



Report for:	Cabinet – 25 June 2014	Item number	
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Title:	Re:Fit Programme Contract Award
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Report authorised by :	Kevin Bartle Assistant Director for Finance
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Ward(s) affected: All	Report for Key/Non Key Decision: Key Decision
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1. Describe the Issue Under Consideration

- 1.1. This report seeks approval from Cabinet to award the Re:Fit Energy Efficiency Programme (“Re:Fit”) to Imtech Limited.
- 1.2. Re:Fit comprises a suite of energy efficiency works (including, for example, lighting upgrades, heating controls etc), applicable to the Council buildings listed under “Phase I Buildings”, Appendix A, that is guaranteed by Imtech Limited to return the initial investment within 4 years.
- 1.3. Re:Fit will also reduce carbon emissions from the Council’s operational estate by 1,082 tonnes per annum, taking the Council from a 32% (2013/14) to a 35% reduction against a 2006/7 baseline (and in support of the Cabinet endorsed target of 40% reduction by 2014/15).
- 1.4. In addition to the Phase I Buildings, the Council has retained an option to extend the programme to those buildings listed under “Phase II Buildings”,



Appendix A assuming doing so does not exceed the agreed budget of £968k.

2. Cabinet Member Introduction

- 2.1. Haringey has always been a leading authority on the low carbon agenda. We were the first borough in the UK to sign the Friends of the Earth pledge to reduce borough wide emissions by 40% by 2020, and in demonstrating our leadership, we committed to deliver a 40% reduction from local authority operations by 2014/15 - a full five years earlier than the borough wide target.
- 2.2. To date, the Council has made significant strides to meet this target, and in 2013/14 our emissions were 32% lower than our 2006/07 baseline. We have undertaken a number of projects to get us to this point – voltage optimisation in all secondary schools and many Council buildings and Solar PV on River Park House to name but two. However, as the low hanging fruit is picked, it gets harder to implement the projects that will deliver against our target.
- 2.3. This is why it is the right time to engage with the Greater London Authority and their Re:Fit Programme. This opportunity has enabled the Council to consolidate the remaining programme with a single Energy Services Company. The opportunity was presented in such a way that facilitates innovation, and instead of emphasising price and a race to the bottom, it promotes return on investment and a race to the top. Finally, with savings guaranteed by the Energy Services Company, our residents can be assured that we are doing everything we can to reduce our operating costs to protect frontline services.”

3. Recommendations

- 3.1. For Cabinet to award a contract to Imtech Limited to deliver:
 - 3.1.1. An Investment Grade Proposal (“IGP”) – a document which details specifically the work that will be done, the energy conservation measures that will be installed and provides a binding price and guarantee of energy/carbon savings.
 - 3.1.2. A programme of works as per the information contained in the IGP.

4. Alternative Options Considered

- 4.1. **Do nothing** – It was recognised that when the Council’s Carbon Management Target was agreed, prevailing technologies would only



deliver a 27% reduction, with the remaining 13% achievable only through market innovation. In this context, the Council's target is an aspirational one, and the Council has already exceeded a 27% reduction. In addition:

- 4.1.1. With the Academies programme gaining more conversions each year, it is possible that natural attrition will propel the Council to the closer to the 40% reduction, as the associated carbon emission will no longer be within the Council's footprint (the Council has no operational control of Academy assets).
 - 4.1.2. Inaction is incompatible with the Council's proactive policies on Carbon Management, including the Haringey 40:20 initiative.
 - 4.1.3. The Council will not see the medium term benefits of greater energy and carbon cost avoidance.
- 4.2. **Business as usual** – Business Units within the Council work collaboratively to identify opportunities and implement ad-hoc energy efficiency projects, which is unlikely to facilitate the 40% reduction target.
- 4.2.1. Moving forwards, ad-hoc delivery would ensure that a limited number of projects are supported leading up to the target deadline of 2014/15, and that the Sustainable Investment Fund ("SIF") is utilised only as and when funds become available.
 - 4.2.2. The Council would be required to procure and project manage each initiative which will bottleneck resource for other requirements, such as mandatory reporting (Carbon Reduction Commitment, Greenhouse Gas Protocol) and billing query management.
- 4.3. **Re:Fit** – utilising Re:Fit will consolidate a number of energy efficiency opportunities into a single programme. This is anticipated to generate a minimum saving of 1,082 tonnes CO₂ per annum, taking total CO₂ reduction to 35% by project closure (anticipated in 2014/15). In addition:
- 4.3.1. This would facilitate greater upfront cost avoidance to the Council than the alternative options (as Re:Fit will deliver a suite of energy efficient works that the Council couldn't deliver through business as usual).
 - 4.3.2. The programme is managed by the Re:Fit Programme Delivery Unit, to augment resource in the Council.
 - 4.3.3. The scheme savings are guaranteed, meaning any budgets that do not achieve the expected savings from the energy efficiency works will be compensated to the value of the difference between the expected and achieved savings by the contractor.



5. Background Information

5.1. In March 2010 Cabinet agreed to adopt a Carbon Management Plan which committed the Council to reducing carbon emissions from our operations by 40% in 2014/15, relative to 2006/7 levels. The Council's adoption of this policy was premised upon:

5.1.1 The need to demonstrate that the Council is contributing, through energy efficiency initiatives on its own estate, to the 40:20 borough wide target, and that we are demonstrating leadership through more aggressive internal targets;

5.1.2 The requirement to drive down energy consumption in the knowledge that energy inflation generally rises faster than CPI and RPI (energy inflation was approximately 7% between 2012 and 2013¹, CPI and RPI were 2.7% and 3.1% respectively²), which will put significant strain on budgets with responsibility for utilities payments. Costs are expected to continue to rise, with the Department of Energy and Climate Change anticipating a 42% rise in electricity costs by 2030;

5.1.3 Additional cost implications of energy consumption, such as the Carbon Reduction Commitment ("CRC" – the Council pays a tax of £16 per tonne of CO₂).

5.2 By the end of 2013/14, the Council had reduced its operational emissions by 32% or 11,527 tonnes CO₂. This equates to avoided cost in 2013/14 of approximately £1.37m.

5.2. To further reduce costs, and meet our carbon reduction targets, the Council had a capital bid of £968k accepted by Full Council on the 26th February 2014 as an element of the Medium Term Financial Plan 2014/15 - 2016/17 to contract for Re:Fit.

5.3. Imtech Limited was selected via a mini-competition process, undertaken within the RE:FIT (REFIT) Framework (Public Buildings Retrofit Programme). This is a framework procured by the Greater London Authority via the Official Journal of the European Union ("OJEU") in compliance with European Procurement Directives. As per the contract award notice (Ref: 2013/S 006-006192), it is available to public sector

¹<https://www.gov.uk/government/statistical-data-sets/gas-and-electricity-prices-in-the-non-domestic-sector>,

² <http://www.ons.gov.uk/ons/rel/cpi/consumer-price-indices/april-2014/consumer-price-inflation-reference-tables.xls>



organisations within London and across the UK, which entitles Haringey to access the contract. The contract was awarded using most economically advantageous tender criteria.

- 5.4. There are 12 Energy Services Companies on the Re:Fit framework, all of which were invited to bid, and 3 submitted bids. Bidders were asked to provide details against only those buildings listed under “Phase I Buildings”, Appendix A. These buildings were chosen as they represented both significant energy consumption, and a broad range of architectural periods and designs. The evaluation of the bidders was as follows (see Part B for exempt information):

Bidder	Total Cost	Savings p.a.	8 Year Debt Profile	8 Year Saving Profile	8 Year Total
Imtech	£690,876	£196,723	-£804,050.85	£1,812,651.02	£1,008,600.16
Bidder B	£799,875	£122,159	-£930,904.72	£1,125,598.62	£194,693.90
Bidder C	£733,427	£114,693	-£853,572.46	£1,056,811.71	£203,239.26

Rank	Return on Investment (60 points)	Monitoring & Verification Methodology (5 points)	Warranties (10 points)	Quality Standards (10 points)	Installation Methodology (10 points)	Work Placements (5 points)
1. Imtech Ltd (88.7)	60	2	10	9.4	7.3	0
2. Bidder B (44.3)	11.6	4.5	7.6	9.6	7.3	3.6
3. Bidder C (42.1)	12.1	4	7.9	10	7.3	0.7

NB: Scores have been rounded to 1 decimal place, meaning the sum of component scores and the total scores may not match.

- 5.5. The Council’s General Fund gas and electricity costs are approximately £3.4m per annum. The Council also spends circa £0.5m per annum on carbon credits under the CRC – a statutory programme under which the Council must pay £16 per tonne of CO₂ emitted through electricity and gas consumption on the operational estate.
- 5.6. Based on the return on investment for the Phase I Buildings, Imtech Limited will enable the Council to reduce its utility costs by £197k and CRC costs by £17k per annum. The capital is expected to be repaid within four years, enabling the Council to benefit from the reduced utility costs in 2018/19 (this assumes an eight year loan for capital, as per the original capital bid). Note that savings are likely to increase with the inclusion of Phase II Buildings.



6. Comments of the Chief Financial Officer and Financial Implications

- 6.1. The approved capital programme for 14/15 includes budget provision of £968k for the Re:Fit programme. The costs of the contract award proposed in this report of £691k can be contained within this budget.
- 6.2. The budget is funded in part from the Sustainable Investment Fund, with the balance provided from prudential borrowing. The budget to provide for the costs of the prudential borrowing will be covered from the NSR contingency budget for future energy inflation.

7. Comments of the Assistant Director of Corporate Governance and Legal Implications.

- 7.1. The Assistant Director of Corporate Governance notes the contents of the report.
- 7.2. The Council has followed a mini-competition under an EU Framework Agreement for Re:Fit services (public buildings retrofit programme) (2012/S 90-148645) which was advertised in OJEU by the Greater London Authority on behalf of Contracting Authorities including local authorities. This is in accordance with EU tendering requirements as set out in the Public Contracts Regulations 2006 (as amended) and the Council's Contract Standing Orders. CSO 7.01 (b) includes provision for the Council to select contractors from a Framework Agreement which has been established by another public sector body.
- 7.3. The Council now wishes to award a contract to the successful tenderer. The award is made on the basis of most economically advantageous tender in accordance with CSO 9.07.1 (b).
- 7.4. Because of the value of the contract, the award may be made by Cabinet in accordance with CSO 9.07.1 (d) (contracts valued over £250,000).
- 7.5. The award of the contract is a Key Decision and, as such, needs to be included in the Forward Plan in accordance with CSO 3.01 (d).
- 7.6. The Assistant Director of Corporate Governance confirms that there are no legal reasons preventing Members from approving the recommendations in the report.

8. Equalities and Community Cohesion Comments



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- 8.1 The recommendations set out herein will reduce the costs of Council operation. Any cost avoidance will be used to ensure that front line services are protected, benefitting people from all wards.
- 8.2 Where possible, the Council will work with Imtech Limited to ensure subcontractors are representative of the market and have the requisite expertise to deliver within Haringey.
- 8.3 The Council will also require the primary contractor to facilitate work placements/apprenticeships in the delivery of this contract. Whilst Imtech Limited has not provided firm numbers, they have confirmed in writing that they will commit to a number of work placements, which will be confirmed following the IGP stage.
- 8.4 A full Equalities Impact Assessment is available on request.

9. Head of Procurement Comments

- 9.1 Responsibility for Carbon Reduction across the Council's operational estate rests with the Energy Management Unit in Central Procurement.
- 9.2 "Quick win" projects to-date have achieved savings of 21% carbon but the next phase of the carbon reduction programme requires a consolidated contract to tackle the more obscure and difficult projects over the next 12-18 months.
- 9.3 The GLA Re:Fit framework has been established on behalf of London Authorities and use of a mini-competition process would be compliant with EC Regulations and Council Contract Standing Orders.
- 9.4 The recommendation to appoint a contractor from this framework on a guaranteed savings basis presents a low risk opportunity to the Council.
- 9.5 Having been involved in the commercial options appraisal, and negotiations with incumbent contractors, Central Procurement is satisfied that due diligence has been applied to the assessment of the market and the recommended solution provides best value for the Council.
- 9.6 Key Performance Indicators are included as contract requirements to ensure contract compliance and to mitigate the risk of poor performance.

10. Policy Implications

- 10.1. Corporate Plan 2013-15, Outstanding For All Priority 1: Work with schools, and early years and post 16 providers, to deliver high quality education for



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all Haringey children and young people. The introduction of work placements/apprenticeships through the contract will contribute to the Key Performance Indicator under this priority of reducing the percentage of 18 year olds not in education, employment or training to 3.6%.

10.2. Corporate Plan 2013-15, Safety and Wellbeing for All Priority 5: Provide a cleaner, greener environment and safer streets. The award of this contract will ensure that the Council reduces its carbon footprint. In addition, in the Haringey 40:20 Action Plan, carbon reduction on the Council's Estate is one of the supporting themes of the Plan, and as such, the recommendations herein will contribute to the wider delivery of Haringey's carbon reduction aspirations.

10.3. Corporate Plan 2013-15, A Better Council Priority 12: Strive for excellent value for money. The bid from Imtech Limited indicates that the Council will be able to reduce its energy costs by circa £197k p.a.

11. Use of Appendices

11.1. Appendix A - List of Buildings included in Mini-Competition.

12. Local Government (Access to Information) Act 1985

12.1. This report contains exempt and non exempt information. Exempt information is contained in Part B and is not for publication. The exempt information is under the following category: (identified in the amended schedule 12 A of the Local Government Act 1972 (3)) information in relation to financial or the business affairs of any particular person (including the authority holding that information).

12.2. External links – Haringey Council is not responsible for the contents or reliability of linked web sites and does not necessarily endorse any views expressed within them. Listing should not be taken as endorsement of any kind. It is your responsibility to check the terms and conditions of any other web sites you may visit. We cannot guarantee that these links will work all of the time and we have no control over the availability of the linked pages.



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Appendix A – List of Buildings included in Mini-Competition

Phase I Buildings

1. Alexandra House
2. Bruce Castle Museum
3. Hornsey Central Library
4. Linden House
5. Osborne Grove Nursing Home
6. River Park House
7. Stroud Green Library
8. Wood Green Central Library

Phase II Buildings (Retained Option)

9. Alexandra Park Library
10. Coombes Croft Library
11. Ermine Road Social Education Centre
12. Haringey Mortuary
13. Highgate Library
14. Muswell Hill Public Library
15. St Ann's Library
16. The Grange
17. The Haven
18. Winkfield Resource Centre
19. Wolves Lane Nursery