

Report for **Cabinet 8th October 2019**

Title: **Decentralised Energy Network Programme Award of Contracts**

Report authorised by : Dan Hawthorn, Director of Housing Regeneration and Planning

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Ward(s) affected: All

**Report for Key/
Non Key Decision:** Key Decision

1. Describe the issue under consideration

- 1.1 Haringey Council has a programme of Decentralised Energy Network (DEN) projects.
- 1.2 DENs are energy infrastructure which supply heat to buildings via a network of buried, insulated pipes. By connecting multiple buildings together, DENs create a single large heat load. The scale of the heat load makes it possible for DENs to source heat from technologies and/or locations which would not normally be viable for smaller loads. There are several heat producing technologies which can produce lower cost, more environmentally friendly heat but which only work at very large scale and/or particular locations. DENs make these sustainable energy sources available to customers who would not normally be able to access them
- 1.3 Construction is underway to refurbish and expand the DEN at Broadwater Farm. Other projects are in development. An Outline Business Case for the North Tottenham DEN was approved by Cabinet in January 2017 and a scheme will proceed here assuming the High Road West development scheme proceeds. Projects at Tottenham Hale and Wood Green are currently at feasibility stage and, through the planning system (notably s106 agreements with St William in Wood Green and Argent-Related in Tottenham Hale), the Council is committed to engaging with developers to seek to bring these schemes forward.
- 1.4 Extensive professional advice will be required to support delivery over the coming years and this paper makes recommendations for appointments and explains the procurement processes followed.

- 1.5 Note that the Council has already appointed technical and legal advisors for North Tottenham jointly with the GLA. However,
- this work is currently on hold due to delays at High Road West;
 - the North Tottenham contracts cannot be varied easily to include additional work; and
 - the contracts allow for the GLA to fund the work but the GLA's budget is potentially expiring in March 2020.

The scope of work considered here is therefore focussed on Wood Green, Tottenham Hale, Broadwater Farm and the Council's other housing and regeneration projects many of which will involve decentralised energy networks. If the GLA's budget expires in 2020, the Council has the option to either vary the new contracts to include the North Tottenham work or to novate the existing North Tottenham contracts from the GLA to the Council.

- 1.6 Estimated spend for professional advice for the DEN programme (excluding North Tottenham) over the next 12-18-months across three workstreams covering technical, legal and financial services is estimated to be in the region of £300k/£200k/£100k respectively. Beyond this period, more work is likely to be required which is expected to increase to total spend on technical/legal/financial advisors to be in the region of £500k/£500k/£200k respectively.

- 1.7 The intent is to agree an initial scope of work and then to instruct follow-on work through the same contract in due course. The scope (and therefore cost) of future work is currently unclear and will be determined by work over the next 12-18 months. Once the scope is clarified, a price for the work can be agreed with the consultants before being presented to the Council as part of the decision to proceed / release additional budget.

- 1.8 This approach will deliver value as it allows:
- Better rates through aggregating work into a larger contract
 - More interest from the market in a larger piece of work
 - Continuity in advice including lessons learned on one project being applied to another
 - Work to be instructed more quickly with less risk of opportunities being missed due to delay and less internal resource spent re-procuring;

- 1.9 It should be noted that this contract award report is for technical and legal workstreams only where the value is sufficient to require Cabinet approval. The third workstream for financial advice is expected to be c.£200k and will be awarded under delegated authority by the Director of Housing, Regeneration & Planning.

2. Cabinet Member Introduction

The Decentralised Energy Network programme is the single largest contribution the Council can make to reducing carbon emissions in Haringey. This procurement of a team of technical, financial, and legal experts will enable the Council to deliver this ambition and will meet the Borough Plan commitment on

exploring setting up an energy services company to deliver affordable, low carbon energy.

3. Recommendations

3.1 For Cabinet to approve the implementation of Contract Standing Order 9.07.1c. and award two contracts for:

- 1) DEN technical advisory services to Bidder A ,set out in the exempt report for a period of 3 years from 1/11/19 to 31/10/22, with provision for extension for 12-months. The contract allows for work to be instructed incrementally with additional fees determined by the precise scope of work. The contract value over the life of the contract (contract period + extension) is estimated to be up to £1m. The first phase of work which will be instructed has a value of c£270k.

And

- 2) DEN legal advisory services to Bidder 1, set out in the exempt report, for a period of 3 years from 1/11/19 to 31/10/22, with provision for extension for 12-months. The contract allows for work to be instructed incrementally with additional fees determined by the precise scope of work. The contract value over the life of the contract (contract period + extension) is estimated to be up to £1m. The first phase of work which will be instructed has a value of c£120k.

4. Reasons for decision

4.1 These appointments contribute directly to delivery of Borough Plan objectives to reduce Haringey's carbon emissions, to lead on delivery of an energy network within the borough, to explore setting up a local energy company and to develop a plan for Haringey to be Zero Carbon by 2050. They also allow the Council to meet commitments in the Local Development Framework and undertakings within s106 agreements to engage with developers in Wood Green and Tottenham Hale on set-up of DENs.

4.2 In each case, the awards are based on an assessment of Most Economically Advantageous Tender (MEAT) as required for contracts of this size. Strategic Procurement confirms the processes set out in the tender documents are suitable and have been followed correctly.

4.3 Budget has already been approved (as part of the capital programme) for the first phase of work to be instructed, including an allowance for the accompanying financial advice work packages which will be approved in parallel under Delegated Authority by the Director of Housing, Regeneration & Planning. Future phases of work will follow on only after further decisions to progress the project to the next stage, and will require either confirmation that budget is in place or the seeking of additional budget).

5. Alternative options considered

5.1 Do nothing

This would not deliver a step change in carbon reduction and would not enable the Council to deliver a regional energy savings company as set out in the Borough Plan.

5.2 Appoint an in-House Team

This was ruled out as there is a need for specialist knowledge with a limited pool of candidates. The work also requires a broad skillset and ideally a blend of junior and senior input. This lends itself to a small team of a dozen or so individuals working part-time rather than a small team of in-house staff working more intensively. Outsourcing gives the Council some liability protection through professional indemnity. Also, the external funding streams (such as the GLA's DEEP Framework and HNDU funding) does not allow for in-house appointments.

5.3 Run multiple small procurements on an as and when basis

This would slow down the DEN programme and may not keep pace with linked external projects and funding streams which is likely to see opportunities slip away. And it would be time consuming in terms of officer time. It would not be able to link efficiencies between projects. Therefore it was ruled out.

5.4 Use other frameworks to deliver the teams

In terms of the choice of framework, while there are other options, the DEEP framework is preferred. It includes a comprehensive list of firms active in the specialist field of DENs and has the USP that its use allows the GLA to fund some or all of the work. It is a requirement of the GLA's DEEP funding (which runs to March 2020 and may be renewed for the period 2020-23) that services are procured via the DEEP framework. LBH has received c£340k of funding from the GLA to date and hopes to secure more. It is therefore difficult to look past DEEP as use of this route provides a clear financial benefit to LBH.

This framework (Schedule 6B) is a three-party agreement between the appointed Service Provider, GLA and Haringey, under which the service provider may be paid by either the GLA or Haringey. This allows the Council to take advantage of current GLA funding of £45k and future GLA funding should it become available.

6. Background information

- 6.1 The Borough Plan sets out several objectives around energy and Climate Change which require the Council to explore DENs (see section 7 for more detail). Building on this, Full Council declared a Climate Emergency in March 2019.
- 6.2 In addition, the Council's Local Development Framework recognises the benefits of DENs. Via the planning system, the Council has made several commitments to lead on implementation of DENs in the Borough and has several specific undertakings within s106 agreements to work with large

developments in Tottenham Hale and Wood Green on the implementation of DENs in these areas (again, see section 7 for more detail).

- 6.3 In 2017, Cabinet approved the Outline Business Case for a DEN in North Tottenham based initially around the High Road West scheme. Cabinet also approved budget to finalise the necessary arrangements to proceed with the North Tottenham scheme and to develop additional Outline Business Cases for Wood Green and Tottenham Hale.
- 6.4 Cabinet approved a budget of £1.6m for the DEN programme, including £0.3m specifically for the next phase of work at Wood Green and Tottenham Hale in January 2017. An additional HRA budget of £131k has been allocated, split across Financial Years 19/20 and 20/21 to cover work at Broadwater Farm and on new housing projects with communal heating.
- 6.5 The GLA and the Council jointly appointed Technical and Legal advisors to progress the DEN at North Tottenham in 2017 with the GLA agreeing to fund the work. However, this is on hold as High Road West has stalled. It is anticipated work for the DEN at North Tottenham will eventually be delivered via these appointments and so it has not been included within the initial scope of this round of appointments.
- 6.6 In addition, the GLA has agreed to fund £45k of work between now and March 2020 when their funding programme expires (and hopes to fund more if their funding is renewed in April 2020 – the GLA have funded around £350k of work for Haringey to date). The GLA's ability to fund further work should become clear in early 2020.
- 6.7 Furthermore, LBH has applied for £170k from BEIS's Heat Network Delivery Unit fund and have been informed the bid is successful subject to completion of a Memorandum of Understanding. BEIS have also indicated the funding may increase up to a maximum of 50% of the external spend. If the bid is fully approved, the grant will be used to reduce LBH's direct costs (but the grant also provides a degree of contingency). Note, BEIS have funded around £300k of LBH's work on the DEN Programme to date (and so completion of the Memorandum of Understanding is not seen as an issue).
- 6.8 Should the recommendations in this report be approved, the contracts will deliver detailed business cases to allow the Council to make an informed decision about progressing DENs in Wood Green and Tottenham Hale.
- 6.9 In addition, the contracts will support effective delivery of the expanded DEN at Broadwater Farm and facilitate other new build housing projects which will be required to include small DENs by the planning system.
- 6.10 The appointments will ensure the Council delivers on the Borough Plan and lives up to its commitments and undertakings made via the planning system.

- 6.11 With that in mind, Strategic Procurement has conducted two mini-competitions using the TfL / GLA Decentralised Energy Enabling Project (DEEP) framework via the HPCS portal including:
- Technical - inviting 15 suitably qualified and experienced specialist Contractors on Lots 2.1 and 2.3 to bid to deliver the work. Two bids were received and clarifications were sought from bidders.
 - Legal – inviting 11 suitably qualified and experienced specialist Contractors on Lots 3.1 and 3.2 to bid to deliver the work. One bid was received.
 - Note: a third mini-competition will be run in September for a financial advisor contract. This procurement will be awarded under Delegated Authority by the Director of HRP.
- 6.12 Both the technical and legal procurements were weighted 60:40 for price and quality respectively. Ten percent of the quality score was based on social value with the remainder based on bidders' skills and experience related to delivery of DEN-specific services.

For the technical procurement:

- 6.13 Evaluations and moderation were undertaken with Carbon Management service, Procurement Teams, and the Council's Critical Friend.
- 6.14 The quality and price bids were confirmed – in line with clarifications.
- 6.15 The result of the bid evaluation of the two submitted bids show that Bidder A was the preferred bidder.
- 6.16 Bidder A's bid has been assessed as the Most Economically Advantageous Tender.
- 6.17 Bidder A's Tender Sum is £358k which is considered to be fair and reasonable.
- 6.18 In respect to the Quality score, Bidder A's submission was Satisfactory/Good in line with scoring mechanism set out in the brief.
- 6.19 The contract is structured to include a fixed fee for individual work packages. Fourteen work packages were priced in the tender and there is scope to add additional work packages over time. At this time, the intent is to instruct twelve work packages for the DEN programme and one for Broadwater Farm (HRA).
- 6.20 Note that the Tender Sum includes the cost for some aspects of the project to run for 3 years. Work will initially be instructed for the first year only and so the tendered sum for the initial scope of work to be instructed is £300k.
- 6.21 In reviewing Bidder A's bid, officers have identified several areas where savings can be achieved through contract management following award and so expect to reduce the initial fee to £270k.

For the legal procurement:

- 6.22 Evaluations and moderation were undertaken with Carbon Management service and Haringey's legal department.
- 6.23 A single bid was received from Bidder 1. Five other firms had engaged with the procurement process but declined to bid. Strategic procurement will engage with these firms to understand the reasons for declining to bid.
- 6.24 Bidder 1's bid was evaluated as excellent in respect of the Quality score in line with scoring mechanism set out in the brief. Additional commentary on the price of Bidder 1's bid is included in the exempt submission accompanying this report.
- 6.25 The Tender Sum was £320k although initially work packages with a fixed fee of £102k will be instructed.
- 6.26 Bidder 1's bid has been assessed as the Most Economically Advantageous Tender.

7. Contribution to strategic outcomes

- 7.1 The DEN programme contributes directly to delivery of the following Borough Plan objectives:
- a) To reduce Haringey's carbon emissions by 40% by 2020 against a 2005 baseline
 - b) To lead on delivery of an energy network where more sustainable energy is generated for use within the borough
 - c) To explore setting up an alternative local or regional energy savings company(s) that would serve our community by helping to tackle fuel poverty
 - d) To develop a plan for Haringey to be Zero Carbon by 2050

As well as supporting several other objectives.

- 7.2 Note that the majority of the DEN Programme is driven by planning policies with a strategic nature. The Council is required through policies in the London Plan to "identify opportunities for expanding existing [decentralised energy] networks and establishing new networks" and the National Planning Policy Framework requires us to "develop a positive strategy for energy from these [low carbon] sources that maximises the potential for sustainable development."
- 7.3 Local Development Framework SP4 responds to this as the Council has committed to "promote low- and zero-carbon energy generation through
- *Establishing local networks of decentralised heat and energy facilities*
 - *Requiring all developments to assess, the potential to link into a wider network*
 - *Working with neighbouring boroughs ... to explore ways of implementing sub-regional decentralised energy networks including ... in the Upper Lee Valley Opportunity Area*

- 7.4 As suggested above, the long-term strategy is to set up neighbourhood schemes using the planning system to support customer acquisition and then to interconnect these neighbourhood schemes into a larger borough wide scheme connected to the forthcoming Energy Recovery Facility at Edmonton. This will yield significant carbon savings.
- 7.5 The driver behind the DEN programme is the Climate Emergency. The UK's energy infrastructure needs to be upgraded to be low carbon and to meet the growing demands of the 21st Century.
- 7.6 Promotion of DENs is a high priority for BEIS and the GLA in order to contribute to regional and national Climate Change targets – hence the grant funding they have provided to LBH.
- 7.7 These contracts will deliver value for money through allowing:
- Better rates through aggregating work into a larger contract;
 - More interest from the market in a larger piece of work;
 - Continuity in advice including lessons learned on one project being applied to another; and
 - Work to be instructed more quickly with less risk of opportunities being missed due to delay and less internal resource spent re-procuring;

8. Statutory Officers comments (Chief Finance Officer, Head of Procurement), Assistant Director of Corporate Governance, Equalities)

Finance Comments

- 8.1 This report seeks the award of DEN contracts of up to £1m each to Bidder 1 for legal services and Bidder A for technical advisory services; over a period of three years, plus one year possible extension provision.
- 8.2 The DEN services being procured need to be split between General Fund and the Housing Revenue Account (HRA).
- 8.3 The cost of the recommendations within this report will be met from existing budgets, which comprise of funding from both LBH and other external sources, for example BEIS's Heat Network Delivery Unit fund and GLA funding via DEEP framework contract agreement.

Strategic Procurement Comments

- 8.4 Strategic Procurement (SP) confirms that the services were procured by undertaking a mini-competition under the GLA/TfL Framework Agreement, and that the procurement of these contracts are compliant with LBH standing orders and procurement regulations.
- 8.5 SP has no objections to the recommendations set out in section 3.1 of the report.
- 8.6 SP notes that the contract values over the life of the contracts (contract period + extension) is estimated to be £500+k.

- 8.7 SP notes that the ITT submissions were evaluated according to the selection criteria of a quality (40%) / price (60%) basis.
- 8.8 SP has no objections to award the technical contract to Bidder A for the Haringey DEN specialist Technical consultancy as allowed under CSO 9.07.1.c (Bid Acceptance and Contract Award) for a contract period of 3 years.
- 8.9 SP has no objections to award the legal contract to Bidder 1 for the Haringey DEN specialist Legal consultancy as allowed under CSO 9.07.1.c (Bid Acceptance and Contract Award) for a contract period of 3 years.

Legal

- 8.10 The Assistant Director of Corporate Governance notes the contents of the report.
- 8.11 Pursuant to the provisions of CSO 7.01(b) and pursuant to the Public Contracts Regulation, the Council may select a contractor from a Framework established by a public sector body where the Council has been identified in the OJEU Contract Notice as an approved user and the Framework under which the Council conducted 2 mini-competitions by which the technical and legal service providers were each selected was established by the Greater London Authority (GLA) and the Council was identified in the OJEU Contract Notice as an approved user.
- 8.12 Pursuant to the provisions of CSO 9.07.1(d), Cabinet may approve the award of a contract where the contract is value £500,000 or more and as such Cabinet has power to approve the award of the contracts in this Report.
- 8.13 The Assistant Director of Corporate Governance sees no legal reasons preventing the Cabinet from approving the recommendations in the Report.

Equality

- 8.14 The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:
- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
 - Advance equality of opportunity between people who share those protected characteristics and people who do not
 - Foster good relations between people who share those characteristics and people who do not.
- 8.15 The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race,

religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.

- 8.16 The decision is to award contracts for advisory services relating to the Decentralised Energy Network Programme. The planned locations for decentralised energy networks in Haringey include Broadwater Farm, North Tottenham, Tottenham Hale, and Wood Green. It follows that those most affected by the decision will be the residents of these areas. [Haringey Ward Profiles](#) indicate that these areas tend to have younger populations with higher proportions of residents coming from BAME communities.
- 8.17 The overall likely impact of the Decentralised Energy Network Programme will be to reduce local carbon emissions. It is notable that climate change is likely to have disproportionate impacts on vulnerable groups. There is no indication that this decision will have any adverse effects for any individual or group who share protected characteristics.
- 8.18 As a body carrying out a public function on behalf of a public authority, the contractor will be required to have due regard for the need to achieve the three aims of the Public Sector Equality Duty, noted above. Arrangements will be in place to monitor the performance of the contractor and ensure that any reasonably possible measures are taken to address any issues that may occur that may have a disproportionate negative impact on any groups who share the protected characteristics.

9. Use of Appendices

9.1 None

10. Local Government (Access to Information) Act 1985

10.1 The January 2017 Cabinet Report which approved funding for the DEN programme is available at the following link:

https://www.minutes.haringey.gov.uk/documents/s90564/North%20Tott%20DEN%20Cabinet%20Report%20160117_public%20clean%2018.30.pdf

10.2 In addition, an exempt background document, 'DEN Professional Advisor Award Background', accompanies this report containing additional financial information which is confidential.

10.3 It is NOT FOR PUBLICATION by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as it contains information classified as exempt under Schedule 12A of the Local Government Act 1972 in that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information).

