



Cabinet
21 July 2014

**Report from the Strategic Director of
Regeneration and Growth**

Wards Affected:
[ALL]

**Brent REFIT Programme - installation of Energy Conservations
Measures (ECMs) at 15 Brent Council sites.**

NOT FOR PUBLICATION

Appendices 1-4 are not for publication as they relate to the following category of exempt information as specified in the Local Government Act 1972:

Information relating to the financial or business affairs of any particular person (including the authority holding that information).

1.0 Summary

- 1.1 Brent REFIT is a programme designed to deliver energy savings for existing corporate buildings and schools using the GLA REFIT Framework Agreement. This is an “Invest to Save” scheme with guaranteed returns over the agreed payback period.
- 1.2 This programme aims to contribute to reducing energy consumption and its associated costs in addition to mitigating CO₂ emissions with the installation of Energy Conservation Measures (ECMs) in Brent Council buildings and schools.
- 1.3 An investment of £941,980 will deliver guaranteed energy savings of 2,158MWh worth £110,376 per annum at current prices giving a simple payback of 8.5 years equating to 25.3% energy savings against baseline (CO₂ reduction against baseline equal to 26.1%).

2.0 Recommendations

- 2.1 Approval to award an Energy Performance Contract (EPC) under the Framework Agreement provided by the GLA RE:FIT programme to install energy conservation measures (ECMs) in selected Brent Corporate Public buildings and a number of Brent schools within the Schools Expansion

Programme for the contract value of £941,980 to Imtech Technical Services Ltd (Imtech).

- 2.2 Approval to fund the proposed Brent REFIT schemes from a combination of unsupported borrowing, corporate reserves and individual school balances to the value of £674,230 and from Salix Funding for the amount of £267,750.
- 2.3 Approval to appoint the Building Research Establishment (BRE) to provide continued support and technical expertise through to completion of Call-Off Contract Phase 2 REFIT Programme (ECM Installation) at a cost of £35,152 (excl. VAT & expenses) from existing Property & Projects budgets.

3.0 Detail

- 3.1 In July 2013, Brent Council issued an Invitation to Tender (ITT) under the GLA REFIT Framework Agreement to procure an Energy Performance Contract with energy savings backed by a performance guarantee over the duration of an agreed payback period.
- 3.2 In November 2013 Imtech UK Technical Services Ltd (Imtech) was awarded the GLA Framework Agreement Phase 1 - Call-Off Contract to produce an Investment Grade Proposal (IGP) for selected corporate buildings and schools.
- 3.3 The IGP by Imtech issued as Appendix 1 to this report identifies a number of ECMs to be implemented across the 15 sites. The ECMs will use a design and build contract approach, bespoke for each site. Once installed the ECMs will provide energy savings which will be guaranteed against an agreed energy consumption baseline.
- 3.4 Energy performance against an agreed baseline is the fundamental purpose of the contract and this is reflected in the terms and conditions of the GLA Framework Agreement.
- 3.5 Approval to proceed to the next stage, Phase 2 – Call-Off Contract, will allow the project to proceed to installation of the ECMs at each site. A fast track programme is planned requiring coordination with the school expansion programme and Brent FM to ensure minimal disruption during occupancy hours.
- 3.6 Imtech will install 16 types of ECMs (53 no. in total across 15 sites) to provide 2,158 MWh of energy savings worth £110,376 per annum at current prices giving a simple payback of 8.5 years for the whole programme.
- 3.7 The Brent REFIT Programme will contribute to meeting the Council's Carbon Reduction Targets (CO₂) at Local, Regional, National and EU levels:
 - Brent (Local) Target: Revised to 15% by 2018 against 2009 baseline, subject to CMB/CMT/Member approval (*ref: Carbon Management Programme Report, Feb 2014*).
 - London (Regional) Target: 60% by 2025 against 1990 baseline (Policy 5.1, The London Plan).

- EU and National (UK) Target: 80% by 2050 against 1990 baseline.

3.8 The cost of the Investment Grade Proposal (IGP) and all contractor management fees is included in the total investment cost of £941,980 (excl. VAT)

3.9 Full details are provided in the supporting documents: see Background Papers (a) to (e).

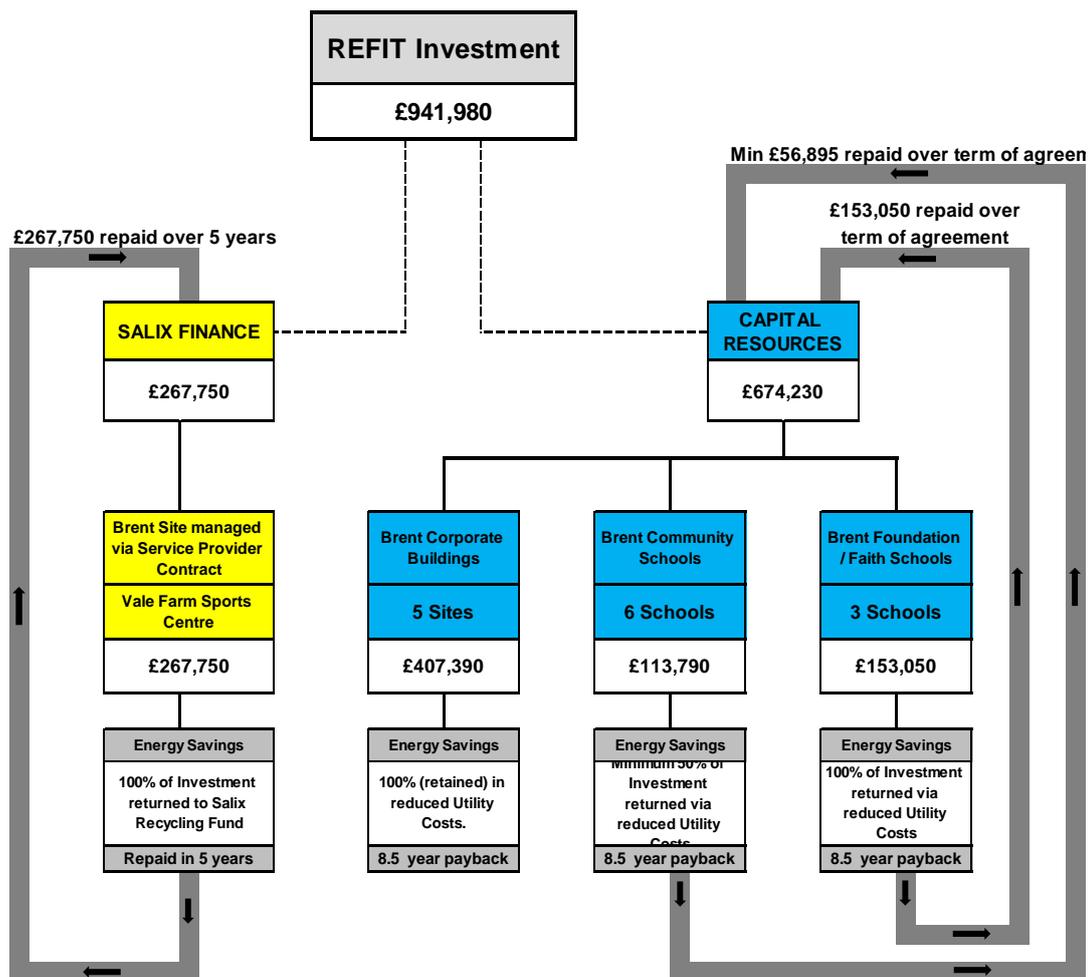
4.0 Financial Implications

4.1 The energy performance contract (EPC) requires investment from the Council totalling £941,980 (excl VAT).

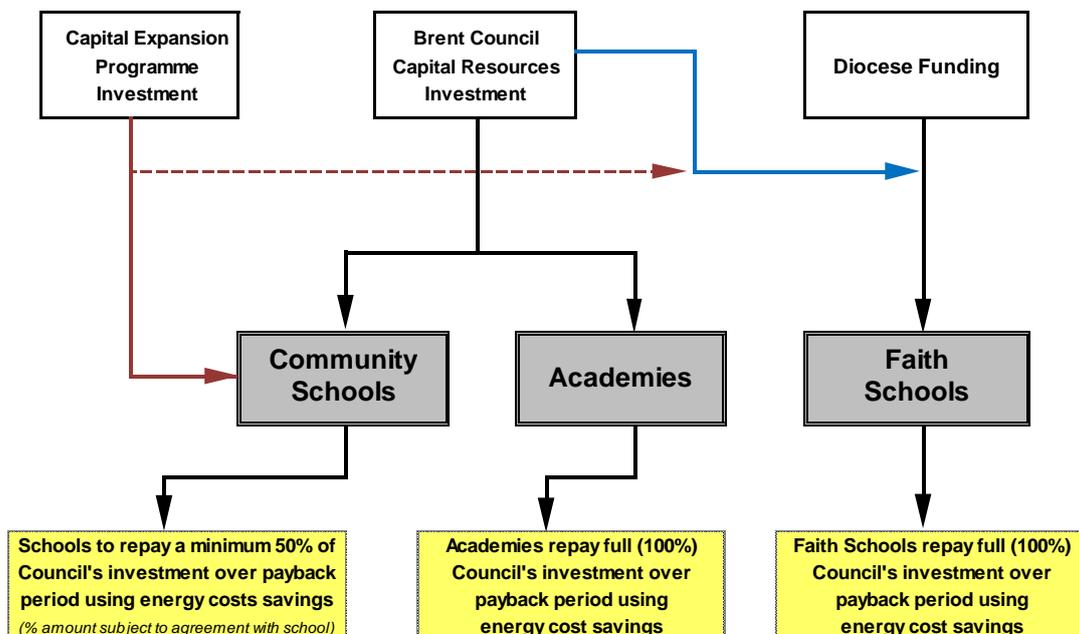
Funding for the RE:FIT Programme will come from two funding streams:

- Unsupported Borrowing (on an Invest to Save basis) £674,230.
- Salix Finance £267,750.

Please see diagram below.



- 4.2 Financial return on the investment in the Corporate Public Buildings will be recovered through savings in energy consumption achieved by the ECM and the associated cost savings.
- 4.3 Financial return on the investment in the schools will be recovered by an agreement between each school and the Council to repay a set percentage of the investment to a minimum of 50% depending on type of school, i.e. Community or Foundation/Faith over the payback period (8.5 years) through the energy savings achieved and subsequent reduced utility costs in each school.
- 4.4 An agreement will be drawn up and executed with each school to repay the determined capital investment in ECMs over the payback period with deferred first payment by one year to allow energy savings to accrue with terms and conditions similar to that of the Salix Loan Agreement.
- 4.5 If school status changes during the repayment period to Academy there is risk that the responsibility to meet debt repayments could be negated. The agreements drawn up with the schools will seek to mitigate this risk.
- 4.6 The schools included in the programme are of three types: Community Schools (6 no.) Voluntary Aided (VA) Faith schools (2 no.) and Foundation schools (1 no). The community schools will be required to repay a minimum of 50% of the investment over the duration of the payback period whereas the VA faith schools and foundation schools will be required to repay the full cost 100% over the duration of the payback period. This arrangement reflects the relationship between the schools and the Council and the nature of the asset ownership.
- 4.7 Diagram showing relationship between schools and Brent Council:



- 4.8 The funding of the capital investment in the corporate public buildings and schools is proposed to be via unsupported borrowing the associated debt charges for which will be met from the subsequent energy savings arising. Of

the total annual savings arising, £76,572 relates to these schemes. On this basis the required borrowing undertaken will be repaid in 10 years.

- 4.9 Alternatively there could be an opportunity to fund the non Salix element of the scheme, amounting to £674,230, by way of utilising Corporate reserves and individual school balances. That would have the beneficial effect of avoiding borrowing costs and immediately freeing up the savings for use both Corporately and by the individual schools. The Director of Finance is currently reviewing this opportunity to determine its viability.
- 4.10 The annual savings arising from the RE:FIT programme are guaranteed by the service provider for a period of 8.5 years although the benefit of the savings should extend beyond this per the life expectancy of the installed energy conservation measures. The risk on the repayment period from 8.5 years to 10 years on the borrowing undertaken will fall to the Council although this is felt to be minimal.
- 4.11 Where agreement with the Community Schools is for a repayment of less than 100% of the scheme costs there will be a virement from the School's Asset Management Plan capital budget to meet the gap in funding.
- 4.12 Vale Farm Sports Centre is a special case as it is currently receiving investment from the new service provider, Everyone Active. However, a demarcation of investment on the site has been agreed and the RE:FIT programme will be funded by a Salix Finance loan. It is intended to add a management fee to this loan to cover the full cost of the REFIT ECMs for an earlier payback (within 5 years), thus meeting all Salix and REFIT requirements including REFIT project management and Measurement & Verification costs. Repayments on the Salix Loan will be made by Everyone Active via energy savings achieved on site.
- 4.13 The contractor will guarantee the energy savings provided that the Council follows the maintenance regime outlined by the contractor in the operation and maintenance manuals. There is an expectation that there will be direct reductions in maintenance costs arising from the new technologies installed but these cannot be quantified at this time. Maintenance costs will be met from existing revenue budgets. The council will be reliant upon the schools and Vale Farm service provider to comply with the maintenance regime and this reflects a risk to the council in maintaining the contractor's guarantee to repay borrowing costs. The Corporate Property team will seek to instigate a monitoring process for the laid down maintenance regime to mitigate this risk.

5.0 Legal Implications

- 5.1 The Council has a range of legal obligations aimed at mitigating the impacts of climate change, including participation in the CRC Energy Efficiency Scheme (formerly known as the Carbon Reduction Commitment), introduced pursuant to the Climate Change Act 2008 (as amended).
- 5.2 The GLA have managed a compliant OJEU procurement process, providing a framework of Energy Service Companies (ESCOs) with pre-agreed contracts and defined deliverables. Public bodies, such as the council are able to utilise the GLA's RE:FIT commercial model to appoint an ESCO following competitive tender from the established RE:FIT Framework Agreement.
- 5.3 Officers obtained Chief Officer approval to undertake a mini competition process under the GLA's RE:FIT Framework Agreement to appoint a contractor for Phase 1 to scope the energy savings programme in accordance with Contract Standing Orders. The proposed award of the Phase 2 call off contract is deemed a High Value Contract under the council's Contract Standing Orders, therefore requiring Member approval to appoint.

6.0 Diversity Implications

- 6.1 Imtech pledge to meet requirements of the Public Services (Social Value) Act 2012:

“Social value” is a way of thinking about how scarce resources are allocated and used. It involves looking beyond the price of each individual contract and looking at what the collective benefit to a community is when a public body chooses to award a contract.

They have made the following pledge:

- Provide declared apprenticeships
- Provide declared opportunities for NEETS (Not in Education, Employment or Training)
- School engagement, career day
- Embed the payment of the 'Living Wage' within supply chain
- Ensure organisations can supply to Imtech for this opportunity
- Ensure waste plans are produced and implemented

7.0 Staffing/Accommodation Implications (if appropriate)

- 7.1 The installation of ECMs at all sites will aim to cause minimum disruption to occupants and staff while works proceed. For schools in particular, works will be carried out during school holidays wherever possible and any works which occur when expansion works are proceeding will be coordinated with all involved parties for effective and safe working on site for all staff involved.
- 7.2 A dedicated Imtech Operations Manager will be Imtech's point of contact at all times during this phase.

- 7.3 It is intended that BRE will assist the Council to ensure that Brent REFIT is delivered in accordance with the agreed IGP to meet the contractual targets. BRE (formerly the Building Research Establishment) located in Watford, Hertfordshire is a 'not for profit' organisation owned by the BRE Trust - a research and education charity for the public benefit, registered with the Charity Commission. All companies owned by BRE Trust contribute their profits to supporting the Trust's mission "to champion excellence and innovation in the built environment". BRE has a track record of providing impartial advice, consultancy and training in the area of energy use in the built environment to local government, central government and their agencies for over twenty years. BRE will provide specialist support and expertise to the Council in the form of a dedicated Project Manager for the duration of the installation period (estimated at 8 months).
- 7.4 The Council's Energy Manager, will be the point of contact on behalf of Brent Council with regard to liaising with all stakeholders and staff involved.

Appendices

Appendix 1 - The GLA RE:FIT Programme, Portfolio Investment Grade Proposal (IGP) for London Borough of Brent.

Appendix 2 – Project Indicative Programme (Subject to confirmation of installation start date).

Appendix 3 – Suppliers Information.

Appendix 4 – Framework Agreement for the Provision of Services between the GLA and Imtech Technical Services Ltd

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