

Community Wealth Building
7 Newington Barrow Way
London N7 7EP

Report of: Corporate Director for Community Wealth Building

Date: 21 February 2024

Ward(s): All

The appendix to this report is not for publication

Subject: Contract Award Report for RE:FIT Main Contractor

1. Synopsis

- 1.1. The procurement strategy to use the National Framework for Energy Performance Contracting (RE:FIT) to appoint a design and build contractor to carry out high-level appraisals, investment-grade proposals and capital works to decarbonise Council buildings was approved by the Council's Executive on 20 July 2023. The appointment of the RE:FIT contractor is in line with the Council's Vision 2030 net zero strategy, which include a commitment to begin replacing gas boilers in Council buildings with electrical heating and to improve energy efficiency, as well as assessing the buildings' solar power capability.
- 1.2. The high level appraisals (HLA) and investment-grade proposals (IGP) are specialist technical surveys and design work (RIBA stages 1 to 3) required prior to undertaking net zero carbon retrofitting works to Council buildings (RIBA stages 4 to 7). The HLA and IGP are to be delivered by the RE:FIT contractor as part of a call-off contract (subject of this key decision), while the capital works will be delivered by the same RE:FIT contractor under separate works contracts, subject to a further key decision.
- 1.3. This report seeks approval to award a contract to the successful bidder following a procurement exercise pursuant of the National Framework for Energy Performance Contracting (RE:FIT). The contract is for the provision of high-level appraisals (HLA) and investment-grade proposals (IGP) to decarbonise Council buildings. This

contract is at no cost and is for an initial period of 36 months, with the option to extend the contract for up to a further 36 months (subject to Council approval).

- 1.4. Undertaking the capital works will be dependent on securing grant funding and will be subject to a further, separate key decision. Upon receipt of successful grant offer letters, the Council may decide to enter into separate works contracts with the RE:FIT contractor. The total estimated value of the works contracts under the call off contract over the 72 months (6 years) is £30m.

2. Recommendations

- 2.1. To approve the award of a call off contract to Cenergist to deliver High Level Appraisals and Investment Grade Proposals for the decarbonisation of Council buildings at no cost, for an initial period of 36 months, with the option to extend the contract for up to a further 36 months.
- 2.2. To note that pending Council approval, the capital works for the decarbonisation of Council buildings will be delivered by Cenergist at a later stage under separate works contracts. These will be subject to a further key decision.

3. Date the decision is to be taken

1 March 2024

4. Background

4.1. Nature of the service

- 4.1.1. The procurement strategy for this contract was agreed by Council's Executive on 20 July 2023. This approved the procurement of a Design & Build (D&B) contractor from the RE:FIT Framework to produce High-Level Appraisals, Investment Grade Proposals and deliver capital works to decarbonise the Council buildings.
- 4.1.2. The RE:FIT Contractor will work on decarbonising the buildings in phases consisting of 10-15 buildings. In each phase the RE:FIT Contractor will:
 - **Produce High-Level Appraisals (HLAs)**
An initial scoping exercise, by where the RE:FIT Contractor will suggest potential suitable measures for a building which will form the basis of the investment grade proposals.
 - **Produce Investment Grade Proposals (IGPs)**
The IGPs will outline the guaranteed financial and carbon savings associated with the agreed measures and will include, detailed designs of the retrofit measures proposed as well as the breakdown of the cost of the works.
 - **Deliver the capital works**

Following a review of the IGP, the Council has the option to proceed to works contracts to deliver the the capital works. The works contract will outline the agreed scope of works and costs identified in the IGP which the RE:FIT Contractor will be bound to. The RE:FIT Contractor will then install the measures and monitor their impact on energy consumption to ensure the measures meet the performance guarantees set out in the IGP.

- 4.1.3. It is important to note that the Council is not obliged to proceed with the installation of any of the measures identified during the HLAs and IGPs.
- 4.1.4. The Council has selected 10 buildings for Phase 1 (seven schools, a library, a care home and a community centre). These buildings were used as part of the tender for the bidders to bid on, and upon a successful appointment, the RE:FIT Contractor is to produce HLA and IGPs for these. Further batches of 10-15 buildings are to be provided to the RE:FIT Contractor later on a regular 12 months basis.
- 4.1.5. Prior to this contract award, the Council submitted Public Sector Decarbonisation Scheme (PSDS3c) applications, a central government funding stream to decarbonise public sector buildings, for all Phase 1 buildings. Further applications for grant funding will be submitted to future rounds of public sector buildings decarbonisation programmes issued by central government. The RE:FIT Contractor is to prepare these grant funding applications for the Council.
- 4.1.6. Having a contractor already in place when the Council receives confirmation of grant funding, such as PSDS grant offer letters, will allow a prompt mobilisation and start to the works compared to starting procurement from scratch at the time of the grant outcome. This will mitigate risks associated with inflation cost increases compared to the time the IGP is developed, and will also ensure that the Council has secured and can develop a long term relationship with a contractor in an extremely competitive environment where all local authorities will be seeking decarbonisation contractors at the same time.
- 4.1.7. Following successful PSDS applications, the Council will proceed by drafting works contracts with the RE:FIT contractor, using the IGP and PSDS application as its basis.
- 4.1.8. The Council has appointed a Multi-Disciplinary Consultant (MDC) to provide services of Contract Administrator, Mechanical & Electrical Consultant and Quantity Surveyor. The role of the MDC is to monitor and oversee the work of the appointed RE:FIT Contractor for the duration of the RE:FIT contract, alongside the Project Managers from the Council. Responsibilities from the MDC include reviewing the technical designs, costs and installations of the energy saving measures completed by the RE:FIT Contractor to ensure they are in line with the specifications.

4.2. **Estimated value**

- 4.2.1. Cenergist will be appointed for an initial period of 36 months (3 years) to produce HLAs and IGPs at no cost (£0) by manageable batches of 10-15 buildings every 12 months. This breakdown in phases is necessary to allow sufficient time for these detailed specialist surveys and design work.
- 4.2.2. Subject to Council approval, the call off contract may be extended by a further 36 months, bringing the total contract value to £0 for the potential 6 years.
- 4.2.3. There is no financial commitment to the Council in the contract as the contractor will not charge for producing the HLAs and IGPs.
- 4.2.4. During the procurement exercise for this contract, bidders were asked to provide the following:
 - **Cost of producing an IGP** for different building types and areas
 - **Labour rates (taking into account inflation)** – these will be used in the works contracts
 - **Average overheads and profits** – these will be used in the works contractsThe successful bidder is bound to these for the initial period (36 months), and during the IGP stage will have to demonstrate how they have been factored into the final IGP through clear financial breakdowns, to justify their costs.
- 4.2.5. The labour rates, average overheads and profits and IGP costs of all the tenders were evaluated during the tender process according to the agreed cost and quality split, and the most advantageous tender response was selected.
- 4.2.6. All bidders quoted £0 for the IGPs, this means that the successful bidder will produce IGPs at no cost to the Council for the contract duration (including the potential contract extension), with the Council under no obligation to proceed to any works contract following the completion of an IGP.
- 4.2.7. Following a successful call off contract extension, for an additional 36 months for further batches of HLAs and IGPs to be produced, the Council are open to reviewing uplifted labour rates, average overheads and profits in accordance to CPI, if proposed by the contractor.

4.3. **Timetable**

- 4.3.1. The contract with the RE:FIT Contractor to generate HLAs and IGPs is expected to start in March 2024 and last for an initial period of 36 months. Subject to Council approval the contract may be extended by an additional 36 months.
- 4.3.2. Throughout the duration of the initial contract period, the RE:FIT Contractor's performance will be reviewed by the Islington Council project team and the MDC. If the Council is satisfied with the design work completed by the RE:FIT Contractor,

the project team will follow the Council's internal governance to request an extension to the original contract when the initial period is nearing its expiration.

4.3.3. The RE:FIT Contractor will produce HLA and IGPs for the first 10 buildings from April 2024 to August 2024. Pending successful PSDS 3C grant funding applications and Council approval of the measures and costs proposed, the first works contract is expected to start approximately in September 2024.

4.3.4. The RE:FIT Contractor will produce HLA and IGPs for the second batch of buildings (exact numbers to be confirmed by the Council following the outcome of the PSDS 3C applications) from April 2024 to August 2024. The RE:FIT Contractor will also prepare the PSDS round 4 applications for these buildings, with a submission date expected in October 2024. Pending successful PSDS 4 applications and Council approval, the second works contract is expected to start in April 2025.

4.4. **Options appraisal**

4.4.1. As set out in the procurement strategy report dated 20 July 2023, four options were considered.

- Option 1: do nothing
- Option 2: doing the works in-house
- Option 3: conduct our own tender exercise
- Option 4: using the Retrofit Accelerator Framework (recommended option)

4.4.2. The in-house option was rejected as the Council does not have staff that possess the specialist skills needed to deliver this project.

4.4.3. The approved option run a mini-competition in compliance with the terms of the Retrofit Accelerator Framework Agreement to secure a REFIT contractor. The main advantages of using this framework agreement are:

- Identified as a quick and efficient route to market.
- Reduces the time required to complete the procurement process.
- All contractors on the framework have experience of delivering large scale retrofit projects.
- All contractors on the framework have been approved and checked by the Greater London Authority.

4.4.4. The framework was specifically designed and tailored for decarbonisation projects to meet the needs of public sector organisations. To date, the RE:FIT framework has been used by 19 London public sector organisations to prepare the funding application for, and deliver the works associated with, PSDS-funded decarbonisation projects.

4.5. **Evaluation**

- 4.5.1. The procurement was conducted using a mini-competition amongst the suppliers on the RE:FIT Framework Agreement.
- 4.5.2. An Expression of Interest was undertaken prior to starting the mini-competition tender exercise to establish which organisations on the framework agreement were interested in tendering for the works.
- 4.5.3. A mini-competition exercise was then completed. Tenders were submitted and evaluated on the basis of the tenderers' price, social value offer and ability to deliver the contract works and services as set out in the specification in order to determine the most economically advantageous offer (MEAT).
- 4.5.4. Submissions were evaluated on the basis of 40% price and 60% quality (of which 20% of the quality weighting was allocated to social value). A summary of the results of the evaluation are included in the exempt appendix to this report.

4.6. **Key Considerations**

- 4.6.1. In the tender, the award criteria for social value was set at 20%. The bidders were asked to outline how they would provide social values as part of the contract, on employment, training, education, supply chain and net zero / circular economy.

- 4.6.2. A summary of the social value benefits that will be delivered through this contract are outlined below:

4.6.3. **Employment**

Cenergist committed to:

- Per every £2 million of works contracts value:
 - Provide at least 1 Islington resident full-time trainee position apprenticeship or improver job role
 - Support an additional Islington resident full-time trainee position apprenticeship or improver job role

For Phase 1, Cenergist also anticipates to:

- Provide 12 Islington residents with full-time trainee position apprenticeships or improver job roles paid at least the London Living Wage
- Confirm further opportunities for either short-term unpaid-or longer-term paid for Islington residents

4.6.4. **Training**

Cenergist committed to:

- Deliver 9 green industry specific talks and learning classes linked to the development of IGPs for the initial 3-year period, with an additional 9 classes for the 3-year contract extension (independently of any potential works contracts)
- Deliver additional informal green industry specific talks to local college students

4.6.5. **Education**

Cenergist to deliver per year of the the call off contract:

- 1 day to green sector career talks via the World of Work programme
- 2 green sector career activities for young people aged 16-25 that are not in employment, education or training (NEET).
- 1 week green sector work experience placements offered to 3 Year 10 students or NEET young people
- At least one additional day per year to green sector career talks via the World of Work programme
- Deliver engagement sessions and talks at schools selected by the Council
- Coordinate with the Council, local schools and colleges to identify parties interested in career activities/ work experience placements for NEET young people and Year 10 students

4.6.6. **Supply Chain**

Cenergist committed to:

- Have a target spend of 15% of the contract value with local merchants and suppliers, especially SMEs, where possible
- Have a target for 85% of contractor operatives to live within 40 miles of the project site
- Work closely with the Council's dedicated local procurement officer to ensure any commitments are delivered and local suppliers are utilised
- Prior to tendering ensure that all potential suppliers are prepared to sign up to social value, Corporate Social Responsibility, sustainability & waste recycling commitments as a requirement for the project
- Explore providing mentoring support for local businesses, especially SMEs and those seeking PAS2035 and similar accreditations
- Encourage the use of local catering from cafes and restaurants

4.6.7. **Net Zero Carbon And Circular Economy**

Cenergist committed to:

- Measure and disclose accurate Scope 1, 2 and 3 carbon emissions on a bi-annual basis
- Develop a year-on-year plan that is aligned to climate science, evidencing how carbon emissions will be reduced to help deliver the Council's Vision 2030
- Ensure that all motor vehicles used in the delivery of this contract are either fully electric vehicles, or compliant with Euro 6 (or later) and fulfil the emissions requirements of ULEZ and shall provide evidence of compliance on request
- Adopt circular economy principles throughout their proposal including re-think/re-design, reduce, reuse and recycle
- Aim to achieve a Building Research Establishment Environmental Assessment Method (BREEAM) project rating of excellent or higher which will feed into the year-on-year plan

- Encourage their operatives to car share and use London Transport and cycles as much as possible
- Potentially explore at installing catalytic converters on vehicles, as they have done on their previous projects to reduce toxic pollutants, including NO2
- Reduce water usage, energy and carbon emissions to directly save funds.
- Target of recycling 100% of the waste generated on-site, and reporting this back to the Council within their social value plan and M&V reporting

4.6.8. The London Living Wage is a condition of this contract.

4.6.9. There are no TUPE, Pensions and Staffing implications.

4.7. **Business risks**

4.7.1. The key business risks associated with this procurement are limited as the contractor will only complete HLAs and IGPs up to RIBA Stage 3 for free, which will form the basis of the PSDS applications. Business risks associated with the future works contracts will be covered by a future key decision contract award report.

4.7.2. There are two potential risks for future phases, related to the PSDS (or similar) grant funding applications:

1. Final IGPs not being ready in time for the upcoming round of PSDS applications, (round 4 is expected to open in October 2024). This delay would significantly lower the chance of the Council securing any funding, potentially stalling our upcoming decarbonisation projects to another year.
2. Poor IGP quality – if the quality of the IGPs are poor or lack the necessary information required for a robust, compliant PSDS application to be made, it is more likely that the application will be rejected. The Council would then fail to secure any funding and would have to reapply for the following year.

Both of the above risks can be mitigated by establishing clear communication from the onset regarding the Councils requirements and expectations for the IGPs. This involves scheduling regular progress meetings, reviewing the draft IGPs, and providing timely feedback. Additionally, requesting the MDC to review the IGPs at draft and final stages and ensuring that the contractor promptly acts on their feedback.

4.8. The Employment Relations Act 1999 (Blacklist) Regulations 2010 explicitly prohibit the compilation, use, sale or supply of blacklists containing details of trade union members and their activities. Following a motion to full Council on 26 March 2013, all tenderers will be required to complete an anti-blacklisting declaration. Where an organisation is unable to declare that they have never blacklisted, they will be required to evidence that they have 'self-cleansed'. The Council will not award a contract to organisations found guilty of blacklisting unless they have demonstrated 'self-cleansing' and taken adequate measures to remedy past actions and prevent re-occurrences.

4.9. The following relevant information is required to be specifically approved in accordance with rule 2.8 of the Procurement Rules:

Relevant information	Information/section in report
1. Nature of the service	<p>Appointment of a decarbonisation contractor from the RE:FIT Framework to deliver HLAs and IGPs.</p> <p>See section 4.1</p>
2. Estimated value	<p>The value of the procurement is £0.</p> <p>See section 4.2</p>
3. Timetable	<p>The indicative timetable is set out within the body of the report. See section 4.3</p>
4. Options appraisal for tender procedure including consideration of collaboration opportunities	<p>Option 4: using the RE:FIT Framework Agreement was determined to be the most suitable as it provides the Council access to a experienced decarbonisation contractor.</p> <p>See section 4.4</p>
<p>5. Consideration of:</p> <ul style="list-style-type: none"> • Social benefit clauses; • London Living Wage; • Best value; • TUPE, pensions and other staffing implications 	<p>The Social Value benefits associated with this contract have been outlined.</p> <p>The London Living Wage will be applicable on this contract.</p> <p>The procurement process has delivered best value for money from the tender submissions.</p> <p>TUPE is not applicable on this contract</p> <p>See section 4.6</p>
6. Award criteria	<p>As per the approved RE:FIT Framework Agreement Executive report:</p> <ul style="list-style-type: none"> • Cost 40% • Quality 60% (20% for social values) <p>See section 4.5</p>

Relevant information	Information/section in report
7. Any business risks associated with entering the contract	<p>There are risks associated with this contract, particularly with reference to the PSDS funding deadline. However, mitigations are in place to minimise the risk to the Council.</p> <p>See section 4.7</p>
8. Any other relevant financial, legal or other considerations.	See section 5

5. Implications

5.1. Financial Implications

5.1.1. As noted in 2.1 the recommendation is to approve the award of a call off contract to Cenergist to deliver High Level Appraisals and Investment Grade Proposals. These will be produced at no cost to the Council (which is commonplace under the RE:FIT framework) for an initial period of 36 months with an option to extend the contract for a further 36 months (subject to approval).

5.2. Legal Implications

5.2.1. As set out in paragraph 4.5 of this Report, the call-off contract has been procured via a mini-competition from the National Framework for Energy Performance Contracting (RE:FIT) (“the Framework”) in accordance with both the requirements of the Framework and the authority granted pursuant to the Procurement Strategy Report approved by the Executive on 20th July 2023.

5.2.2. The proposed award to Cenergist of the call-off contract for an initial period of 36 months with the ability to extend for up to a further 36 months relates only to the High Level Appraisals (“HLA”) and Investment Grade Proposals (“IGP”) aspects of the works. As detailed in the Report, the Council is not obligated to proceed with any works arising from the HLA or IGO aspects. Also Cenergist have bid for the call-off contract at no cost to the Council. Consequently, the risk to the Council if the call-off contract is awarded to Cenergist as proposed is low.

5.2.3. Part of the Council’s decision to award the call-off contract to Cenergist relates to their Social Value submissions as set out in this Report. As such, once the call-off

contract commences, officers will be required to monitor Cenergist to ensure that the Social Value submissions are delivered as set out in the tender.

- 5.2.4. The Local Government Act 1999 requires the Council to make arrangements to achieve Best Value in the exercise of its functions when considering service provision.
- 5.2.5. The Council has power to enter into the call-off contract under section 111 of the Local Government Act 1972 and section 1 of the Local Government (Contracts) Act 1997 which enable the Council to carry out any activity that is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions, and to enter contracts accordingly.
- 5.2.6. The decision maker can approve the Recommendation contained in this Report provided they are satisfied with the contents of the Report and they consider the proposed award of the call-off contract to Cenergist represents best value for the Council.

5.3. **Environmental Implications and contribution to achieving a net zero carbon Islington by 2030**

- 5.3.1. The main purpose of the works to be procured through the RE:FIT framework is to decarbonise Council buildings, which is a key element of the Council delivering net zero carbon. However, the delivery of the measures will have some environmental impacts during their implementation. These include material and energy use and the generation of construction waste (including the requirement to remove and dispose of earth soil extracted to put in pipework). There is also potential for some nuisance issues such as noise to neighbouring properties during construction. There will also be some travel-related impacts by the suppliers. Mitigation actions will be in place where possible to reduce these impacts. There are no other implications to the environment as wildlife will not be affected by the works.

5.4. **Equalities Impact Assessment**

- 5.4.1. The Council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The Council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The Council must have due regard to the need to tackle prejudice and promote understanding.

- 5.4.2. An Equalities Impact Assessment was completed on 17 March 2023. This document will be updated regularly during the project, especially as the total impact of the works for each building cannot be determined until IGPs have been completed, in which the required decarbonisation works for each building will be defined.
- 5.4.3. At this stage, the main findings of the Equalities Impact Assessment are that the decarbonisation measures should overall provide increased thermal comfort to building users, and that the retrofit works will have to be planned carefully to ensure minimal disruption to building users. The premises managers of the buildings under consideration will be consulted to understand their energy needs and requirements, and the appointed contractor will conduct high-level energy appraisals to evaluate the current decarbonisation/energy status of the buildings to determine which energy-saving measures are required for each building. Based on this information, and if the Council is satisfied with the investment grade proposals, the retrofitting works will be scheduled, and the contractor will be informed of the specification and site management to ensure that the work is completed with minimal disruption. Discussions will also be held with premises managers about the construction operation and how works can be carried to minimise disruption to the building users and residents/visitors near the site. If necessary, engagement with local disability action groups and older people will be considered closer to the construction period. Noisy works will only take place between a certain time during the day and will be defined in the terms and conditions of the contract specification. There will be clear communications to building users and local communities around the affected area prior to the works through the means of flyers, letters and emails.
- 5.4.4. The full Equalities Impact Assessment is appended.

6. Conclusion and reasons for the decision

- 6.1. Approving the decision to appoint Cenergist as the principal contractor for the delivery of the decarbonisation of Islington public buildings under the RE:FIT framework. This appointment is for the provision of high-level approvals and investment grade proposals only, at no cost, and the Council is under no obligation to proceed with any future works contracts.
- 6.2. This appointment will ensure the Council has the best chance of drawing down PSDS or similar future grant funding for these decarbonisation projects. It will also ensure the Council is in the best position to deliver the projects on quality and budget within the grant timelines.
- 6.3. This call-off contract has been procured via a mini-competition from the National Framework for Energy Performance Contracting (RE:FIT) in accordance with the Procurement Strategy Report approved by the Executive on 20th July 2023.

- 6.4. Tenders were evaluated on the basis of the tenderers' price, social value offer and ability to deliver the contract works and services as set out in the specification in order to determine the most economically advantageous offer (MEAT). Cenergist tender was found to provide the best value for money as shown in the exempt appendix.

7. Record of the decision

- 7.1. I have today decided to take the decision set out in section 2 of this report for the reasons set out above.

Approved by :

Date:

Appendices:

- Exempt Appendix – summary of bids received
- Full Equalities Impact Assessment

Background papers:

None

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