall	Action to avoid/mitigate risk
Project cost exceeding initial quotes used for securing grants	Low ▾	Medium ▾	Medium ▾	Costs were estimated by competent contractors in August 2022 after most of the recent construction inflation was incurred. Asset Plus added a 10% contingency and the Council added a further £500k contingency partly to cover this risk. DNO costs were estimated but some mutual savings have already been

				identified through cooperation with the Lido Training Pool project.
Project delayed and not delivered on time to meet the timescale set by the grant offer	Medium ▾	High ▾	High ▾	The grant is fixed in 2 annual tranches and cannot be redistributed. Grant award was concluded 2 months later than planned. Therefore design and procurement must start as soon as possible to allow the first tranche of installations to complete by March 2024 and to accommodate the potential 12 month permitting delay for GSHP.
Appointed delivery partner fails to deliver good quality work	Low ▾	Medium ▾	Medium ▾	Asset Plus is a very experienced company in retrofit and is procured through the Re:Fit framework which in turn has its quality standards. The designs and final work will be signed off by the site managers as well as the Corporate Property Heating Engineer before handover to ensure compliance with Council standards
Lack of internal resources to support and see the work through to completion	Low ▾	Low ▾	Low ▾	The project will largely be managed by the contractor who will appoint a project manager but allowance has also been made for a project manager within the Council whole role will be to act as Principal Client under the CDM regulations, to work with asset Plus, the sites, the site managers and the Corporate property teams responsible together with Salix, the funder.
Delay to project due to delayed response from Statutory organisations such as UKPN and Environment Agency	Low ▾	High ▾	Medium ▾	The projects have already been assessed against upgrades required through the advance process with UKPN. Only one site is expected to require upgrade with installation planned in year 2. EA permits will be required for the GSHP but extensive waits have been allowed for within the programme.

7. **Savings**

The primary benefit of this project will be delivered as carbon savings with 8m kWh gas being displaced by 1.6m kWh electricity. Small quantities of electrical improvements including LED lighting and solar PV will be deployed within the project lowering electricity use but the primary focus has been on grant supported decarbonisation of gas. Approximately £100k utility costs will be saved each year based on an estimated 30p per kWh electricity cost and 8p per kWh gas cost. For context, in 2023/4, the Council will be paying in excess of 40p per kWh for electricity and 10.5p per kWh for gas but this is expected to be reduced in 2024/5 before starting to rise again in subsequent years.

All of the buildings within this project have largely end of life fossil fuel heating systems and the Council contribution of £4.6m is equivalent to the cost that would be incurred in a like for like replacement. It is likely that costs of maintaining this equipment until replacement would have been substantial and that this represents an unquantifiable saving against costs that would otherwise be incurred. The grant allows the Council to upgrade systems to Low Carbon heating systems without incurring the full cost associated with such systems thus relieving pressure on the Council's future capital budgets.

8. **Sustainability Issues and Opportunities, Social Value Benefits**

8.1. **Procuring Green**

The primary reason for this project is to reduce carbon emissions from heating plants in Council buildings. Targeting the largest Leisure Centres delivers a large carbon saving whilst completing an end of life replacement of the heating equipment. Carbon savings in the Leisure Centres are particularly large because unnecessarily high flow temperatures are able to be replaced with low temperature heat sources. Where higher temperatures are needed for hot water supply, these will be achieved using step up plant sized for the particular application and fronted with the world's highest performing solar thermal system sourced from a British company, Naked Energy.

The heat pumps used will be, where practicable, CO2 machines using compressed carbon dioxide as the refrigerant. This removes the climate damaging previous generation of refrigerant (F Gasses) which are becoming more and more controlled.

Asset Plus are aware of the Council's commitment to be net zero by 2030 for Council non-tenanted buildings and have committed to working with the Council to achieve this target. This commitment has been demonstrated in the way they have actively worked with the Council, sharing their knowledge and expertise in the process of applying and

securing the £12.2m grant from Public Sector Decarbonisation Fund. Through this project in excess of 1,545 tonnes of CO2 savings will be delivered across the portfolio of 8/9 Council buildings

8.2. **Procuring For A Better Society**

This project is substantially funded from the PSDS scheme, one of whose objectives is to grow the heat pump industry within the UK. Growing this industry will, over time, provide opportunities for local companies to provide installation and maintenance services to all parts of the market from commercial to domestic buildings.

Asset Plus proposed in their submission that they will implement a plan aligned with the Hackney's Sustainable Procurement Strategy that will address, amongst other aspects, how we will encourage local businesses to join our supply chain and our plan for encouraging employment, apprenticeships or work experience from the area. As we take the project forward to the design and implementation stage, Council officers will work with Asset Plus to ensure the delivery of their commitment in this regard. Achievements in this area will be reported back to this Committee, either through separate reporting or when approval is sought for the award of future projects

8.3. **Procuring Fair Delivery**

Asset Plus has confirmed in their tender submission that they are committed to paying LLW as a minimum both within their operations and across their supply chain. The nature of work under the proposed contract requires high skills that would require more than LLW to be paid to contracted staff that would be working on this project.

8.4 **Equality Impact Assessment and Equality Issues**

This project targets decarbonisation of heat principally within Council buildings and, as such, there are no equality issues. Heat will be targeted within normal standards for office and leisure spaces and appropriate and will be able to be adjusted through controls installed.

8.5 **Social Value Benefits**

Whilst at over £16m this is a large contract, it should be recognised that the majority of cost will be incurred acquiring the equipment required as heat generators and sinking the boreholes for the GSHPs - these suppliers are generally specialist manufacturers and suppliers and it is unlikely that any of these will be located within Hackney. A further significant cost will be incurred with the DNO who is a Statutory Body managing the network. This limits what is immediately available within this

initial contract but Officers will work with Asset Plus to extend the Social Value opportunities as this and subsequent projects progress.

Social Value offered by Asset Plus within their ITT response included the following:

- Working with the Council's Economic Development Team to encourage local businesses to join the Asset Plus supply chain. Being part of the Johnson Controls Group, Asset Plus can offer substantial opportunities to Hackney businesses for projects not just in Hackney but across the country.
- Encouraging appointed suppliers to engage local people in apprentice programmes and to support work experience placements. This should be seen not just in the context of this immediate project but also through subsequent delivery opportunities through the wider Corporate Estate. Specifically construction work placements of approximately 30-40 hours across a single week or part time over a number of weeks will be supported.
- All Asset Plus contractors and sub-contractors are committed to paying at least the Living Wage and all staff are required to hold up to date DBS certification.

Asset Plus have recently also started a new Re:Fit contract with New City College and have started to work on supporting their training.

9. **Tender Evaluation**

- 9.1. Work on the Decarbonisation and Energy Efficiency of Corporate Buildings was tendered within the GLA Re:Fit Framework in Autumn 2021.
- 9.2. An Invitation to Tender was issued via ProContract to the 12 Pre-selected suppliers on the Framework. Site surveys were conducted by some of the bidders after an initial bidders meeting to introduce the project and to clarify questions. The list of potential bidders is included within the Approval to Award Contract Report attached at Exempt Appendix A.
- 9.3. Within the Re:Fit Framework, bidders work on an open book pricing model for projects where the sub-contractor cost is openly shared. Contractors' own resources are priced using labour rates declared and assessed within the tender together with a margin based on matrices provided by the Framework. Finally a cost for the Survey and IGP stage is provided. In this way, a bidders pricing can be assessed together with their quality score ahead of knowing the exact composition of subsequent work on buildings. The Quality and Cost scoring criteria were allocated according to these principles with 25% of the quality score (25/90) being allocated to the proposed labour rates and margins. The cost for the Survey and IGP Stage were used to assess pricing and allocated 10% of overall scoring.

In this way, 35% of the overall assessment (25% plus 10%) was allocated to assess the cost effectiveness of the bidders' proposals.

9.4. Tender returns were received from 3 out of the 12 bidders invited. A quality/cost evaluation weighting was utilised. Quality was assessed under the headings:

- Project Management (10%)
- Analysis and design (20%)
- Installation phase (15%)
- Performance and delivery (15%)
- Helping the Council achieve strategic goals (5%)
- Pricing Matrices - Labour Rate and Margin (25%)

9.5. Cost was evaluated against the priced offers for the Survey and IGP Stages and was awarded 10% of the overall score.

9.6. The evaluation was conducted by a team of officers representing the Carbon and Energy Management Team. Once individual scoring was complete a moderation meeting was held and final scores agreed. The preferred bidder achieved the highest overall score with the strongest technical submission and the strongest value for money proposal.

10. **Recommendation**

	Quality	Price	Total
Supplier / Provider A	84	10	94
Supplier / Provider B	73	0	73
Supplier / Provider C	78	10	88

10.1. Asset Plus scored highest for Quality and Cost, as well as scoring highest specifically against the 35% allocated to assess the cost of the service, and were therefore appointed to complete the Survey and IGP stage and are recommended to be awarded the installation delivery phase.

10.2. The cost of the installation delivery phase within the PSDS 3b project is estimated to be £16.8m including £200k to cover the cost of an internal project manager. This estimate is based on quotes received in August 2022 to which contingency has been added both by Asset Plus and the Council to cover unforeseen issues as well as potential cost rises.

10.3. The exact cost of the project will be determined by the supplier procurement process completed by Asset Plus after the Developed Design stage with the supplier selection supported by Council Officers. The cost is expected to be within the budget allocated and will be guaranteed by Asset Plus from that point.

- 10.4. The primary benefits of the project will be carbon savings where in excess of 1,545 tCO₂e are estimated. This arises from the substitution of 8m kWh gas with 1.6m kWh electricity. Approximately £100k utility costs will be saved each year based on an estimated 30p per kWh electricity cost and 8p per kWh gas cost. For context, in 2023/4, the Council will be paying in excess of 40p per kWh for electricity and 10.5p per kWh for gas but this is expected to be reduced in 2024/5 before starting to rise again in subsequent years.
- 10.5. £200k will be incurred to manage the project (within the estimated £16.8m) which will provide for a Project Manager for 2 years. The Head of Energy and Carbon Management will act as Project Director and will capitalise approximately 15% of his time within the £200k allowed.
- 10.6. Two sets of subcontractors will be appointed by Asset Plus recognising both the different skills and timescales for ASHP and GSHP. Further work will be contracted to UKPN in their role as DNO for London in respect to electricity grid upgrades.
- 10.7. There are no TUPE considerations.

11. **Contract Management Arrangements**

11.1. **Key Performance Indicators**

Main KPI Targets Set	Monitoring
1. Progress with agreed programme	Monthly meetings and updates at key milestones - design, procurement, consents received, start and completion on site, training and handover.
2. Updated risk registers	Monthly review
3. Compliance with CDM Regulations	Monthly meetings and site visits by internal PM
4. Clear and regular liaison with users	Verification at key milestones - design, procurement, consents received, start and completion on site, training and handover.
5. Training of users, site managers and Corporate Property heating specialists	Training plans, sign off by users
6. Costs within budget	Monthly valuations and verification at key milestones - design, procurement, consents received,

	start and completion on site, training and handover.
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- 11.2. The contract will be managed through regular meetings. The survey and IGP process has been managed by a fortnightly process with attendance by the Head of Energy and Carbon Management and the Head of Procurement as Project Sponsor. This group will continue to manage the overall Re:Fit framework and ongoing surveys and IGPs leading to new projects and grant applications. It is likely that these management processes will reduce to monthly meetings and will receive regular updates from the PSDS 3b project.
- 11.3. The PSDS 3b project will be contracted using a JCT or an NEC4 standard construction contract and will be managed accordingly through the contract management mechanisms. Dispute management will be through the defined processes within the contract.
- 11.4. The PSDS 3b project will be managed day to day by a Project Manager to be appointed. The Head of Energy and Carbon Management will act as Project Director. Design and progress meetings will be held weekly in addition to detailed site based or project meetings. For Asset Plus, a Project Manager will be appointed and the Managing Director will act as Project Director.
- 11.5. Risks will be reviewed at least monthly. NO personal data will be handled and therefore no GDPR risks will be incurred. However, for ongoing management, it will be important that remote access is correctly set up for which the Project Manager will work with ICT to manage any associated risks.
- 11.6. The PSDS 3b project will also report monthly on progress and cost to the funder, Salix Finance as well as at key milestones - for example, the end of design if material changes are made from the concept designs previously advised, after procurement and on installation. Salix are expected to audit the project during and after the project due to the size of the grant award.
- 11.7. The PSDS 3b project will also report through the normal Capital Programme reporting mechanisms.
- 11.8. Monthly valuations will be agreed with the contractor where appropriate with invoices raised and paid against the valuations. The invoices and valuations will be used to claim costs from the grant up to the maximum value available.

12. **Comments Of Group Director Of Finance And Corporate Resources**

- 12.1. The report seeks to award a 2-year contract worth £16.6m to Asset Plus for the Public Sector Decarbonisation Scheme 3b Sites project, and Asset Plus will continue to work on the Council's entire portfolio of Corporate properties. Any future projects will be assessed and approved in accordance with the Gateway Process and the Council's financial scheme of delegation.
- 12.2. The project has secured funding through a grant of £12.2m from the Public Sector Decarbonisation Scheme (PSDS 3b), supplemented by £4.6m from the Capital programme. The grant has a specific timeline, with 50% of the funds to be spent by March 2024, and the remaining 50% to be utilised between April 2024 and March 2025.

13. **VAT Implications On Land & Property Transactions**

- 13.1. VAT is expected to be reclaimed in full.

14. **Comments Of The Director, Legal, Democratic & Electoral Services**

- 14.1. In Autumn 2021 the Council undertook a procurement exercise in respect of services for the Decarbonisation and Energy Efficiency of Corporate Buildings using the GLA Re:Fit Framework. As a result of such procurement exercise the Council awarded a contract solely for initial services comprising the Investment Grade Proposal (IGP) to the preferred bidder. This was approved as a Low Risk contract award under £1m and signed off by the Council in November 2021. The Council now wishes to award the contract for the subsequent design and implementation stages of the project which were procured at the same time as the IGP.
- 14.2. The value of the services to be awarded under this Report are above £2m and therefore in accordance with paragraph 2.5.3 of Contract Standing Orders this Report is being submitted for approval by Cabinet Procurement and Insourcing Committee.

15. **Comments Of The Procurement Category Lead**

- 15.1. The recommendation to appoint Asset Plus as the principal contractor for the 2 year contract to deliver the Hackney - Public Sector Decarbonisation Scheme 3b Sites, given they were initially appointed following a Public Contracts Regulations 2015 compliant procurement exercise within the terms of the Re:Fit Framework to deliver the the initial stages of survey and Investment Grade Proposal (IGP) for decarbonisation, is appropriate and meets regulatory and governance regulations.

- 15.2. Following that initial competition within the GLA Re:Fit Framework where the 12 contractors appointed to the GLA ReFit Framework were invited to participate and Asset Plus appointed to deliver, this award is for the next stage of the programme which would be for Asset Plus to secure competitive pricing through their supply chain for the cost of the installation works.
- 15.3. The next stage would involve an open book process of costing the installation works based on tendered construction / installation costs plus a pre-agreed margin. The Service and Procurement will assure the exercise is conducted appropriately.
- 15.4. The procurement team endorses the recommendation to award the second stage of this contract to Asset Plus and will support the delivery of the open book commissioning exercise.

Exempt Appendices

Exempt Appendix A - [REFIT Contract Award Report](#)

Exempt Appendix B - [Investment Grade Proposal](#)

Exempt

By Virtue of Paragraph(s) 3 Part 1 of schedule 12A of the Local Government Act 1972 this report and/or appendix is exempt because it contains Information relating to the financial or business affairs of potential suppliers and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Background Documents

None

Report Author	Jeremy Martin <hr/> Head of Energy and Carbon Management <hr/> jeremy.martin@hackney.gov.uk
Comments for and on behalf of the Group Director of Finance and Corporate Resources prepared by	Mizanur Rahman <hr/> Chief Accountant <hr/> Email mizanur.rahman@hackney.gov.uk
Comments for and on behalf of the Director of Legal, Democratic and Electoral Services prepared by	Patrick Rodger <hr/> Senior Lawyer <hr/> patrick.rodger@hackney.gov.uk
Comments of the Procurement Category Lead	Divine Ihekwoaba <hr/> Construction and Environment Category Lead <hr/> Divine.Ihekwoaba@hackney.gov.uk