



## Cabinet Report

<b>Title</b>	<b>Authorisation to sign Joint Contracts Tribunal (JCT) contract with Larkfleet/ Asset Plus for Public Sector Decarbonisation Scheme (PSDS3) works and Martin School Caretaker's Home decarbonisation works</b>
<b>Date of meeting</b>	18 July 2023
<b>Report of</b>	Cabinet Member (Portfolio Holder) for Environment & Climate Change - Councillor Alan Schneiderman
<b>Wards</b>	All
<b>Status</b>	Public
<b>Key</b>	Key
<b>Urgent</b>	No
<b>Appendices</b>	None
<b>Lead Officer</b>	Chris Smith, Estates and Decarbonisation Assistant Director <a href="mailto:Chris.smith@barnet.gov.uk">Chris.smith@barnet.gov.uk</a> 020 8359 2987
<b>Officer Contact Details</b>	Iliana Koutsou, Portfolio Manager – Estates Decarbonisation <a href="mailto:iliana.koutsou@barnet.gov.uk">iliana.koutsou@barnet.gov.uk</a> 0208 359 5494

### Summary

To proceed with energy saving works to the Corporate Estate and schools under the Public Sector Decarbonisation Scheme phase 3 (PSDS3) and to install a heat pump, low surface temperature radiators, a hot water cylinder heat pump and solar PV at Martin School caretaker's home, the Council needs to sign a JCT contract with the contractor, Larkfleet/ Asset Plus.

### Recommendations

1. That Cabinet approve increasing the value of the JCT contract by £1.1m so that total contract value is £10.1m (previously estimated in the Annual Procurement Forward Plan (APFP) presented to Policy and Resources Committee on 22 Feb 2023 as a £9m). This is to include additional PSDS3 project costs and decarbonisation works at Martin school caretaker's house.
2. That Cabinet approve signing JCT contract with Larkfleet/ Asset Plus, at a value of £10.1m, to complete energy efficiency works to Barnet-owned buildings, managed as part of the Public

**Sector Decarbonisation Scheme Phase 3 (PSDS3). And to install a heat pump, low surface temperature radiators, hot water cylinder heat pump and solar PV at Martin School caretaker's home.**

**1. Reasons for the Recommendations**

- 1.1 To enable the PSDS3 project and the decarbonisation measures at Martin School caretaker's home project to proceed, a JCT Building Contract is required between the Council and Larkfleet/ Asset Plus.
- 1.2 Previously, the Council procured Larkfleet/ Asset Plus through the Greater London Authority's (GLA) RE:FIT programme (this is now known as Retrofit Accelerator Workplaces, RA-W), to install energy saving measures on Council owned buildings. An overarching Energy Performance Contract was awarded to Larkfleet in 2019 (Larkfleet was Asset Plus's parent company until 5 May 2022 and now Larkfleet continue to support Asset Plus). This contract formalised a partnering arrangement between LBB and Larkfleet, but JCT contracts are required for each tranche of works delivered under the partnership.
- 1.3 In 2020, Asset Plus delivered the RE:FIT project, installing energy saving measures across the Council's Corporate Estate, including libraries, the town hall, and depots. In 2021-22, the Council was successfully awarded a grant of £1.38m for the Public Sector Decarbonisation Scheme (PSDS) and installed measures including heat pumps and solar PV at libraries, the Council office and other corporate estate buildings, also delivered by Asset Plus. PSDS is a grant funded scheme, from the Department for Energy Security and Net Zero (DESNZ), (previously known as the Department for Business, Energy and Industrial Strategy (BEIS)). The scheme is administered by Salix Finance Ltd.
- 1.4 PSDS3 is and has been installing heat pumps across 19 buildings in Barnet, the majority of which are primary schools. PSDS3 is also installing other energy saving measures such as LED lighting, solar PV, solar thermal, draughtproofing measures and double glazing. In addition, £33k of Prevention Funds has been allocated to installing a heat pump, a hot water cylinder heat pump, solar PV and low surface temperature radiators at Martin School caretaker's home as part of a Fabric First project. This will deliver carbon savings, and remove all gas from the site (gas is a fossil fuel). In addition, this will deliver financial savings as the energy bills for the house will be lower. A JCT contract is required for the delivery of all these works by Larkfleet/ Asset Plus (PSDS3 project and Martin school caretaker's house decarbonisation works).
- 1.5 Previously, the estimated procurement value for the JCT contract for PSDS3 was estimated at £9m (in circa Nov 2022), and this contract value was approved in the Annual Procurement Forward Plan signed off at the Policy and Resources Committee on 22 Feb 2023. The JCT contract with Larkfleet/ Asset Plus is now estimated to be £10.1m, so this paper is requesting authority to increase the approved procurement value by £1.1m.
- 1.6 The increased JCT contract cost for PSDS3 (from £9m to £10.1m) is predominantly due to inflation, UKPN support costs (which weren't thought to be required, in Nov 22), and the proposed inclusion of water source heat pumps at Moss Hall infants and junior school.

**2. Alternative Options Considered and Not Recommended**

- 2.1 The Council could re-procure a contractor to install the energy saving measures, however this is not recommended as this would be a resource intensive exercise that would introduce significant delay to much needed carbon emission savings. In addition, as the Council has procured Larkfleet/ Asset Plus through the GLA's RE:FIT framework, which should provide

additional assurance that the contractor provides value for money and is a trusted partner.

### **3. Post Decision Implementation**

- 3.1 Once the JCT is signed by both parties, both the PSDS3 project and decarbonisation measures at Martin School caretaker home project will proceed to completion.

### **4. Corporate Priorities, Performance and Other Considerations**

#### **Corporate Plan**

- 4.1 The PSDS3 project and decarbonisation measures at Martin School caretaker's home projects contribute towards the Council's 'Caring for the Planet' Priority, specifically contributing towards 'Barnet Council is net zero by 2030.

#### **Sustainability**

- 4.2 From a sustainability perspective, it is anticipated that PSDS3 will save 754 tonnes of CO2 savings per year. The CO2 saving is equivalent to the emissions from 197 average homes' annual electricity and gas usage. The decarbonisation measures at Martin school caretaker's home carbon savings will be estimated by an EPC survey (pre- and post- installation of measures).

#### **Corporate Parenting**

- 4.3 N/A

#### **Risk Management**

- 4.4 If the JCT is not signed there is a risk that, should the energy saving measures not work, the Council would not be able to ensure that the contractor rectifies this.
- 4.5 Funding for the works under the JCT contract is planned to come from a combination of PSDS grant funding, a Mayors Energy Efficiency Fund loan, a S106 allocation, a Public Works Loan Board (PWLB) loan and some Prevention Fund allocated funding. PSDS funding is retrospective and conditional upon strict criteria and moreover, the value of the MEEF loan is capped at the value of PSDS grant funding. There is therefore a risk that the proportion of the grant and MEEF loan funding is less than has currently been estimated. This risk has been mitigated by the inclusion of an additional PWLB funded capital allocation in the capital programme, subject to formal cabinet approval as part of the next council budget cycle. Furthermore, GLA Green Finance has just been launched, which will be investigated as a potentially cheaper option than both PWLB and MEEF loans.

#### **Insight**

- 4.6 The energy bills (including gas and electricity consumption) of this project will be monitored to ensure carbon savings are delivered. This will also be reported to Salix Finance Ltd on an annual basis.

#### **Social Value**

- 4.7 Social value encompasses environmental, economic and social wellbeing to positively impact people's quality of life. This project is anticipated to generate social value through carbon savings from a sustainability perspective.

### **5. Resource Implications (Finance and Value for Money, Procurement, Staffing, IT and Property)**

- 5.1 Subject to the risk mitigation highlighted in para 4.5, there is sufficient capital funding to cover this JCT contract.
- 5.2 Value for money is ensured through the Council's original procurement process via the GLA RE:FIT framework and additional comparative quotes are sought when it is deemed prudent to do so.
- 5.3 Oversight of the contract and project management of PSDS3 and Martin school caretaker's home retrofit will be delivered by the newly formed Towards Net Zero portfolio team.
- 5.4 The energy saving measures will benefit Barnet owned buildings.

## **6. Legal Implications and Constitution References**

- 6.1 The Council's power to enter into various arrangements to progress the decarbonisation programme, including engaging in associated procurement activity and seeking funding, is contained in the general power of competence under Section 1 of Chapter 1 of the Localism Act 2011. Section 1 of that Act provides local authorities with a broad power to do anything that individuals can do, subject to any specific restrictions contained in legislation.
- 6.2 The Council, as a public body, is subject to the Public Contract Regulations 2015 (PCRs), when procuring for works such as those mentioned in this report. The original partnership Call-off Contract between the Council and Larkfleet Limited was awarded under a compliant Framework Agreement run by the Greater London Authority, pursuant to regulation 33 of the PCRs (the RE:FIT Framework).
- 6.3 Under the RE:FIT Framework arrangements and associated Call-off Contract, each project or programme of works has to be delivered under a separate JCT Building Contract for the proper delivery and management of the energy saving works. The Call-off Contract between the Council and Larkfleet provided for a further tranche such as the PSDS3 project, to be delivered under it, subject to further assessment of the programme and submission of an updated Investment Grade Proposal (IGP) outlining the Contractor's design and proposals for the works. The Service have indicated that an updated IGP will be submitted in accordance with the requirements of the Call-off Contract.
- 6.4 Part 4B of the Contract Procedure Rule of the Constitution provides that authorisation for any extensions and variations to Contracts with an estimated value above £500,000 which is not within budget, must be sought by way of a Cabinet Report and authorised by the relevant Cabinet Member in accordance with the authorisation thresholds in Part 4B – Contract Procedure Rules of the Constitution.
- 6.5 The works Contract will be finalised with the assistance of HB Public Law in consultation with relevant Council officers, and the Contract will be executed as a deed and sealed.
- 6.6 Part 2D of the Constitution details the functions that Cabinet is responsible for, including decisions involving expenditure or savings of an amount in excess of £1m for capital expenditure or £500,000 for revenue expenditure or, where expenditure or savings are less than the amounts specified above, they constitute more than 50% of the budget attributable to the service in question.
- 6.7 As the overarching RE:FIT Framework has now been reprocured, any future tranches of work beyond PSDS3 should be procured under a new Call-off Agreement under the replacement Framework, or such other eligible and compliant procurement vehicle as the Council sees fit.

## **7. Consultation**

7.1 Users of Council owned buildings where decarbonisation measures will be installed have been informed of the works and timescales.

## **8. Equalities and Diversity**

8.1 It is anticipated that installing energy saving measures on Council buildings will have a neutral impact on Equalities.

## **9. Background Papers**

9.1 [Authorisation to award Larkfleet Ltd the Energy Performance contract to implement RE:FIT project in Barnet – 30 Nov 2018](#)

9.2 Authorisation to sign JCT contract with Larkfleet/ Asset Plus for PSDS works and Chipping Barnet library BMS 1 Nov 2021

9.3 [Annual Forward Procurement Plan, Policy and Resources Committee 22 Feb 2023, item 15](#)

9.4 [Cabinet Finance Paper 26 June 2023 Appendix A](#)