



## **Creating a Re:fit business case**

Guidance on the benefits and use of the Re:fit framework to support an options appraisal or business case document

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## Purpose and intended use/ readership

**The purpose of this document is to provide guidance and information to public sector organisations on the benefits and use of the Re:fit framework to support an options appraisal or business case.**

Following the principles set out in the latest edition of guidance and best practice for appraisal and evaluation published by HM Treasury (known as the Green Book), this guide covers the following areas to develop a robust business case:

- 1 • Justifying actions and setting objectives
- 2 • Considering the options
- 3 • Benefits and benefit realisation
- 4 • Developing and implementing the solution
- 5 • Procurement strategy
- 6 • Funding options
- 7 • Resources and roles
- 8 • Risk allocation and transfer
- 9 • Value for money

This guidance note is part of a body of similar related guidance and other supporting materials published by Local Partnerships for use with the new framework and should be read in conjunction with other relevant guidance.

## How to use this document?

This document is intended to assist you when completing your options appraisal or business case. The text provided within this document contains Re:fit-specific responses that would be suitable (adapted for your organisation and proposed Re:fit project as may be necessary) for relevant areas of the business case.

Text in italics and/or in square brackets should be understood as notes for the reader and/or areas of text that can be adapted as per your requirements.

## Glossary of terms used in this guidance

Term	Definition
Access Agreement	agreement which a Contracting Authority must enter into with the GLA and/or Local Partnerships to access new Re:fit framework
BREEAM	Building Research Establishment Environmental Assessment Methodology
Contracting Authority	public sector organisation accessing services under the new Re:fit framework
Combined Heat and Power (CHP)	the use of a heat engine or power station to generate electricity and useful heat at the same time
DEC	display energy certificate
DECC	Department of Energy and Climate Change now known as Department for Business, Energy and Industrial Strategy (BEIS),
ECM	energy conservation measure
EPC	energy performance contract
Framework Agreement	agreement between (1) the GLA and Local Partnerships (joint contracting authorities) and (2) Framework Providers
Framework Providers	providers appointed to the Re:fit framework
GLA	Greater London Authority
HLA	high level appraisal
IGP	investment grade proposal
IPMVP	international performance measurement and verification protocol
ISO	International Organisation for Standardisation
ITT (Mini-Competition)	invitation to tender for a mini competition
LGA	Local Government Association
Local Partnerships	Local Partnerships LLP
M&V	measurement and verification
Mini-Competition	a mini competition under the new Re:fit framework
Multi-Stage Mini-Competition	means any Mini-Competition comprising more than one stage (e.g. shortlisting to a reduced number of tenderers before the final competition round)
OJEU	Official Journal of the European Union
Partner Bid	one of the procurement route options in relation to a Mini-Competition as further described in section 5
Project Brief	detailed document produced by a Contracting Authority and included as part of Mini Competition documentation setting out detailed requirements for proposed Re:fit project

Term	Definition
Service Provider	a Framework Provider as selected through a Mini-Competition to deliver a Re:fit project
Target bid	one of the procurement route options in relation to a Mini-Competition as further described in section 5
Template Call-Off	terms and conditions for any call-off contract under the new Re:fit framework as set out in the Framework Agreement
Tender Response (Mini-Competition)	means the Service Provider's tender response (including any Service Provider clarifications as may be relevant) submitted as part of the Contracting Authority's Mini-Competition
WOS agreement	works/optimisation services agreement

## 1 • Justifying actions and setting objectives

### Why undertake a retrofit or energy generation project?

The rising impact and cost of carbon emissions mean that more and more organisations are under increasing pressure to reduce their emissions. In addition, high fuel bills are increasing need for all organisations to achieve savings. As such, reducing carbon emissions leads to direct financial, risk-management and reputational benefit to public sector, third sector and commercial organisations alike.

#### Local Authorities

The rising impact and cost of carbon emissions, and the increased public awareness about the climate emergency mean that more and more organisations are under increasing pressure to reduce their emissions to net zero and generate clean energy. In addition, high fuel bills are being seen at the same time as an increasing need for all organisations to achieve savings and generate income. As such, reducing carbon emissions leads to direct financial, risk management and reputational benefit to public sector, third sector and commercial organisations alike.

Public buildings are a significant contributor to the UK’s carbon emissions – for example, contributing as much as 30% of energy consumption in London’s services sector – and with estimates that at least 80% of existing buildings are likely to be in use in 2050, retrofitting this sector is clearly essential.

In addition to reducing energy consumption, energy generation offers a plethora of benefits to public sector organisations. Renewable energy reduces carbon emissions, increases local resilience of supply, protects the owner from market fluctuations in energy costs and generates revenue.

#### Key drivers for change

Listed below are key drivers from UK Government to organisational level to justify why action is necessary and to support why this project is required.

Drivers <i>[Delete as appropriate]</i>
UK Government policies: <ul style="list-style-type: none"> <li>eliminating the UK’s greenhouse gas emissions by 2050<sup>1</sup></li> <li>ISO 50001 – Energy Management<sup>2</sup>, ISO 14000 – Environmental Management<sup>3</sup>.</li> </ul>
Regional/ local policies and agreements: <ul style="list-style-type: none"> <li>help to deliver new investment and skilled jobs</li> <li>climate emergency declaration</li> <li><i>[add as appropriate]</i>.</li> </ul>
Market: <ul style="list-style-type: none"> <li>increasing fuel prices</li> <li>green taxes</li> <li>energy security.</li> </ul>
Organisational: <ul style="list-style-type: none"> <li>reducing energy demands</li> </ul>

<sup>1</sup> <https://www.gov.uk/government/news/uk-becomes-first-major-economy-to-pass-net-zero-emissions-law>

<sup>2</sup> [iso.org/iso/home/standards/management-standards/iso50001.htm](https://www.iso.org/iso/home/standards/management-standards/iso50001.htm)

<sup>3</sup> [iso.org/iso/iso14000](https://www.iso.org/iso/iso14000)

**Drivers** *[Delete as appropriate]*

- reducing annual expenditure on energy bills, including the impact on future
- energy price rises
- enabling the generation of renewable energy
- enabling new forms of income generation
- addressing maintenance/equipment backlog (ie, replacement of failing plant and machinery)
- reducing ongoing maintenance costs
- improving building environmental comfort for guests/visitors/students
- carbon/energy reduction to comply with funding requirements
- meeting internal carbon reduction targets
- improving the Display Energy Certificate<sup>4</sup> (DEC) across your estate
- acting as a leader for energy and carbon savings
- improving energy security by reducing reliance upon grid energy
- enabling investment in our buildings to be funded through guaranteed energy savings without diverting funding from frontline services.

*[Refer to section 3 – Benefits and Realisation for how Re:fit can respond to the objectives listed above.]*

## 2 • Considering the options

The below information provides justification for use of an energy performance contracting model for delivery of energy projects and specifically use of the Re:fit programme.

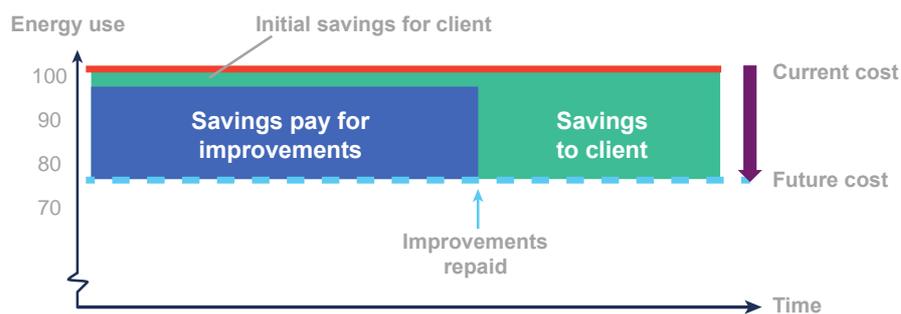
### Why energy performance contracting (EPC)?

The Energy Efficiency (Encouragement, Assessment and Information) Regulations 2014 defines energy performance contract as a contract under which energy-efficiency measures are:

- a) provided;
- b) verified and monitored during the whole term of the contract; and
- c) paid for by reference to a contractually agreed level of energy-efficiency improvement or other agreed criterion, such as financial savings.

Energy performance contracting has become an approach for organisations to retrofit existing buildings with energy-saving and energy-generation measures that improve the energy performance of buildings, thereby reducing carbon emissions and achieving substantial annual cost savings. These savings are guaranteed by the provider who designs and implements energy-conservation measures and guarantees the level of energy savings, thus offering a secured financial saving over the period of the agreement. This savings stream is used as the basis to fund the cost of improvements and services from the provider. Once the costs have been repaid, the relevant public sector counterparty (client) should be able to keep the full savings generated from the improvements and may also be able to gain financial benefits from the start, as shown in the diagram below.

<sup>4</sup> [gov.uk/government/uploads/system/uploads/attachment\\_data/file/452481/DEC\\_Guidance\\_rev\\_July\\_2015\\_.pdf](http://gov.uk/government/uploads/system/uploads/attachment_data/file/452481/DEC_Guidance_rev_July_2015_.pdf)



The savings guarantee will typically mean the provider has to achieve the relevant savings or it will be liable to pay in the event of any savings underperformance. EPC does not need to impact on existing facilities-management contracts or energy procurement, although it may be beneficial to include maintenance of equipment if required. The savings guarantee will typically last until the project costs have been covered by the savings. This may vary depending on other elements, such as the financing approach or the nature of services provided (including maintenance and any other ongoing services).

### Models for delivery of energy performance contracts

If you are undertaking an options appraisal to determine the most appropriate model/method of delivery, the questions outlined below may assist you in establishing a basis for comparing different options available and providing justification for use of the Re:fit framework:

- is your selection of a framework /support partner compliant with public procurement rules?
- who owns the framework and how robust are they?
- how robust is the framework and the providers appointed (it's a very long contract) and what happens if they cease trading?
- how much will the support partner get paid either directly or indirectly for their support and use of the framework?
- how long will you be paying support costs for?
- what level of cancellation fee will be paid if the project doesn't progress?
- how does the framework support local objectives/priorities?

### The National Energy Performance Framework (Re:fit)

Re:fit is a procurement initiative for public sector organisations wishing to implement energy-efficiency and local energy-generation measures to their buildings or estate and support services. These measures improve the energy performance of buildings, thereby reducing carbon emissions and achieving substantial guaranteed annual cost savings. In addition, it can allow for significant income generation opportunities through the introduction of energy-generation measures.

### Background

The Re:fit programme was created by the Greater London Authority (GLA) in 2008. To test and demonstrate the concept of Re:fit, pilot projects were delivered on 42 public sector buildings across London. These projects retrofitted energy-saving measures to approximately 146,000 m<sup>2</sup> of building space, delivering more than 7,000 tonnes reduction in carbon emissions and an average 28 per cent reduction in energy consumption identified. The total spend was £7 million with a simple payback period of seven years, ie, a saving of £1 million per annum.

Following the success of the pilot, a framework was procured in accordance with relevant legislation and advertised in the Official Journal of the European Union (OJEU). This framework was established in January 2010, supported by an EU-funded programme delivery unit:

- to accelerate delivery of projects
- to manage the Framework Providers
- to facilitate access to the framework by public sector organisations and recruit new organisations to participate in the programme
- to support Contracting Authorities in the preparation and procurement of energy services from the framework
- to disseminate learnings to prospective public sector organisations to build the pipeline of projects.

A second Re:fit framework was then established in 2012 following improvements in areas such as access to project finance and inclusion of a broader range of procurement approaches required.

In December 2012 the Department of Energy and Climate Change (DECC), in partnership with the Greater London Authority, announced its intention to rollout the programme to public sector clients outside of London. Local Partnerships LLP (Local Partnerships) was appointed by DECC to provide support to clients outside London in the development and delivery of their Re:fit projects.

The aim of this was:

- to build on the success of the programme in London
- to maximise opportunities for EPC in England and Wales
- to ensure that public sector organisations were guided through the development and delivery phases of an EPC project
- to reduce public sector energy usage, cut fuel bills and identify income generation opportunities
- to reduce the UK's energy emissions.

In April 2016 the GLA and Local Partnerships, in collaboration with procurement specialists Crown Commercial Service (CCS) launched the third iteration of the Re:fit framework. The third framework saw an increased number of renewable energy projects delivered, ranging from rooftop PV to the development of smart grids incorporating battery storage technology, and the development of heat networks.

The GLA and Local Partnerships launched Re:fit 4 in April 2020. The framework was procured in accordance with relevant legislation and advertised accordingly in the Official Journal of the European Union. The Greater London Authority and Local Partnerships remain as joint contracting authority parties to the Framework Agreement with Framework Providers. Re:fit services can be accessed by those bodies listed in the relevant OJEU notice and which includes a broad range of public sector organisations.

The programme enables a range of public sector organisations, including local authorities, schools, universities, National Health Service (NHS), leisure centres and museums, to implement retrofit projects and achieve large financial savings through two principal means:

- a framework of 16 pre-qualified providers required to adhere to pre-agreed core contract terms (which saves time and resources for public sector organisations seeking to procure retrofit works and guarantee energy savings)
- two expert teams (one specific to London and one covering the rest of England and Wales) which provide the end-to-end support needed to get projects up and running and successfully implemented.

The Re:fit framework streamlines the procurement process for energy services by providing a set of model terms and conditions (compiled by legal, technical and procurement specialists with previous experience of Re:fit, which are on market and reflect best practice in the sector) for use with a group

of pre-qualified providers. The Service Provider designs and implements Energy Conservation Measures (ECMs), which enables Contracting Authorities to cut running costs and energy consumption and carbon emissions, and can also, through energy generation, enable income generation. The Service Provider guarantees the level of energy savings, thus offering a secure financial saving over the period of the agreement.

### 3 • Benefits and benefit realisation

#### Financial benefits of energy-efficiency retrofit and energy generation

Energy-efficiency retrofit projects can save money in a number of ways:

- reducing energy usage and energy bills
- providing a mechanism to have necessary capital investment in equipment funded through guaranteed energy savings (for example, enabling replacement of failing boilers or poor-quality lighting while still achieving a positive business case)
- reducing impact of future energy price rises through significantly reducing energy use and the potential to generate renewable electricity
- reducing maintenance backlog and lifecycle costs through the upgrade of plant and machinery.

Energy-generation projects can also bring financial benefits including:

- reducing the cost of energy supply through onsite generation
- creating the opportunity for income through generating renewable energy.

Secondary financial benefits may also be achieved, including:

- reducing absenteeism through improved building environment and air quality
- improving asset values through better energy-efficiency ratings
- helping to avoid the need for urgent and unplanned equipment repair costs as a result of upgrading equipment and improving building controls.

#### Specific benefits of using Re:fit

The Re:fit programme offers significant benefits to public sector organisations. These include:

*[Add any specific strategic objectives etc... that will be progressed or achieved through the Re:fit project]*

- a competitively tendered OJEU-advertised framework geared to the needs of public sector organisations
- the ability for fast and efficient tendering, through the use of mini-competition tendering templates, to enable bidding to focus on the key requirements of a project
- reduced procurement times and costs by using a pre-selected Framework of Providers
- the availability of support to Contracting Authorities throughout the procurement process from the Re:fit support teams to drive the quality of tenders
- a centrally managed framework that enables coordination of activities across users and the continuous improvement of the approach and support process

- clear pricing and pre-agreed core call-off contract terms to reduce time between Service Provider selection and contracting, with the ability to bespoke contract terms at Mini-Competition as required
- the potential to capture economies of scale through collaborative procurement
- the potential to use a range of financing options for projects to enable higher capital investment and maximise potential benefits for public sector organisations
- a guaranteed return on investment (savings are contractually guaranteed by the Service Provider)
- opportunity to make substantial energy and carbon savings (typical savings of 20-30 per cent per annum)
- a tried and tested approach (more than 200 public sector organisations have used Re:fit to procure more than £133 million of capital works to more than 715 buildings; the current pipeline is more than £65 million and growing)
- flexible payback periods
- "spend-to-save" scheme, which generates energy savings and tackles failing building infrastructure without diverting spend
- investment in buildings and green technologies helps generate local jobs and improve local skills (potential to add tender language to encourage local service provider participation.)

### General benefits from Re:fit projects

These include:

- improved BREEAM ratings and Display Energy Certificates across estates
- demonstrating commitment to environmental leadership through delivering CO<sub>2</sub> reductions of [xxx] tonnes per annum to help achieve our corporate goal of [xxx] per cent reduction in CO<sub>2</sub> by 20[xx]
- creating a safer environment through improved lighting, reduced equipment failures and better building-management systems that can quickly identify issues
- improving the building environment [and comfort] for visitors/pupils/patients/students and staff through upgraded and more efficient heating and cooling systems (an important benefit because an increasing body of evidence suggests that improved building environments can improve productivity and reduce absenteeism<sup>5</sup>).

### Benefit realisation

*[Reference Appendix 1 for a step by step guide to the Re:fit process.]*

The guaranteed energy savings will be realised once the installation phase is completed and measured throughout the payback period through the measurement and verification (M&V) process.

The appointed Service Provider guarantees the savings as set out in the payback calculation from the agreed energy conservation measure installation completion date, provided that the maintenance regime outlined by the Service Provider (which should be in line with relevant equipment manufacturer recommendation/guidance) is followed by your Contracting Authority. Note that you can require that the Service Provider includes ongoing maintenance as part of the Re:fit services.

Following the installation of the ECMs, the measurement and verification process will commence. M&V is carried out by the Service Provider (although you can, as an alternative, procure the provision of this service itself) throughout the payback period. M&V reports describe the actual energy and carbon savings that are being realised. If savings are not being realised, you can require that the

<sup>5</sup> The Business Case for Green Building – World Green Business Council. The Business Case for Green Building – World Green Business Council web 04-11-2013 and Study proves classroom design does matter (2012). University of Salford, accessed 22 March 2013, [salford.ac.uk/home-page/news/2012/study-proves-classroom-design-really-does-matter](http://salford.ac.uk/home-page/news/2012/study-proves-classroom-design-really-does-matter)

Service Provider install additional ECMs or provide financial compensation for savings not achieved. Either way, the energy savings to the Contracting Authority is guaranteed.

Throughout the payback period, the appointed Service Provider will measure and report the performance of the ECMs that have been installed within your buildings. This is carried out through the Service Provider's M&V plan.

*[M&V can be carried out by either the appointed Service Provider or by an independent M&V specialist. This aspect of the contract is very important to consider because it forms the mechanism for guaranteeing savings. It is recommended that appropriate resources support this task, either through upskilling internal resources or allocating resources to bring in third party expertise. When deciding on which approach to take, Local Partnerships' Re:fit team will be able to provide guidance specific to your Re:fit project.]*

*[Reference section 6 Resources and Roles, role of the Service Provider for further information on the M&V reporting requirements.]*

### Financial case and cost information

The main financial benefits are in the form of guaranteed energy savings and the main costs are to cover the design, procurement and installation of ECMs by the Service Provider to deliver those benefits.

It is expected that many public sector organisations will require support in developing and delivering projects under the framework because EPC will most likely be a new concept. Having access to technical and commercial experts in this area will help deliver an optimal business case and overall solution by minimising costs and maximising the level of savings guaranteed. Local Partnerships will require the contracting authority to pay for this support. Fees are based upon a fixed fee for project development and procurement support, and a (capped and floored) variable element linked to the contract spend. This simplified approach to support fees provides certainty for framework users at the early stages of a project- the fixed fee element is payable to Local Partnerships at the point of awarding a Call off Contract to the successful Service Providers. Framework users are able to capitalise these fees.

Support provided to organisations during the project delivery stage (technical advice and support) will be provided to organisations for a fee of 0.75% of contract spend. This fee will be capped at £45,000. Additional support required above the capped fee will be provided at the Local Partnerships day rate and will be set based on a reasonable charge based on the scale and complexity of the project.

Local Partnerships operate on a cost recovery model. Where 0.75% of contract spend does not cover the technical support provided at the delivery stage of a project, a floor fee of £15,000 will be applied.

The project implementation costs are finalised after the detailed analysis and design phase produces an Investment Grade Proposal (IGP). The maximum permissible implementation costs can be set in the tender by the Contracting Authority with support from the Local Partnerships Re:fit team. The minimum savings requirements and a maximum payback period can also be set if required.

There will be no external cost incurred to the Contracting Authority until the IGP is completed and signed off, aside from support costs to Local Partnerships. Once the IGP has been signed off, the IGP costs will be included within the total project as a capital cost (or as a revenue charge if more appropriate).

The costs for IGPs may be included as part of the implementation costs but clients may be required to pay as a separate cost where the Service Provider meets the cost, savings and payback criteria stated in the Mini-Competition (and high-level appraisal) and the Contracting Authority decides not to implement the project.

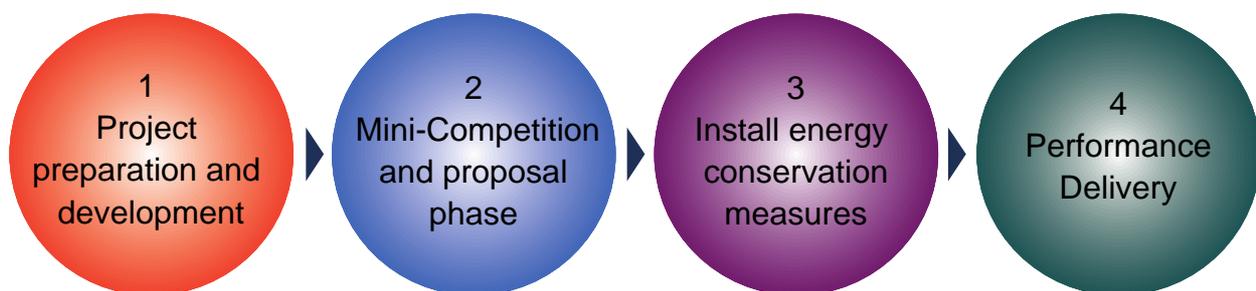
*[Investment grade proposal costs are estimated at between £xx,xxx and £xx,xxx and these are competitively bid as part of the tender process.]*

## 4 • Developing and implementing the solution

### Re:fit process

The framework will facilitate energy reduction/generation measures and allow changes focused on water consumption. It has a core, pre-agreed set of templates that aim to increase the efficiency of the Mini-Competition phase while enabling improvements over time (to the Contracting Authority and process of running of Mini-Competitions) and allowing the flexibility to incorporate a Contracting Authorities’ own specific requirements into Mini-Competitions run through the framework.

Arrangements under the framework are flexible in approach to development, tendering and implementing a project. Within this, there are a series of typical overarching phases as described briefly below.



Full detail on the Re:fit process can be found in Appendix 1.

## 5 • Procurement strategy

*[Procurement strategy will be based on your organisation’s procurement rules and appropriate procurement regulations. It is recommended to consult your procurement/legal department. The following section provides an overview of how the Re:fit framework complies with the public contract regulations and the advantages of the framework from a procurement perspective.]*

## Re:fit – procurement compliance

The Re:fit framework streamlines the procurement process for energy services by providing competitively procured energy service companies (ie, the Framework Providers) who are required to sign up to pre-set model terms and conditions for any call-off contract at the framework level. These model terms can (and should) be carefully bespoke to meet the specific requirements of any Re:fit project. The following outlines the advantages of using the Re:fit framework over other procurement approaches or frameworks:

### Time

Through Re:fit, it is possible to appoint a Service Provider in under three months. In comparison, the timeframe for a typical OJEU procurement is 9-12 months and normally longer for an energy performance contract given their potential options and variations.

Re:fit is a rolling programme, with the current Framework Agreement in place until April 2024. Re:fit will enable you to undertake works earlier than otherwise possible, and deliver at scale and pace. You will, therefore, benefit from the associated energy savings and carbon reduction at an earlier stage.

### Cost

The Re:fit framework has been competitively tendered and all charges associated with the framework are clearly described. There are no hidden fees as is commonly the case under alternate energy performance contracting frameworks.

When your Re:fit project is complete and the ECMs are installed, you will benefit, in full, from all of the energy savings realised. Under Re:fit, there is no sharing of any of the guaranteed energy savings or additional savings with any other organisations – directly or indirectly.

All Re:fit projects use open-book methods in both the proposal and implementation phases, so that costs can be scrutinised both in advance and during delivery. This helps ensure strong auditing powers along with the ability to ensure that the competitively tendered overhead and profit margins are not exceeded.

Using Local Partnerships' technical and commercial experts will further help to create the optimal solution for the minimum cost.

### Access to pre-qualified providers

The Re:fit framework comprises 16 providers who were competitively tendered through a detailed assessment of their approach and pricing. These are all leading specialists in this field. As such, it is likely that any alternative procurement approach would attract responses from the same providers and make up your preferred shortlist. Importantly, Re:fit has already pre-qualified providers and agreed core contract terms, so it's easier and cheaper for bidders, therefore creating a more attractive opportunity that helps create greater competition and lowers overall costs.

Using Re:fit will significantly reduce the time spent to procure and deliver an EPC project. The Local Partnerships Re:fit team also provides the structure, documents and technical specialists to support public sector organisations to carry out the Mini-Competition to select a preferred Service Provider, then to develop the Investment Grade Proposal.

Re:fit follows a proven approach yet still retains the flexibility to incorporate specific requirements of your organisation and to reflect the unique qualities and requirements of your own project.

*[Re:fit's OJEU notice and evaluation criteria are available upon request from Local Partnerships.]*

*[See section 9 Value for Money for how the Re:fit framework delivers value for money.]*

## Tendering approach

*[Routes to tendering will be based on your organisation’s procurement rules and UK government procurement regulations. The following section provides an overview of the tendering options available under the Re:fit framework. Procurement guidance for Re:fit provides further information to support public sector organisations procuring services under the new Re:fit framework. It focuses on the development of requirements and undertaking of the mini-competition and should therefore be of use to technical teams (in terms of developing requirements) as well as procurement and legal teams]*

## Procurement options

Contracting Authorities using the Framework are able to select a tendering option as summarised below. Full details of the Contracting Authority’s requirements in relation to any option selected need to be set out in the Project Brief.

### Option 1 – “PARTNER BID”

Selection of a Service Provider is based primarily on capability and approach in response to the project, response to specific Contracting Authority requirements, pricing rates and costs for Investment Grade Proposals. There may be no detailed technical solution bid as part of the tender response, although this may be required at some point before (or soon after) Contract award. The Contracting Authority is typically selecting a delivery “partner” not a specific technical proposal or bid performance level (although there may be minimum performance levels required under the Contract which would be set out in the Project Brief (e.g. minimum level of savings and maximum payback period)). This approach aims to recognise the potential cost and resource requirements of detailed bidding. It may also help enable tendering of very bespoke or complex requirements (such as listed building portfolios where any energy conservation proposal may need lengthy approvals) and also make smaller value opportunities more viable.

### Option 2 – “TARGET BID”

This essentially includes high level appraisals as part of the Mini-Competition (for all or an identified selection of the total property portfolio) and selection of a Service Provider includes evaluation of supplier technical solutions and commercial proposals (covering areas such as the proposed ECMs and guaranteed savings proposed across the relevant premises). It may also include a range of other criteria including, but not limited to, supplier capability and/or approach in response to the requirements, pricing rates and costs for the Investment Grade Proposals.

As a general summary the following would typically apply:

- Option 1 – “PARTNER BID”, no high level appraisal(s) or Investment Grade Proposal(s) in Tender Response (Mini-Competition).
- Option 2 – “TARGET BID”, high level appraisal(s) on stated premises in Tender Response (Mini-Competition) but no Investment Grade Proposal(s).

## 6 • Funding options

*[Routes to finance will be based on your organisation’s financial regulations, including borrowing status, and in line with UK financial regulations. When considering the various options, your organisation’s finance department should be consulted. The following section outlines how a project*

*can be funded under the Re:fit framework. Local Partnerships can support public sector organisations to identify suitable project financing where required.]*

## How to fund your Re:fit project

The Re:fit savings guarantee creates a strong basis for a “spend-to-save” project with the savings stream being used to repay the project investment.

It is recognised that different Contracting Authorities using the framework may require different approaches to financing projects. The framework is, therefore, flexible in this regard.

The appropriate financing approach will differ depending on the specific circumstances of the Contracting Authority, including which part of the public sector it sits in, the type of project and the measures installed. Sectors include local government, central government organisations, universities, heritage organisations, further education institutions, schools and the NHS (which have differing funding regimes).

The types of project range from more service-oriented building efficiency measures to more capital-intensive (Combined Heat and Power (CHP)). Investments such as solar photovoltaic power generation can generate income from energy sales.

The financing options, which may in some cases be used in combination, include:

- public sector organisation’s own financial resources
- Service Provider finance
- third-party finance
- income sources (such as income from energy sales)
- structured finance (such as domestic or European loans or private investment).

The financing arrangements can be enhanced by combination with funding sources, such as:

- grants or other government funding (UK Government and/or EU)
- and any combination of the above (including other sources as applicable) may also be appropriate.

To help enable the optimal finance solution, Contracting Authorities may allow a range of options to be considered.

Financing projects will also require Contracting Authorities to consider a number of factors, including the following:

- direct financing cost (for example, interest rates, fees)
- legal aspects (for example, financing conditions, asset title and risk, cancellation)
- accounting treatment (including on or off balance sheet)
- taxation implications (VAT and other taxes)
- securities required by financing institution
- cash-flow profile
- financial returns of the project
- identity of provider of finance
- additional funding leveraged in (for example, grant/subsidised funding).

## 7 • Resources and roles

### Client resource

Your organisation should, ideally, have an experienced project management resource, either in-house or external resource, that can coordinate the project throughout the process as with any construction project. If external resource is required, you may wish to include the cost within your business case.

The typical activities the project manager would carry out are:

- establishing appropriate governance structures to oversee and approve various stages of the project
- introducing and educating internal stakeholders about the energy performance contract structure
- identifying and allocating appropriate resources to deliver the project
- ensuring that the project is appropriately project-managed, including adherence to the Access Agreement
- determining your funding approach
- securing the necessary budget for the project and approvals
- compiling project programme to account for the appropriate timescales and key dates
- engaging suitable resources with the necessary skills to assist your project team as and when necessary (which may include building stakeholders, procurement, finance, legal, sustainability departments)
- gathering building and energy data
- preparing the project brief for the invitation to tender, obtaining input and support from your estates, legal, procurement and finance departments
- initiating and conducting the necessary mini-competition for the project in accordance with the terms of the Framework Agreement
- organising and hosting a bidders' day, including appropriate site visits
- managing the Mini-Competition process, including responding to clarifications, evaluation of bids, interviews and selection of Service Provider
- working with the Service Provider during the technical design process (coordinating building access and providing information to the Service Provider)
- coordinating the design dialogue process, establishing milestones and peer reviews by relevant technical teams to agree solutions
- reviewing proposals provided by the Service Provider to agree solutions
- enabling the selected supplier to carry out the work and implement the measures as soon as possible, including organising site access, etc.
- facilitating contract sign-off
- instructing omissions and/or variations
- management of compliance with statutory regimes, for example the Construction (Design and Management) Regulations 2015 and health and safety legislation, and cost management for the project
- managing and monitoring the Service Provider's performance during the Investment Grade Proposal, installation and M&V stages
- overseeing contract management and payments to the Service Provider
- acting as key point of contact throughout the project.

### Role of the Local Partnerships Re:fit team

Local Partnerships is owned by HM Treasury, the Local Government Association (LGA), and the Welsh Government. We help the public sector deliver locally by providing professional support and advice in areas such as procurement, negotiation and contract management, assurance, funding,

sourcing and commissioning, solving problems, achieving savings (for example, in relation to operational projects delivered under the government’s private finance initiative (PFI)), shared services and forming effective partnerships.

We operate at a local and national government level across a range of sectors and fields including health, IT, waste, social care, leisure, parking, policing, emergency services as well as core infrastructure projects, including bridges, tunnels and roads.

Our Re:fit team can work with your organisation through every stage of the process, providing hands-on support including legal (as appropriate), financial, technical, project management and procurement expertise. We provide:

- an expert team with experience of implementing successful Re:fit projects across a range of public sector buildings and organisations, including local authorities, NHS, universities, further education colleges, schools and cultural establishments
- significant experience of EPC to help create the right approach for your requirements and drive savings in your buildings
- a clear and transparent pricing approach to maximise savings to the public purse
- a unique insight into current retrofit best practice and market intelligence from across the UK
- strong working relationship with the GLA (including its own Re:fit programme delivery unit) to ensure access to best-practice templates and advice to carry out each project stage in the most efficient and effective way.

We can work with your organisation to identify and confirm the scope of your project and support required to ensure that the benefits you expect are fully realised.

### Support services available

Support services available to public sector organisations are identified below.



### Marketing and stakeholder engagement

This work stream drives uptake for the programme and supports public sector organisations to gain management buy-in to develop projects. Management buy-in is fundamental to the success of any Re:fit project through the necessary approvals stage. Support during this stage is varied depending on the level of buy-in already achieved.

Support may include:

- development of communication materials (for example, case studies)
- engagement with key stakeholders
- development of best-practice guidance and documentation
- provision of key engagement material.

### Strategy and project development

Contracting Authorities are helped to develop Re:fit project strategies to assess project potential, ensure all opportunities to increase energy savings are explored and develop robust business-case

documentation. This includes support to identify and secure the right mix of funding and finance for retrofit programmes.

Support may include:

- a high-level assessment of buildings' information and energy spend data to assess project potential and propose a scope for the project/tender
- reviewing existing data and gap analysis
- benchmarking for funding
- identifying impacts of planned works
- identifying options for increasing the scope of works programmes
- identifying how scheduling of works can be optimised to drive efficiencies and maximise potential funding
- identifying opportunities for area-based collaboration with other public sector organisations
- project plan and strategy development
- reviewing potential finance options
- calculating benefits and developing business cases to support investment decisions
- supporting funding applications
- undertaking market attractiveness appraisals and engaging providers pre-tender.

### Procurement and legal support

Contracting Authorities are supported through the procurement process from the provision of procurement options to strategy development and specification review to tender assessment and moderation. Legal support and templates are provided to support public sector users through to project delivery.

Support may include:

- reviewing procurement options to ensure that the most effective procurement route is adopted
- soft market testing of projects to inform procurement specifications
- the provision of standard contract and specification templates
- managing the interface with the wider Re:fit activity to coordinate on key tender dates
- reviewing procurement specification
- advice and guidance on set-up of the bidders' day and site visit(s)
- reviewing bid submissions
- interview preparation and attendance
- tender evaluation and moderation support
- development of call-off contracts and contract specifications.

### Technical advice and support during project delivery

Contracting Authorities are helped to identify requirements within their procurement specification, validate and query information provided by bidders and provide challenge and quality assurance to Contracting Authorities during key stages in the project development. This includes ongoing support to Contracting Authorities once projects are in contract and under delivery and providing advice on monitoring and ongoing management of Service Provider performance under the framework.

Support may include:

- advice and guidance on monitoring performance (including the use of third-party M&V providers)
- reviewing the high level appraisal(s) for initial buildings
- engagement with selected Service Provider
- reviewing the format and content of the Service Provider's Investment Grade Proposal

- reviewing the Investment Grade Proposal(s)/proposed solution to help identify opportunities and issues
- reviewing the format and content of the Service Provider's M&V plan
- reviewing the Service Provider's final-savings M&V approach from a technical and commercial perspective
- reviewing the annual savings report
- sharing best-practice projects and case studies
- access to support during the implementation and savings phase to tackle problems if they should arise.

To ensure compliance with the Framework Agreement, proper management and coordination of procurement timetables and quality of documentation being provided to Service Providers, either the GLA or Local Partnerships will provide quality assurance and administrative support.

This will generally involve:

- confirmation that public sector organisations have entered into the necessary agreements to use and access the framework (ie, they have entered into an access agreement with the GLA and/or Local Partnerships as required (Access Agreement))
- provision of certain documentation by the GLA/Local Partnerships to users (including the Framework Agreement, call-off template, Investment Grade Proposal templates and other templates for use as part of the mini-competition process)
- provision of management information and details of procurement scheduling to the GLA/ LP by users
- users providing key documentation to the GLA/Local Partnerships for review and approval before issuance and agreement with Service Providers, typically:
  - final draft ITT (Mini-Competition) including the draft call-off contract and project brief
  - final draft of any Investment Grade Proposal
  - final draft Contract
  - final draft Works Optimisation/ Service Agreements (WOS Agreements).

## Role of the Service Provider

The Service Provider will produce proposals install the ECMs and monitor performance over the period of the contract. Maintenance and/or other ongoing services may also be included.

Once selected, your preferred Service Provider is formally appointed and parties enter into a call-off contract based on the model terms and conditions as set out in the Framework Agreement. The Service Provider proceeds with any High-Level Appraisal (HLA) as may be required (to the extent not already submitted during the Mini-Competition phase) and IGP, as part of the IGP phase of the contract. Where you agree a final IGP, this should be the first time you commit to expenditure with the Service Provider. Even if you do not proceed to require implementation of measures agreed in the IGP, you will be required to cover the agreed costs of producing any IGP provided that the IGP meets your requirements in relation to detailed evidence of how the guaranteed savings levels would be delivered within a set of agreed performance parameters.

The IGP is a detailed proposal that includes details of ECMs to be installed, tonnes of CO<sub>2</sub> to be saved each year, capital costs (binding on the Service Provider), guaranteed savings, payback period and an M&V plan. The IGP will also detail how and when the Service Provider proposes to install the identified ECMs.

The IGP will provide a binding price cap for the works/implementation services and a binding guarantee of the subsequent energy and carbon savings, which cannot be below those proposed by the Service Provider at Mini-Competition stage.

During the IGP process, the Service Provider will undertake a detailed survey of your buildings which normally takes around 60 working days. It is important that you engage with the appointed Service Provider during this time so that you understand the ECMs that are being considered and proposed, and are content with the overall approach that the Service Provider is pursuing. Under the contract, the Service Provider will be required to present the IGP to you in draft for review, and parties will need to agree the final IGP in accordance with the clear process set out in the contract.

*[The IGP will provide all the key data and information for you to obtain your final level of approvals, both internally and for external funding applications, if required. This includes any approvals required for building works to be carried out to implement the IGP, including asbestos removal notifications.]*

Once the IGP has been completed and agreed, you can require that the Service Provider proceeds to implementation of relevant measures as set out in the final IGP. It is at this point that the Service Provider commences works on site, in line with the agreed IGP methodology and programme.

The implementation of the ECMs, commissioning and handover of the equipment are an important part of this phase of the project and should not be overlooked. Likewise, the Service Provider should provide any necessary training for the new equipment, in accordance with manufacturers' recommended maintenance procedures.

*[The installation phase will be the same as running any other construction project. The installation period will depend on the different technologies that are being installed. Our experience identifies that this can be the most resource-intensive time for the project manager. The project manager and your technical staff will need to work closely with the Service Provider, so that all the practicalities of implementation can be planned and any issues resolved. Your responsibilities are as per any building works carried out on your site. This includes any responsibilities under the Construction (Design and Management) Regulations 2015.]*

Throughout the payback period, your Service Provider will measure and report the performance of the ECMs that have been installed within your buildings. This is carried out through the Service Provider's M&V plan, agreed following the IGP and in line with the International Performance Measurement and Verification Protocol (IPMVP<sup>6</sup>). You may otherwise appoint an independent specialist to carry out necessary M&V.

The Service Provider will set up reporting systems and collect and verify the energy reduction data from your buildings throughout the payback period. Reporting requirements of the Service Provider are thorough and cover the following:

- the performance of all installed ECMs 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 for the shortfall
- preparation and issuing proposals to rectify any shortfall in performance and agreeing programmes with you for the implementation of any such rectification measures
- identification of any external factors impacting on, or likely to impact on, the payback calculation (note that client involvement is essential at this stage and it will be important to track changes to building use over the payback period for reporting purposes)
- the Service Provider must prepare annual reconciliation reports throughout, and a final reconciliation report at the end of, any payback period detailing energy and carbon reductions records over the relevant reporting period.

<sup>6</sup> [evo-world.org/index.php?lang=en](http://evo-world.org/index.php?lang=en)

The Service Provider must comply with all requirements of annual energy and bi-annual financial performance reviews, including requests for attendance at meetings by you, throughout the payback period.

## 8 • Risk allocation and transfer

*[Risk management should be in line with your organisation's internal processes. A Re:fit project will be exposed to typical construction risks, such as planning, impact on business as usual and health and safety as per any other construction project, and these risks should be assessed specific to the project.]*

### **Guaranteed performance**

The Service Provider guarantees the performance as set out in the payback calculation from a date agreed with you as part of any final IGP (generally the date ECM installation is complete), provided that maintenance is carried out in accordance with the standards set out in the contract (whether by the Services Provider or the Contracting Authority – as the case may be in line with your project requirements). Any changes in equipment, set points or usage patterns of those buildings must be reported to the Service Provider so that the savings guarantee can be adjusted. The Service Provider will provide Contracting Authorities with an annual reconciliation report which will show whether the actual energy savings meet, exceed or fall below the guaranteed level. If the actual savings for the year are equal to or exceed the guaranteed savings, no action needs to be taken. If, however, the report indicates a shortfall, you will have the option to either ask the Service Provider to pay the shortfall or to implement further ECMs, at the Service Provider's cost, to make up the shortfall.

### **Service Provider's performance issues**

Local Partnerships manages the framework for delivery of projects outside London. Any issues with performance should be notified at the earliest opportunity so that these can be addressed and remedied.

Should any issues with the Service Provider's performance arise during the project, Local Partnerships will seek to assist and, where possible, resolve these issues using its rights under the Framework Agreement and/or as part of support provided to you (details of which will be set out in a separate client agreement with you).

## 9 • Value for money

### **How the Re:fit Framework delivers value for money?**

Re:fit is delivered under a pre-tendered framework, which is compliant with EU-procurement law. For large-scale projects, accessing services via the framework will save significantly on the costs of carrying out your own EU-compliant tender, which can typically range from around £70,000 to well in excess of £100,000 for the procurement and contracting costs alone.

The Re:fit framework has a strong value-for-money focus both in the initial selection of providers and the ongoing project cost control. The commercial model has pre-agreed contract terms, including open-book costing, maximum margins identified through a highly competitive process, strong audit ability, robust rights and remedies and clear performance reporting.

## How your Re:fit project delivers value for money?

The following outlines how value for money can be achieved through your Re:fit project:

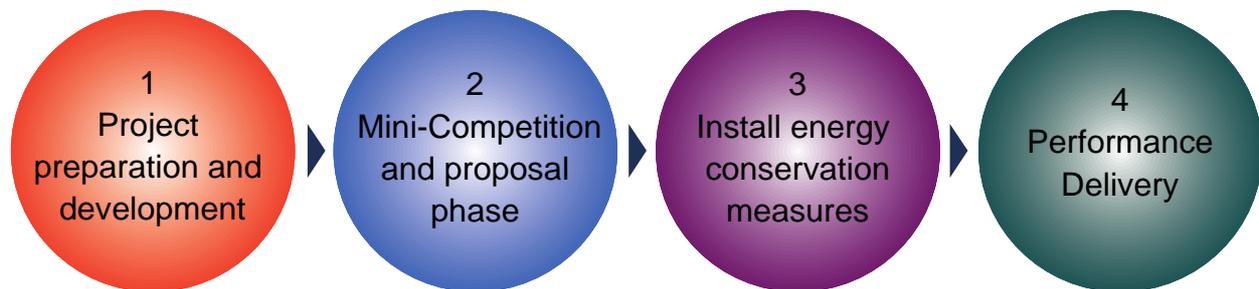
- creating financial benefits: reduced energy usage and, therefore, energy bills; impact of future energy price rises minimised by reducing energy use and the potential for local energy generation; reduced maintenance backlog and life-cycle costs through the upgrade of plant and machinery as part of the retrofit project
- robust contract: pre-agreed contract terms; guaranteed energy savings; strong rights and remedies; no shared savings – benefits of over-performance go directly to the Contracting Authority and not the Service Provider (reducing the drive for providers to under-bid savings to boost profits)
- proven model with flexibility to tailor to your own requirements: strong record of success across a range of public sector organisations; several hundred buildings successfully retrofitted with delivery at or above contractual savings; clear go/no-go points before full commitment to complete installation
- process savings: strong support, including detailed templates for all key phases of the procurement and contracting process; fast and efficient tendering through a well-managed framework
- competitive process and pricing: collaboration across local and central government enabled a highly competitive tender to create the framework; strong further competition enabled through Mini-Competition process; ongoing value for money focus post-selection through open-book pricing with clear information on areas including overheads, profits, subcontractor mark-ups and labour rates for initial works and future project phases
- Mini-Competition templates and approach developed with a strong focus on value for money and the ability to set minimum guaranteed energy savings in the tender documents for providers to bid competitively against
- well-managed framework to continuously build knowledge, co-ordinate Mini-Competitions and support further sector and regional collaborative procurement

*[The evaluation criteria can be adjusted for your organisation's requirements.]*

## Appendix 1 • Re:fit process

The framework will facilitate energy reduction/generation measures and allow changes focused on water consumption. It has a core, pre-agreed set of template terms and conditions that aim to increase the efficiency of the mini-competition phase while enabling improvements over time (to the Contracting Authority and process of running mini-competitions) and allowing Contracting Authorities the flexibility to incorporate their own specific requirements into mini-competitions run under the framework.

The framework is flexible in the approach used to developing, tendering and implementing a project. Within this, there are a series of typical overarching phases as briefly described below.



### Stage 1: Project preparation and development

This phase is typically focused on three main areas:

#### Gain management buy-in

Public sector organisations wishing to use the framework will be required to sign an Access Agreement. This document indicates commitment to the programme at a senior level. Support to engage relevant staff members will be provided by Local Partnerships. This support can include help to understand the potential for a Re:fit project on its property portfolio, engaging with senior management and helping with internal approvals.

Once a support package has been agreed, public sector organisations will then enter into a contract for services.

**Output:** Access Agreement and agreement for support services to be provided by Local Partnerships are signed and support can commence.

#### Identify resources and funding approach

Contracting Authorities should identify the resources to cover their activities with regards to the tendering activity, installation and ongoing service delivery. They should also identify their funding and financing approach (considering internal and external options as appropriate) and the list of assets to consider within the Mini-Competition process. Energy data is collected and analysed at the appropriate level for the project to assess the scale of the opportunity and appropriate procurement approach.

**Output:** Contracting Authority considers and confirms project resources, funding approach and target assets.

#### Prepare project brief for Mini-Competition

The project brief forms the basis for the Mini-Competition. Local Partnerships can conduct a soft market test with providers to help form the project brief, which allows buyers to assess early or innovative project ideas and confirm the approach that will deliver the strongest response.

The Mini-Competition documentation will provide information on a number of areas and will typically include:

- the tendering option being used [Section 5]
- the evaluation criteria being applied
- the specific financial, technical and operational requirements
- data on properties included within the project
- the draft call-off contract
- financial requirements, including payback periods
- guidance on expectations for performance M&V.

Performance parameters will also be stated in the project brief. These could cover a range of performance areas that need to be achieved including, but not limited to, the minimum level of savings, minimum emissions savings, maximum payback period, maximum capital spend, rate of return on investment and/or full business-case requirements.

Local Partnerships will work to help Contracting Authorities with this phase, including determining the property portfolio, the provision of standard templates and general support to help ensure a quality set of documentation for the Mini-Competition.

**Output:** Contracting Authority issues invitation to tender for Mini-Competition to providers

## Stage 2: Mini-Competition and proposal phase

The Mini-Competition is where all providers on the framework capable of providing the project brief requirements are invited to participate in either a single-stage or multi-stage Mini-Competition.

This stage consists of a bidders' day and site visits by the providers. During the bidders' day and site visits, the providers gather information about the Contracting Authority's aspirations for the project and buildings selected in order to determine the energy savings that can be achieved.

The providers who submit proposals will provide bids that meet the requirements of the invitation to tender, which will be checked by Local Partnerships. The Contracting Authority will then evaluate all responses, hold clarification sessions if required and appoint the winner as preferred bidder.

**Output:** Preferred provider is appointed.

## High-level appraisals

Use of high-level appraisals will vary from project to project. When used, these will provide an initial understanding and/or proposal for a project. Requirements will be specified within the project brief and will typically require an assessment of a defined number of properties to identify the benefits and savings opportunity along with associated costs. High-level appraisals are not a full proposal in their own right, but would be used to form the basis of requirements for the IGP.

When high-level appraisals are required, Local Partnerships can work with clients to undertake a technical and commercial review of the document.

## Investment Grade Proposal

Once the Service Provider has been selected they will enter directly into a call-off contract. High-level appraisals may be required under the contract as part of the IGP phase, unless they have been required as part of the tendering process. The contract will cover all phases of the Re:fit project from IGP services through to the end of any maintenance (should this be required) and payment obligations in respect of the savings guarantee.

An IGP allows the Service Provider to demonstrate how they will meet performance parameters before proceeding to installation of measures. This document will provide comprehensive detail, including proposed ECMs, guaranteed annual energy savings/generation, tonnes of CO<sub>2</sub> to be saved, capital and ongoing annual service costs, financial details (including payback model) and the M&V approach.

The IGP(s) is a critical step to allow Contracting Authorities to complete their project approval process and enable the installation phase to proceed. The cost and/or costing approach for the IGP(s) will be set out as part of the Service Provider response to the Mini-Competition invitation to tender. If an IGP fails to meet the agreed performance and costs levels, then the user will not be required to pay for the IGP.

Depending upon the complexity of the programme and number of premises involved, both the development of the IGP(s) and the implementation of these proposal(s) can be undertaken in one or multiple stages.

Local Partnerships can provide guidance on the development of contract documents as well as performing a technical and commercial review of documents.

**Output:** IGP and M&V plan approved – Contracting Authority to decide if Service Provider will be required to go ahead and implement agreed measures.

*[There will be no external cost incurred to the Contracting Authority until the IGP is completed and signed off, aside from support fees to Local Partnerships. Once the IGP has been signed off, the IGP costs can be included within the total project as a capital cost (or as a revenue charge if more appropriate).*

*The costs for the IGPs are typically included as part of the implementation costs and are only payable as a separate cost if the Service Provider meets the cost, savings and payback criteria stated in the Mini-Competition and High Level Appraisal and the Contracting Authority decides not to implement the project. The contract allows for flexibility with regards to approach and timing of payment of fees associated with IGP production.]*

### Stage 3: Install ECMs

This phase covers aspects such as equipment purchase, construction, equipment installation/upgrades and provision of necessary works and services to implement the agreed ECMs. Such works/services (including commissioning/handover) are carried out under a supplemental works/services agreement, as further described and in accordance with the call-off contract. The time required for this stage will depend on the number and access to properties and measures to be installed. The contract allows for a phased approach.

**Output:** All agreed ECMs are installed/implemented and savings generated.

### Stage 4: Ongoing performance delivery

Performance delivery has the potential to cover a wide range of activities, including maintenance and the generation of specific outputs and benefits for the Contracting Authority. Important activities in this phase include the delivery of savings in accordance with the call-off contract and the ongoing monitoring (including M&V) of overall performance.

M&V is carried out by the Service Provider throughout the payback period (but can be audited and/or undertaken by an independent organisation), which reports on the actual energy and carbon savings that are being realised. If savings are not being realised, then the Service Provider can be required

either to install additional ECMs at no charge or directly pay the savings difference to the Contracting Authority. Either way, the savings are guaranteed.

Local Partnerships can provide assistance in the M&V approach outlined and identification of third-party M&V practitioners/training courses.

**Output:** Energy savings realised and measured and presented in the annual reconciliation reports and final reconciliation report at the end of the project.