CABINET

19 May 2020

Title: Retrofit Accelerator Programme for Corporate Assets	
Report of the Cabinet Member for Regeneration and Social Housing	
Open Report	**For Decision**
Wards Affected: All	**Key Decision:** Yes
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Accountable Strategic Leadership Director: Graeme Cooke, Director of Inclusive Growth	

Summary

The Borough is expected to support the Government's agenda in making the country carbon neutral by 2050 and the Council recently declared a climate emergency with an ambition to reach a net zero carbon target itself by 2030. To meet this, the Council is to commission a scientific and strategic piece of work to understand the borough's current greenhouse gases baseline and set a credible trajectory of actions and interventions for decarbonisation. Electrification of fleet and the retrofitting of existing housing stock and corporate assets will be a primary requirement of that strategy.

With limited retrofit and carbon reduction expertise, the Council has been utilising technical support from the Mayor of London's Retrofit Accelerator Programme Delivery Unit (previously known as RE:FIT) to benchmark energy information, identify potential carbon and financial savings from the Council's corporate estate and provide indicative energy savings, funding streams and payback periods for retrofitting its greatest energy consuming assets.

This indicative work is being shaped up for the Council to start Invitation to Tender (ITT) proceedings for a Partner Bid using Retrofit Accelerator's OJEU-compliant framework of pre-qualified energy service providers and run a mini-competition to appoint a suitable service provider. The bid will ask for a response to our retrofitting specification and allow the Council to assess the bidders' capability, pricing, costs for investment grade proposals and general approach to our project. The Council can then appoint a preferred partner with no obligations or penalties. Once appointed the partner provides a High-Level Appraisal (HLA) outlining a range of retrofit opportunities across a first phase of buildings with associated figures for capital investment, annual cost savings and carbon reductions. If these proposals are attractive and deliver against the Councils strategic objectives, the provider will devise an Investment Grade Proposal with a guaranteed level of savings. Alongside a funding proposal, this will return to Cabinet for approval. Should the HLA proposals be unsatisfactory then the Council is not compelled to take the process any further.

Recommendation(s)

The Cabinet is recommended to:

(i) Agree to use the Retrofit Accelerator Framework to support the Council's general retrofitting programme and develop the Partner Bid tender to procure a suitable service provider to devise High Level Appraisals for retrofitting corporate assets; and

(ii) Delegate authority to the Director of Inclusive Growth, in consultation with the Cabinet Member for Regeneration and Social Housing and the Director of Law and Governance, to enter into the contracts and all other necessary or ancillary agreements set out in this report.

Reason(s)

To support the Inclusive Growth agenda which seeks to transition Barking and Dagenham to a clean growth borough and facilitate a carbon neutral Council by 2030.

1. Introduction and Background

1.1 The Draft Inclusive Growth Strategy sets out a narrative relating to energy and sustainability which seeks to transition Barking and Dagenham to a clean growth borough. Fundamentally this is about ensuring that communities thrive in a cleaner, climate-resilient environment; which has access to affordable energy prices and helps generate renewable, clean energy supply; live in well ventilated, energy efficient homes; enjoy a greener choice of travel with electric cars, improved cycling routes and refreshed public spaces in which to walk.

1.2 These ambitions have been elevated by the political debate around decarbonisation which has intensified over the course of the last year, with the UK Parliament calling a climate change emergency in May and the Government's passing of legislation in June to cut greenhouse gas emissions to near-zero by 2050.

1.3 More recently, in January 2020, the Council declared its own climate emergency, calling for Barking and Dagenham to become the 'Green Capital of the Capital' and building upon the local Labour Party's 2018 manifesto pledge to cut the Borough's carbon footprint by 25% by 2025. It aims for the Council, its stock, assets and fleet to be carbon neutral by 2030 and to use best endeavours to make the wider borough net zero carbon by 2050.

1.4 The Council is due to commission an independent and scientific brief on its greenhouse gas emissions and carbon baseline, an assessment of what the Council can directly change and what it can influence to reduce carbon emissions and provide key targets which can translate into measurable, costed actions and interventions.

1.5 While this is not expected to report back until the Autumn, it is already evident that large-scale retrofitting of the Council's domestic stock and corporate assets will constitute the bulk of achieving the 2030 target. In terms of non-domestic stock, there has generally been little financial resource available to adopt a scaled-up or

even ‘whole-house’ approach to the retrofitting of the borough’s assets, although street lights have been converted to LED-lighting and Barking Town Hall had some retrofitting measures installed as part of a refurbishment programme completed in 2018.

2. Proposal and Issues

2.1 Retrofitting our corporate assets remains a key plank of making the council carbon neutral by 2030. However, general budgetary pressures make significant upfront investment for retrofitting unlikely in the near future. The General Fund, which is responsible for the repairs, maintenance and upkeep of our buildings, lacks sufficient funds to meet this challenge.

2.2 There is also insufficient technical knowledge and expertise internally to identify the right low-carbon solutions for our buildings or confidently engage the market regarding investment grade proposals and performance monitoring and verification, without professional support or guidance.

2.3 A solution to this deficiency can be found in the Mayor of London’s Retrofit Accelerator Programme Delivery Unit (PDU) which provides public sector organisations with the kind of technical, financial and procurement advice they require for scaled-up retrofitting programmes as well as access to an OJEU-compliant framework of 16 major energy service providers, skilled and tested in delivering large-volume energy conservation measures.

2.4 On behalf of the Greater London Authority (GLA), the PDU is currently operated by Turner and Townsend, a global consultancy advising on real estate, infrastructure and natural resources. To date it has advised more than 200 organisations on retrofit programmes which have saved 210,000 tonnes of carbon (tCO2), over 550 different buildings, providing public sector organisations with more than £8.0m in fuel bill savings. Importantly, the support and advice package comes at no cost to the Council throughout the entire process from benchmarking, to procurement, through to monitoring and verification when the measures have been installed by the supplier (although not for project management for the installations which will be performed by My Place).

How could the Retrofit Accelerator framework work for Barking and Dagenham?

2.5 The PDU advises public sector organisations by benchmarking energy savings and pay-back periods to assist clients on how best to achieve retrofitting and guarantee carbon and actual fuel savings through their framework of energy providers. It also suggests external funding streams where council budgets cannot provide the upfront capital.

2.6 On the review of that data, the PDU can assist in drawing up an appropriate scope for a potential tender. This could be through:

- A Partner Bid, where the Council’s scope is more open to learning what is required and looks to appoint a capable provider which can eventually undertake an in-depth high-level appraisal of the technological needs of each building; or

- A Target Bid, where the authority has a very clear understanding of what it requires across the suite of buildings and seeks detailed pricing for energy conservation measures and performance

As it stands, Barking and Dagenham would be advised to follow a 'Partner Bid' approach. This allows the Council to work with a selected Partner to develop an optimal programme of works to deliver the highest level of saving across the estate.

2.7 Once the authority has decided its 'bid' level it can prepare the draft ITT documentation setting out its scope and move to the mini-competition stage. A Partner Bid will largely mean Barking and Dagenham appointing a delivery partner based on their capability, pricing, costs for investment grade proposal, general approach to our project and potential funding avenues. The Council can then appoint a preferred partner under a Call-Off contract with no obligations or penalties. Once appointed they can provide a High-Level Appraisal (HLA) identifying possible technological solutions/building optimisation. Should the proposals be unsatisfactory then the Council is not compelled to take the process any further.

2.8 Should the Council decide to progress, the project moves the partner bid to a more detailed, Investment Grade Proposal (IGP). At this stage the Council would become liable for costs incurred for detailed technical surveys and working up the IGP, should it decide to abort the scheme. However, the costs are not expected to be significant. The IGP provides a detailed technical solution with a guaranteed level of saving, which forms part of the contract.

2.9 Utilising the framework allows the Council to select a provider who then draws up a detailed energy conservation measures programme for the selected portfolio, setting out measures to be installed and method statements, carbon savings, costs savings, capital costs expected to be incurred, payback period and the measurement and verification regime.

2.10 Unlike a standard design and build contract where measures are installed and the job is completed, the Retrofit Accelerator framework provides for locking-in the service provider to binding prices for the work and binding guarantees on the energy savings, which cannot be below those proposed at mini-competition stages and stated in the IGP. The measurement and verification requirements ensure that the guarantees given by the installer are validated. Should the equipment fail to perform or the savings are not made, then it is incumbent upon the provider to rectify the fault or make a payment in lieu of what was meant to be saved.

Next steps

2.11 Under the Retrofit Accelerator framework, the PDU has assisted Barking and Dagenham in doing some initial desktop benchmarking of 32 of the highest energy consuming buildings owned by the borough. It has analysed annual fuel costs over the last three years of thirty or more buildings and estimated the energy savings per square metre and total predicted energy and carbon savings. These have been benchmarked based on project experience and data collected over the past eight years, examining the existing energy efficiency of the estate and by estimating how much it would cost to bring those buildings in line with industry benchmark

performance, it is purely to give an idea of scale and to inform the initial business case and tender.

2.12 The desktop exercise looked at the energy consumption of 32 buildings currently using 23,315,598 kWh of energy every year at a cost of almost £1.6m and responsible for churning out 4,869 tCO2. Based on an estimated and conservative retrofitting capital investment sum of £2.1m, the Council could reduce fuel costs by 20% a year. This is roughly £318,000 a year with an estimated saving of 955 tCO2. The payback period is less than 7 years. The investment cost and payback period may increase if the Council seek to adopt near-zero carbon installations but the range of options will be considered as part of the tender requirements.

2.13 It is anticipated that the work will be delivered in several phases with the potential objective of retrofitting all the corporate estate, possibly schools and harder-to-treat domestic properties (where possible) in the Borough. The Partner bid option also allows the Council to explore wider opportunities to reduce carbon emissions, this includes increasing the amount of solar PV, expanding EV charging infrastructure and investigating the feasibility of retrofitting heat pumps.

2.14 Equally, the Council can ask the service provider to support them on finding appropriate funding mechanisms and even to maximise retrofit which brings in subsidy such as Smart Export Guarantee (SEGs) or the Renewable Heat Incentive (RHI - or any replacement when it expires in March 2021). Alternatively, the Council can independently explore the funding opportunities through its own direct borrowing or what is specifically available through retrofit finance such as Salix, which is provided via an interest-free loan paid back through the predicted savings on energy usage or through the Mayor of London's Energy Efficiency Fund (MEEF) which provides low interest funding for projects in excess of £1.0m on the basis of senior/mezzanine debt and equity.

2.15 There would also need to be discussions with the leaseholders of several of the buildings which the Council owns, so that they are sighted well in advance of the potential proposals to retrofit. While the proposals have a clear invest-to-save basis for the Council within the buildings it directly operates, the energy bills for several the leasehold buildings will be paid by the lessee direct. This affects several large energy consuming assets which the Council needs to retrofit to meet its own targets for being carbon neutral by 2030. In these circumstances, the Council will have to begin conversations with those bodies about the benefits and potential funding support they may wish to contribute. Alternatively, the Council could pay for the works and then charge an energy service fee to the occupant. The occupants bill would not increase and they would pay a set amount per month until the investment is re-paid, at which point their bill decreases. This would obviously need to be agreed in advance with the occupant. The energy performance contract would guarantee that the savings would be achieved.

2.16 Should the project progress to Investment Grade Proposals and Cabinet agree to proceed with the proposal and borrow works will commence on site, in line with the agreed methodology. The installation period will depend on the different technologies that are being installed. This is a resource-intensive period and will involve dedicated commitment and oversight from My Place and Be First project teams. Our responsibilities are as per any building works carried out on our site,

including Construction (Design and Management) Regulations 2015 and asbestos management.

2.17 The implementation of the measures, commissioning and handover of the equipment are an important part of this phase of the project and the service provider should provide any necessary training for the new equipment, in accordance with maintenance arrangements. At this stage the organisation can begin to measure the energy and carbon reduction savings from the earliest point identified in the IGP.

2.18 As the service provider is responsible throughout the payback period for measuring and reporting the performance of the energy conservation measures, My Place will be responsible for oversight of the Measurement &Verification Plan, which is an integrate part of the IGP. The Service Provider will set up reporting systems and collect and verify the energy reduction data from buildings throughout the payback period. It must comply with all requirements of annual energy and bi-annual financial performance reviews throughout the payback period. Reporting requirements will include:

- The performance of all installed measures and energy initiatives.
- Calculation and reporting in detail on energy and carbon reductions achieved over the reporting period.
- Identification of installations that are underperforming, distinguishing between those where a deficit is of a short-term nature and those where the deficit is likely to be longer-term and establishing the reasons
- Preparation and issuing of proposals to rectify any shortfall in performance and agreeing programmes for the implementation of any such rectification measures.
- Identification of any external factors impacting on, or likely to impact on, the payback calculation.
- Finally, the Service Provider must prepare Annual Reconciliation Reports throughout the payback period and a Final Reconciliation Report at the end of the payback period detailing energy and carbon reductions records over the annual reporting period.

3. Options Appraisal

3.1 With the recent climate emergency declaration and a commitment to being carbon neutral by 2030, the Council is not able to exclude retrofitting from its required activities to meet that target. Even without the scientific study baselining our greenhouse gas and carbon emissions, it is evident that decarbonising our buildings will be an essential element of that programme. Doing nothing is not an option.

3.2 The Council could independently approach the market, asking for solutions and then procure but with limited internal knowledge about low carbon installations, technology performance and savings validation, such a choice is fraught with risk and could lead to the Council adopting the wrong systems approach without guaranteeing any savings in carbon or fuel bills.

3.3 The proposal in this paper provides for fully-funded technical assistance and support from inception to monitoring over the payback period; direct access to a procured, pre-negotiated EU-compliant framework of major installers and service providers with experience and expertise in developing low carbon retrofit solutions

for public sector organisations and it provides for performance guarantees which justify our investment, while locking-in the installer, backed up by a robust verification and monitoring plan.

4. Consultation

4.1 Discussion to date has mainly involving relevant My Place teams, Inclusive Growth, and Education. The paper and proposal have also cleared the Assets and Capital Board, Corporate Strategy Group, Procurement Board and the Leaders' Advisory Group as part of decarbonisation planning.

4.2 No discussions have been had with leaseholders but the PDU and Inclusive Growth have committed to introducing the Retrofit Accelerator framework to relevant stakeholders once Cabinet has approved.

5. Financial Implications

Implications completed by: Sandra Pillinger, Group Accountant

5.1 This proposal seeks approval to develop a Partner bid tender utilising technical support from the Mayor of London's Retrofit Accelerator Programme Delivery Unit (PDU), at no cost to the Council. The PDU also suggest external funding streams.

5.2 The Council can then appoint a preferred partner under a call-off contract without obligation to take the process further if its proposals are unsatisfactory. If it is decided to move to an Investment Grade proposal (IGP) then the Council would become liable for the costs incurred in technical surveys and working up the IGP, should it be aborted.

5.3 A desktop exercise has identified a potential reduction in fuel costs of 20% per year or £318,000 from £2.1m retro-fitting capital investment.

6. Legal Implications

Implications completed by: Kayleigh Eaton, Senior Contracts/Procurement Solicitor

6.1 This report sets out the intention of the Council to use the Retrofit Accelerator framework which has been procured by the GLA and Local Partnerships. It is noted that this framework has been tendered in accordance with the Public Contracts Regulations 2015 and advertised in OJEU and permits all public sector organisations access. This is therefore a compliant procurement route under the Council's Contract Rules providing any call off is made in line with the framework terms and conditions.

7. Procurement Implications

Implications completed by: Euan Beales, Head of Procurement & Accounts Payable

7.1 Use of an accessible open framework complies with current legislation and the Councils Contract Rules as an agreeable route to market. The question of value for money cannot be appraised at this stage without a formal specification and deliverables. But on face value this route looks a good fit to drive the programme

8. Other Implications

8.1 **Risk Management -** Risk management issues have been discussed in the main body of this report. More appraisal is required about the funding and borrowing implications, but this could also feature as part of the Partner Bid requirements. Unlike traditional design and build contracts using a single stage procurement, this approach provides for a phased and managed appointment of installer and high-level proposal before committing to investment grade solutions. Should the Council be dissatisfied with the outline proposition it is under no obligation or penalty to take the process any further.

If the Council did progress to investment grade proposals, then it may incur some costs for design and surveying should it choose to abort. The costs of this are a factor to be considered in tender. If the Council chooses to proceed with the installs, the verification, monitoring and rectification provisions of the project mitigate against the Council being burdened with defective installs which are not matching the carbon and fuel savings guaranteed in the investment grade proposals.

8.2 **Contractual Issues -** Matters are yet to be decided but all agreements and contracts of works must cover indemnities, warranties and liabilities relating to the installation of works. In terms of contract, the framework offers flexibility. At present, based on previous Retrofit Accelerator schemes, the JCT is traditionally used, due to ease of administration however the option will be discussed further with Corporate Procurement and My Place as part of the tender process.

8.3 **Staffing Issues -** At this stage staffing of the project will be met through existing resources within Inclusive Growth, Procurement and My Place. However, as the project moves into its procurement phases, officers will begin to put in place in the project management process and plan the appropriate reporting lines into the governance structure to allow for continual oversight from inception through to the completion of the payback period. There is likely to be demand for a specific project manager within My Place to oversee the day to day operations.

8.4 **Corporate Policy and Equality Impact -** Any works that enhance the energy efficiency of dwellings should cut fuel bills and make carbon savings, giving justification to this investment. The Council and the leaseholders have borne the brunt of rising fuel prices while using our largely energy inefficient portfolio of buildings or through lack of proper optimisation of heating and energy systems. The Retrofit Accelerator framework provides solutions for both issues.

The proposal is neutral in its impact upon the protected characteristics outlined in the Equality Act 2010.

8.5 **Health Issues –** Reducing the carbon levels of public buildings positively contributes to mitigating the wider impacts of climate change and improving air quality.

Public Background Papers Used in the Preparation of the Report: None

List of appendices: None