

**CORPORATE SERVICES DEPARTMENT**  
Director – Caroline Holland



**Democracy Services  
London Borough of Merton  
Merton Civic Centre  
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Morden SM4 5DX**

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***Date: 29 June 2021***

Dear Councillor

Notification of a Decision taken by the **Chief Executive and Director of Corporate Services**

The attached **Key decision** has been taken by the **Chief Executive and Director of Corporate Services**, with regards to the **Public Sector Decarbonisation Scheme Heat Pump Installation and Ancillary Works** and will be implemented at **noon on Friday 2 July 2021** unless a call-in request is received.

The [call-in](#) form is attached for your use if needed and refers to the relevant sections of the constitution.

Yours sincerely

**Democracy Services**

## KEY DECISION TAKEN BY AN OFFICER UNDER DELEGATED AUTHORITY

See over for instructions on how to use this form – all parts of this form must be completed. Type all information in the boxes. The boxes will expand to accommodate extra lines where needed.

**1. Title of report**

Public Sector Decarbonisation Scheme Heat Pump Installation & Ancillary Works

**2. Reason for exemption (if any)**

N/A

**3. Decision maker**

Chief Executive and Director of Corporate Services

**4. Date of Decision**

29/06/2021

**5. Date report made available to decision maker**

16/06/2021

**6. Decision**

That the contract for Public Sector Decarbonisation Scheme Heat Pump Installation & Ancillary Works be awarded to the chosen supplier via the LHC N8 Framework.

**7. Reason for decision**

Please refer to the officer report

**8. Alternative options considered and why rejected**

Please refer to the officer report

**9. Documents relied on in addition to officer report**

None

**10. Declarations of Interest**

None

**11. Signature**

Chief Executive

Signature



Date 29 June 2021

Director of Corporate Services

Signature



Date 29/6/21

# Chief Officer Key Decision Report

**Date: 15/06/2021**

Wards: All

## **Subject: Award of Contract for Public Sector Decarbonisation Scheme Heat Pump Installation & Ancillary Works**

Lead officer: Mark Humphries - Assistant Director, Infrastructure and Technology

Lead member: Councillor Mark Allison

Contact officer: Richard Neal – Energy and Sustainability Manager

### **Recommendations:**

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1. To award a contract for the provision of Public Sector Decarbonisation Scheme Heat Pump Installation & Ancillary Works via a direct award on the LHC N8 Framework. The contract is for a term of 36 months, with a maximum value of £568,000. Details of the evaluation of the supplier's proposal are set out in **Appendix 1**.
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## **1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1. To seek approval to place an order for the provision of Public Sector Decarbonisation Scheme Heat Pump Installation & Ancillary Works via the LHC N8 Framework.
- 1.2. By placing this order the Council will be entering into a 36 month contract with the supplier with a total maximum spend of £568,091.

## **2 DETAILS**

- 2.1. Salix launched the Public Sector Decarbonisation Scheme (PSDS) in September 2020, which offered £1bn of capital grant funding to install low carbon measures on public sector buildings. The scheme was accompanied by extremely tight timelines, with all grant money needing to be spent by no later than 30th September 2021.
- 2.2. Merton submitted a grant application of £497,231 to install Air Source Heat Pumps (ASHPs) and ancillary energy saving measures at 6 sites across the portfolio. Support to compile this bid, and complete the necessary analysis of the buildings identified was provided by Inspired Energy Ltd, the Council's Energy Third Party Intermediary (TPI) and funded by a parallel grant scheme called the Low Carbon Skills Fund.
- 2.3. While the Council was initially advised that the scheme was oversubscribed and there was little chance of receiving funding, due to the mechanisms Salix have available to distribute funding we were later informed that Local Authorities were the only applicants who could receive money for projects extending past March 2021. Merton formally accepted the grant on 18th February by signing the Grant Offer Letter (GOL).

- 2.4. The Procurement Board retrospectively approved the bid and the procurement of a contractor to deliver the works in February 2021, noting that a key criteria for any award of contract and ongoing management of the project would be ensuring that no liability for the costs of work done would fall on the Council when the Grant expired on 30th September 2021.
- 2.5. In total 6 sites were included on Merton's PSDS application. These were;
1. Lavender London Road Nursery (proposed to be part of Melbury College Medical Education Services)
  2. Former Merton Adult Education Whatley Avenue (MAE) (CMT agreed it is to be used for Special School Provision, now likely an Academy)
  3. Newminster Children's Centre
  4. Pollards Hill Library
  5. Sir Joseph Hood Memorial Playing Field
  6. Steers Mead Children's Centre (see 2.7)
- 2.6. Work at each site included a range of measures including Air-to-Water Heat Pumps, Insulation works, Batteries and LED lighting upgrades.
- 2.7. Based on further analysis by the Project Team and Inspired Energy Ltd, Steers Mead Children's Centre was later removed from scope due to insurmountable difficulties in completing any heating system upgrade within the timeframe of the project.
- 2.8. Candidate sites and low carbon measures chosen were based in the following criteria:
- Deliverable in a short timeframe.
  - Potential to make significant carbon reduction or enhance low carbon measures.
  - Measures are not likely to be compatible with the "spend to save" criteria , and across all sites, do not exceed the cost of £500/tonne carbon saved .
- 2.9. The project team undertook a review of available routes to market, and determined in conversation with Inspired that due to the extremely tight timelines of the project the use of an existing public sector framework was the most appropriate approach to appointing a contractor.
- 2.10. The market has few existing frameworks covering Air Source Heat Pumps, but the LHC N8 Framework was identified as being a compliant route to market. This framework had two suppliers registered to deliver a "one stop shop" service of the kind which would be necessary to deliver works over such short timescales.
- 2.11. After conducting a supplier engagement process through the LHC framework, one of the suppliers indicated that it would not be interested in bidding due to high volumes of work as well as a number of larger opportunities in the market they were currently pursuing. The other supplier was more positive and indicated their interest in submitting a proposal.

- 2.12. Given the interest of only a single bidder the Project Team decided to pursue a direct award.
- 2.13. The contract will be for an initial term of 36 months, commencing on 29/06/2021, or as soon as practicable after this.

### **3 ALTERNATIVE OPTIONS**

- 3.1. Officers consider that the use of an existing Framework agreement is the only route to Market which will allow for a contractor of sufficient quality to be appointed within the projects timelines. While there are a number of frameworks accessible by the council that cover energy saving measures in buildings, those that cover Heat Pumps are more limited.
- 3.2. The CCS Heat Networks and Electricity Generation (HELGA) framework was considered, but the Project Team has previous experience with this framework and considers it suitable for projects significantly larger than the scope of works proposed under PSDS.
- 3.3. The absence of other frameworks that fully cover our requirements means that the alternative to this approach would be to undertake a bespoke, open procurement exercise. While Inspired have also stated they can support this route to market, it does have a number of drawbacks.
- 3.4. Drafting terms and conditions for such an exercise is likely to take considerably longer than if an existing framework was used, this is therefore likely to require the use of an Accelerated Procedure (which only provides 15 days for suppliers to return their tender submissions). This creates several additional areas of risk;
  - a) Bidders may not be able to complete their tender responses in the shortened timescale and may ask for more time;
  - b) Bidders may choose not to bid if they don't have enough time to respond;
  - c) Speeding the process up increases the risk that something may be missed – either by bidders or during evaluation.
- 3.5. For these reasons Commercial Services generally advise against the use of accelerated procedures. Therefore should the need to use such an approach arise, either for the main body of work or to appoint a separate contractor to undertake unforeseen works, Officers will only do so in consultation with Commercial Services, and with the associated risks flagged to senior management and recorded on the risk register.
- 3.6. Under normal circumstances Officers would consider there to be a good range of experienced providers who would be interested in bidding on these works. However, as previously stated the large volume of similar work added to the market during the period of this project does create a risk of Merton's tender opportunity being seen as less desirable than it would otherwise. The possibility for there to be a shortage of equipment and suitably qualified staff should also be considered.
- 3.7. Should a supplier not be appointed, or the works not proceed for any reason, or the scope be reduced the Council will be required to repay any unspent

grant money. Additionally any money spent on works not complying with the PSDS grant criteria will similarly have to be repaid.

#### **4 CONSULTATION UNDERTAKEN OR PROPOSED**

- 4.1. Representatives from the departments operating the buildings within scope have been consulted throughout the process and their comments have been incorporated into the project plan.
- 4.2. Agreement in principle to award this contract via the LHC N8 Framework was given by Procurement Board virtually on 16/06/2021.

#### **5 TIMETABLE**

- 5.1. Project Development Timetable;

PSDS Announced	September 2020
PSDS Bid Submitted	8 <sup>th</sup> January 2021
PSDS Grant approved by Salix	8 <sup>th</sup> February 2021
Grant Offer Letter Signed	18 <sup>th</sup> February 2021
Request for Proposal Submitted to Supplier via the London Tenders Portal	19 <sup>th</sup> April 2021
Contract Start Date	29 <sup>th</sup> June 2021

- 5.2. By awarding this contract via the LHC N8 Framework the Council will be entering a 36 month contract with the Supplier.
- 5.3. The initial works need to be completed by 30/09/2021, the remainder of the contract term will involve seasonal commissioning of renewable heating systems (heat pumps) and snagging,

#### **6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**

- 6.1. The value of this contract is £563,091, which covers installation of all measures. Some of this value will be held as retention against snagging and verification of seasonal performance.
- 6.2. A credit check was carried out on the successful bidder and the recommended maximum contract value is £720,000 and the recommended total value of all contracts is £3,000,000.
- 6.3. Costs quoted in the supplier's proposal are indicative at this point, with firm costings to be provided on completion of detailed design.
- 6.4. An estimate of the impact on revenue utility costs of the sites within the scope of the project was also provided in the supplier's proposal. These are

significant, the table in **Appendix 2** outlines these estimates. Again these are provisional pending detailed design.

- 6.5. A larger portion of these estimated increases relate to interventions that are not considered essential to the project. As such the project team will make a determination regarding whether these elements can be removed from scope when detailed designs have been reviewed. Any such changes to scope must ensure the project remains compliant with the PSDS grant criteria and are subject to Salix's approval.

## **7 LEGAL AND STATUTORY IMPLICATIONS**

- 7.1. SLLP advise that the LHC N8 Framework is open to local authorities. Provided that the Council has complied with the direct award procedures set down in the framework, the award will be lawful and in compliance with regulation 33 of the Public Contracts Regulations 2015 (PCR).

## **8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS**

- 8.1. Considered – none identified

## **9 CRIME AND DISORDER IMPLICATIONS**

- 9.1. Considered – none identified

## **10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**

- 10.1. The Supplier has a comprehensive Risk Management and Health & Safety policy. The supplier's compliance with both their own and Merton's relevant policies will be monitored throughout the project.

## **11 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT**

- 11.1. Appendix 1 – Breakdown of scoring for the Supplier's proposal
- 11.2. Appendix 2 – Estimates of utilities revenue budget impacts

## **12 BACKGROUND PAPERS**

- 12.1. None



**APPENDIX 1 - BREAKDOWN OF SCORING FOR THE SUPPLIER'S PROPOSAL**

			Moderated Quality Scores	
Number	Method Statement	Weighting (40%)	Score (0-4)	Weighted Score
1	Understanding of brief	Unscored	N/A	N/A
2	Technical Approach	15%	4	15.00%
3	Project Delivery	10%	4	10.00%
4	Contract Management	10%	3	7.50%
5	Health and Safety	10%	3	7.50%
6	Climate change	10%	4	10.00%
7	Social value	5%	3	3.75%
<b>Total Scores</b>		<b>60%</b>	21	54%

## APPENDIX 2 - ESTIMATES OF UTILITIES REVENUE BUDGET IMPACTS

	Total Annual Utility (Electricity + Gas) before install of ASHP	Estimated annual utility cost change after install of ASHP & other measures from <b>Supplier's</b> proposal
<b>Whatley Avenue</b>	£27,791.04	+£26,666.00
<b>Lavender Nursery</b>	£8,522.71	+£12,130.00
<b>Newminster Children's Centre</b>	£3,275.80	+£1,834.00
<b>Pollards Hill Library</b>	£3,805.41	+£2,116.00
<b>Sir Joseph Hood</b>	£3,651.99	+£3,271.00

## Merton Council - call-in request form

### 1. Decision to be called in: (required)

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### 2. Which of the principles of decision making in Article 13 of the constitution has not been applied? (required)

Required by part 4E Section 16(c)(a)(ii) of the constitution - tick all that apply:

(a) proportionality (i.e. the action must be proportionate to the desired outcome);	
(b) due consultation and the taking of professional advice from officers;	
(c) respect for human rights and equalities;	
(d) a presumption in favour of openness;	
(e) clarity of aims and desired outcomes;	
(f) consideration and evaluation of alternatives;	
(g) irrelevant matters must be ignored.	

### 3. Desired outcome

Part 4E Section 16(f) of the constitution- select one:

(a) The Panel/Commission to refer the decision back to the decision making person or body for reconsideration, setting out in writing the nature of its concerns.	
(b) To refer the matter to full Council where the Commission/Panel determines that the decision is contrary to the Policy and/or Budget Framework	
(c) The Panel/Commission to decide not to refer the matter back to the decision making person or body *	
* If you select (c) please explain the purpose of calling in the decision.	

**4. Evidence which demonstrates the alleged breach(es) indicated in 2 above (required)**

Required by part 4E Section 16(c)(a)(ii) of the constitution:

**5. Documents requested**

**6. Witnesses requested**

**7. Signed (not required if sent by email): .....**

**8. Notes – see part 4E section 16 of the constitution**

Call-ins must be supported by at least three members of the Council.

The call in form and supporting requests must be received by 12 Noon on the third working day following the publication of the decision.

The form and/or supporting requests must be sent:

- **EITHER** by email from a Councillor’s email account (no signature required) to [democratic.services@merton.gov.uk](mailto:democratic.services@merton.gov.uk)
- **OR** as a signed paper copy to the Head of Democracy and Electoral Services, 1<sup>st</sup> floor, Civic Centre, London Road, Morden SM4 5DX.

For further information or advice contact the Head of Democracy and Electoral Services on 020 8545 3409