

## REQUEST FOR MAYORAL DECISION – MD1288

### Title: Procurement of energy assessment consultancy support

#### Executive Summary:

The London Plan Policy 5.2 requires developers to submit an energy strategy. Each energy strategy is assessed by the GLA's in-house energy planning officer, supported by consultants, who provide up to 4 days per week specialist energy engineering advice.

The current consultancy support contract expires on 31<sup>st</sup> March 2014. In order to provide on-going consultancy support, approval is sought to procure consultancy services to continue this support for the period from 1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2018 up to a maximum value of £440,000. Approval is also required to vary and extend the current contract with AECOM (Contract: TfL90001 Task: 114) to ensure continued provision of specialist support while procurement for the new contract takes place. Budget for this extension would come out of the total £440,000. Should any delays occur during the procurement process it may be necessary to undertake another contract variation to ensure continued consultancy support until the new contract starts.

The new contract will be let by way of a mini competition under the Engineering and Project Management Framework let by TfL under the environmental services section.

#### Decision:

The Mayor to approve expenditure of a maximum of £440,000 on environmental consultancy services from 1st April 2014 to 31 March 2018, comprising of:

1. A variation of the existing contract (from 1 April 2014 to 31 May 2014) with AECOM for the provision of consultancy support up to a maximum of £26,507.
2. The procurement, award of, entry into and the execution of a contract for environmental consultancy services from 1<sup>st</sup> June 2014 to 31 March 2018 for the remaining budget allocation.

#### Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision, and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

**Signature:**

**Date: 24 March 2014**

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR**

### **Decision required – supporting report**

#### **1. Introduction and background**

- 1.1 The London Plan requires developers to submit an energy strategy demonstrating how CO<sub>2</sub> emissions reductions from major developments will be achieved against targets set in Policy 5.2 of the London Plan. In delivering these objectives, an in-house energy planning officer supported by consultants is responsible for providing evaluations of each energy assessment submitted as part of strategic planning applications. Approximately 300 planning applications are received per annum. Support is also provided to the Planning Decision Unit (PDU) at pre-planning application meetings which are key to securing energy commitments early on in the planning process.
- 1.2 Aspects of the work are highly specialised, requiring in-depth, up to date knowledge with consultants providing expertise in verifying methodologies used to establish CO<sub>2</sub> savings, identifying technical opportunities to go beyond minimum policy requirements, scrutinising practical sustainable energy measures proposed, and providing up to date technical knowledge through continued work in the field.
- 1.3 In 2012 alone, the following outputs were secured:
  1. Regulated CO<sub>2</sub> emissions reductions of 36 per cent more than 2010 Building Regulations requirements for developments. This exceeds the 2010 to 2013 London Plan target for new developments
  2. Circa 53,000 new apartments (31,000 in 2011) heated by heat networks capable of future connection to area-wide decentralised energy schemes. This represents investment of circa £133 million in heat distribution network infrastructure
  3. 20 very large mixed-use developments establishing site wide heat networks of a scale that are capable of expanding to serve the wider area; and
  4. Installation of 29MW<sub>e</sub> of CHP, equivalent to the energy capacity required to supply 58,000 homes.
- 1.4 In May 2013, AECOM in partnership with the Building Research Establishment (BRE) was appointed following a competitive tendering exercise to provide support to GLA from 20<sup>th</sup> May 2013 to 31<sup>st</sup> March 2014. This support is delivered on a call-off basis for up to 4 days per week. Their appointment was approved under DD1049.
- 1.5 Approval is now sought to:
  - procure on-going energy engineering consultancy support from 1<sup>st</sup> June 2014 to 30<sup>th</sup> March 2018, with a value of up to £440,000. A procurement exercise will be undertaken to appoint consultants from TfL's Engineering Project Management Framework under the environmental services section. TfL Procurement has confirmed that this Framework was procured in accordance with the GLA's Contracts and Funding Code on behalf of the GLA in accordance with relevant procurement law and that the proposed call-off is within the scope and value of that Framework; and
  - vary and extend the current contract with AECOM (Contract TfL90001 Task: 114) to provide further energy engineering consultancy until the 31<sup>st</sup> May 2014 whilst a new 2014/2018 contract is procured, with expenditure to be deducted from the full tender budget of £440,000. Should any delays occur during the procurement process it may be

necessary to undertake another contract variation to ensure continued consultancy support until the new contract starts.

## **2. Objectives & Expected Outcomes**

### **2.1 Objectives**

Securing technical energy engineering consultancy support will achieve the following objectives:

- 1) Ensure that a thorough analysis of all energy assessments submitted by developers as part of strategic planning applications comply with the London Plan energy policies and targets;
- 2) Help to secure energy efficiency improvements and decentralised energy infrastructure investment in new developments; and
- 3) Ensure the GLA has sufficient technical energy engineering expertise to advise on technical aspects of energy assessments in term of district heating design, feasibility and compatibility of different types of technologies e.g. district heating, Combined heat and power (CHP), photovoltaics (PVs), solar thermal, air source heat pump (ASHP) etc.

### **2.2 Outcomes**

The appointed consultant is required to deliver the following outcomes:

- a) *Attend the Mayor's Pre-planning application meetings (pre-apps) - This will be done on an ongoing basis for the duration of the contract - approximately 200 pre-apps.<sup>1</sup>*
- b) *Provide Stage 1, post stage one and stage 2 energy comments - This will be done on an ongoing basis for the duration of the contract - approximately 300 per year at each stage.*
- c) *Monitoring - This will be done on an ongoing basis for the duration of the contract. This involves maintaining daily records of CO<sub>2</sub> savings and infrastructure commitments achieved from each stage 1 and stage 2 strategic planning applications.*
- d) *Comment on local development plan documents - This will be done on an ongoing basis for the duration of the contract.*
- e) *Update Stage 1 energy template used by planners (if required) – June 2014, 2015, 2016 & 2017*
- f) *Publish GLA energy assessment guidance (if required) - September 2014, 2015, 2016 & 2017*
- g) *Prepare the annual energy assessment monitoring report - March 2014, 2015, 2016 & 2017*

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<sup>1</sup> For further information on how this works please refer to the link below.

<http://www.london.gov.uk/priorities/planning/strategic-planning-applications/pre-planning-application-meeting-service>

### 3. **Other considerations**

#### 3.1 **Key risks and issues**

	<b>Risk description</b>	<b>Mitigation / Risk response</b>	<b>Current probability (1-4)</b>	<b>Current impact (1-4)</b>	<b>RAG</b>	<b>GLA risk owner</b>
<b>1</b>	<b>Reputational risk:</b> Lack of specialist engineering advice could impact on the Mayor/GLA's reputation for providing high quality energy expertise which could jeopardise achieving the Mayor's CO <sub>2</sub> reduction targets.	Procure new energy engineering consultancy support from 1 <sup>st</sup> June 2014 to 31 <sup>st</sup> March 2018 to ensure that there is adequate cover is in place. Extend current contract to ensure energy engineering consultancy support is in place during procurement of new contract	<b>3</b>	<b>4</b>	<b>A</b>	<b>Alison Ingleby</b>
<b>2</b>	<b>Financial:</b> Fluctuations in caseloads (e.g. during changes to legislation, Community Infrastructure levy etc.).	This risk can be managed by including a contingency budget allocation to absorb fluctuations in workload due to variations in the number of strategic planning applications submitted. This risk can also be managed by limiting consultancy support time to larger more technically complex engineering designs or contentious schemes with remaining schemes assessed in house.	<b>2</b>	<b>4</b>	<b>A</b>	<b>Alison Ingleby</b>
<b>3</b>	<b>Technical:</b> No specialist energy engineering technical support available to the environment team and planning decisions unit. This presents challenges for example, during changes to legislation (e.g. new 2013 Building Regulations, transition to zero carbon) and assessment of complex technologies (e.g. Combined heat and power, pipe sizing and low operating	Procure new energy engineering consultancy support from 1 <sup>st</sup> June 2014 to 30 <sup>th</sup> March 2018 and extend the current contract to the 31 <sup>st</sup> May 2014 to ensure adequate cover is in place	<b>4</b>	<b>4</b>	<b>R</b>	<b>Alison Ingleby</b>

	<b>Risk description</b>	<b>Mitigation / Risk response</b>	<b>Current probability (1-4)</b>	<b>Current impact (1-4)</b>	<b>RAG</b>	<b>GLA risk owner</b>
	temperatures for district heating networks, use of heat pumps etc).					
<b>4</b>	<i>Loss of accrued knowledge:</i> New consultants will require time to familiarise themselves with GLA processes and procedures, build stakeholder relations with the Environment Team and Planning Decision Unit (PDU) which is a key requirement of this role.	Ensure that the existing consultants prepare handover notes to new consultants. Project Manager will have a session with new consultants to familiarise them with GLA procedures, policies and introduce consultants to key stakeholders	<b>2</b>	<b>4</b>	<b>A</b>	<b>Alison Ingleby</b>

### **3.2 Safeguard**

The energy engineering contract is let on a call off basis, i.e. up to 4 days support subject to caseload. This provides a safeguard, allows flexibility and ensures value for money as consultant input can be reserved for busy periods, contentious applications or where specific engineering expertise not available in house is required.

### **3.3 Exit strategy**

The contract will be let on a call off basis for a maximum of 4 years, based on an initial 2 year term with an option for a further 2 years. This will ensure that the GLA is not bound for the full £440,000 budget (£110,000 per annum) should full support not be required (e.g. after transition to zero carbon).

### **3.4 Links to strategies and Priorities**

The London Plan is the Mayor's spatial development strategy for London. It sets out a comprehensive range of energy policies for new developments, i.e. 5.2, 5.3, 5.4, 5.6 and 5.7, that underpin London's spatial response to reducing CO<sub>2</sub> emissions.

Input into energy strategies contributes towards the London Plan energy targets and the Mayor's Climate Change Mitigation and Energy Strategy which aims to:

- reduce London's CO<sub>2</sub> emissions by 60 per cent below 1990 levels by 2025
- provide 25 per cent of heat and power from localised decentralised energy sources.

### **3.5 Impact assessments and Consultation**

This decision relates to achieving the objectives set out in Policy 5.2 of the London Plan – the Mayor's spatial development strategy for London. The development of the London Plan included a full public consultation process and integrated impact assessment incorporating sustainability, community safety, health and equalities assessments. There is no requirement to further consult or undertake an impact assessment specific to this decision.

#### **4. Financial comments**

- 4.1 Approval has previously been given to procure consultants to provide ongoing support to the Planning Decisions Unit (PDU) and Environment Team in assessing energy strategies submitted by prospective developers. In May 2013 AECOM, in partnership with the Building Research Establishment (BRE), was appointed to provide support at a cost of up to £106,026 in respect of the period 20<sup>th</sup> May 2013 to 31<sup>st</sup> March 2014.

Approval is now being sought to vary and extend this contract until 31<sup>st</sup> May 2014 by a value of up to £26,507 to ensure continued provision of specialist support whilst procurement for a new contract takes place.

Approval is also being sought to undertake a procurement exercise for environmental consultancy services relating to the period 1<sup>st</sup> June 2014 to 31<sup>st</sup> March 2018.

Should any delays occur during the tender process it may be necessary to undertake another contract variation to ensure continued support until the start of the new contract. The maximum contract variation sum possible is £26,507.

- 4.2 The estimated cost of both the contract variation and the successor contract, covering the period 1st April 2014 to 31st March 2018, is up to £440,000.

- 4.3 The cost of £440,000 will span up to four financial years as follows:

2014/15	£110,000
2015/16	£110,000
2016/17	£110,000
2017/18	£110,000

- 4.4 The cost of £110,000 will be funded from each year's Environment Programme budget for statutory commitments, subject to future budget processes.

- 4.5 The Planning Team may contribute up to £31,000 towards the cost of this consultancy contract each year, in which case only £79,000 per annum of the Environment Programme budget will be required. This additional funding is not yet confirmed.

- 4.6 All appropriate budget adjustments will be made.

- 4.7 As this decision relates to a contract, officers have to ensure that the requirements of the Authority's Contracts and Funding Code are adhered to.

- 4.8 As this contract is consultancy based, officers also have to ensure that the requirements relating to consultancy services within the Authority's Financial Regulations and Expenses & Benefits Framework are adhered to.

- 4.9 Any changes to this proposal must be subject to further approval via the Authority's decision-making process.

- 4.10 The Environment Team within the Development, Enterprise and Environment Directorate will be responsible for managing this project.

## 5. **Legal comments**

5.1 Sections 1-3 of this report indicate that:

- the decisions requested of the Mayor (in accordance with the GLA's Contracts and Funding Code) fall within the GLA's statutory powers, to do such things considered to further or which are facilitative of or conducive or incidental to the promotion of the improvement of the environment in Greater London and the Authority's exercise of its principal purposes; and
- in formulating the proposals in respect of which a decision is sought officers have complied with the Authority's related statutory duties to:
  - a. pay due regard to the principle that there should be equality of opportunity for all people;
  - b. consider how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom; and
  - c. consult with appropriate bodies.

5.2 Officers have indicated in paragraph 1 of this report that the:

- framework under which it is proposed the services required are to be "called-off" was procured in accordance with the GLA's Contracts and Funding Code on behalf of the GLA in accordance with relevant procurement law; and
- the services required are within the scope and value of and will be procured fully in accordance with the requirements of that framework.
- Officers must ensure that appropriate "call-off" contract documentation is put in place and executed by the successful bidder(s) and the GLA before the commencement of the services.
- Officers shall seek advice from TfL Legal and procurement in respect of any variation to the current services.

## 6. **Investment & Performance Board**

6.1 This proposal was approved in principle by the Investment & Performance Board, subject to an increased contribution from the Planning Team being sought, on 16<sup>th</sup> January 2014. Discussions have since taken place with the Planning Team and agreement obtained for an increase in their contribution to the budget of £31,000, subject to the approval of the Mayoral Decision to increase planning pre-application charges.

## 7. **Planned delivery approach and next steps**

7.1 Subject to Mayoral approval, the procurement of the contract will be carried out as follows:

<b>Activity</b>	<b>Timeline</b>
Procurement of contract [for externally delivered projects]	1/04/2014 –01/05/2014
Announcement [if applicable]	01/05/2014
Delivery Start Date	01/06/2014
Final evaluation start and finish (self)	01/03/2018 31/03/2018
Delivery End Date	31/03/2018
Project Closure:	31/03/2018

**Appendices and supporting papers:**

- IPB paper



**Public access to information**

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after approval or on the defer date.

**Part 1 Deferral:****Is the publication of this approval to be deferred? YES**

If YES, for what reason: Publication of the MD should be deferred until the procurement process is completed, otherwise value for money may not be achieved, as tendering consultants will not submit a competitive tender.

Until what date: (a date is required if deferring) 16<sup>th</sup> June 2014

**Part 2 Confidentiality:** Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

**Is there a part 2 form – NO**

**ORIGINATING OFFICER DECLARATION:**

Drafting officer to confirm the following (✓)

**Drafting officer:**

Alison Ingleby has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

✓

**Assistant Director/Head of Service:**

Stephen Tate has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

**Sponsoring Director:**

Fiona Fletcher Smith has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

**Mayoral Adviser:**

Matthew Pencharz has been consulted about the proposal and agrees the recommendations.

✓

**Advice:**

The Finance and Legal teams have commented on this proposal.

✓

**EXECUTIVE DIRECTOR, RESOURCES:**

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

**Signature**

**Date**

**CHIEF OF STAFF:**

I am satisfied that this is an appropriate request to be submitted to the Mayor

**Signature**

**Date**