



**Executive
19 August 2013**

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

For Action

Wards affected:
ALL

**Authority to tender contract for an energy company
obligation (ECO) project partner**

1.0 Summary

- 1.1 The purpose of this report is to seek approval to invite tenders as required by Contract Standing Orders 88 and 89 for a single partner to deliver an energy efficiency programme, with a specific focus on the Energy Company Obligation (ECO), which is designed to tackle fuel poverty, affordable warmth and carbon emission problems at no cost to some householders in the highest need.
- 1.2 A large proportion of properties in Brent are energy inefficient, leading to 13-18% (depending on income proxy measure used) of residents living in fuel poverty. This has significant economic, social and health disadvantages to these residents.
- 1.3 A major feature of this project's delivery is the ability to influence job creation/safeguard existing jobs and to build a strong green economy locally through our ability to lead on this procurement.
- 1.4 Writing the specification, going through the OJEU process and formally awarding the tender should take 3-4 months.

2.0 Recommendations

- 2.1 The Executive to give approval to the pre - tender considerations and the criteria to be used to evaluate tenders as set out in paragraph 3.13 of the report.

2.2 The Executive to give approval to officers to invite tenders and evaluate them in accordance with the approved evaluation criteria referred to in 2.1 above.

3.0 Detail

3.1 The government's flagship energy programme, comprising the two main strands of the Green Deal and ECO, formally came into force in January 2013, although the ECO obligation was announced in autumn 2012, and these replace all other forms of energy efficiency funding such as Warm Front and CERT/CESP. Although the Green Deal is the umbrella for the entire scheme, a specific element of this relates to an obligation on all of the big 6 utility suppliers to tackle issues of affordable warmth and environmental concerns. The value of ECO for these suppliers over the first phase is £1.3 Billion per year and has to be spent by January 2015.

3.2 The ECO obligation is split into three parts:

1. Carbon Emission Reduction Target (CERT) - worth £760M per year. Focuses on hard to treat homes e.g. solid walled or hard to treat cavities; could include connections to district heating as part of a package – whole house retro-fit preferred.
2. Carbon Savings Community Target (CSCT) - £190M per year – focuses on insulation measures and connections to district heating systems to domestic energy users that live within areas of multiple deprivation.
3. The Home Heating Cost Reduction Target (HHCR – often referred to as 'affordable warmth' element) - £350Million per year – focus on increasing the ability of low income and vulnerable householders to heat their homes more affordably (benefits led) e.g. insulation or boiler replacements.

3.3. If the council wishes to achieve maximum distribution of funding as well as the associated economic and social benefits that could come as a result of the ECO obligation and Green Deal, there is a need to procure a delivery partner to establish, market and operate a scheme through which energy efficiency and improvement services will be made available to domestic and commercial customers in Brent. Officers consider that the procurement should be for one preferred partner to work with the Council on an exclusive basis with regard to the ECO element, although this would not limit ability to take advantage of other opportunities beyond the scope of any contract agreed through this process.

3.4 The project requirement is to deliver energy efficiency improvements and/or other utility saving measures ("measures") which reduce energy consumption, thereby bringing about a reduction in the consumer's energy bill(s) and a reduction in carbon emissions.

3.5 The appointed delivery partner will ensure availability of, access to and delivery of the measures (including associated services) and must have the capacity and resources to provide an effective and customer focused service including all management, financial and ICT systems to administer the scheme and monitor its benefits.

3.6 The project's key objectives are to:-

- Improve the energy efficiency of properties and reduce energy consumption,
- Reduce carbon emissions,
- Reduce consumer energy costs and alleviate fuel poverty; and,
- Safeguard and create employment opportunities.

3.7 The project must be delivered in line with 'Green Deal/ECO' requirements as enabled by the Energy Act 2011 but it is not necessarily limited to Green Deal only activities and could include, for example, district heating, electric vehicle infrastructure, street lighting, energy monitoring etc.

3.8 Target properties will include domestic properties of all tenures; and public non-domestic buildings or functions (e.g. street-lighting) and privately owned commercial buildings. It is envisaged that the cost of the measures will be financed through the ECO.

3.9 As the project's primary requirement is to deliver the required improvements to domestic properties, the delivery partner will be required to treat domestic properties as the service priority, i.e. marketing its services, facilitating customers, explaining and securing the sign-up and installation of appropriate energy efficiency improvements across the Borough.

3.10 It is envisaged that a significant portion of the market and therefore a key target for the project will be 'hard to treat' domestic properties i.e. those that cannot accommodate cost-effective measures and may therefore have missed out on previous energy improvements. These properties will have the potential to access ECO funding. Given the priority to be attributed to domestic interventions over non-domestic the balance of the finance, scope and value of the opportunity will favour the former. It is likely that any scheme will include the HRA stock as a priority but it should be stressed that fuel poverty and energy efficiency issues affect the growing private sector and there is an expectation that any scheme will seek to address these issues.

3.11 Furthermore, in order to achieve long term investment in the Borough's supply chain and employment opportunities, some form of confidence in the longevity of this market locally is required. Consequently a 5 year contract (with up to a two year extension if necessary) is sought, with a break clause included at the end of the first phase of ECO to safeguard against any major changes in legislation/obligations.

3.13 In accordance with Contract Standing Orders 89 and 90, pre-tender considerations have been set out below for the approval of the Executive.

Ref.	Requirement	Response	
(i)	The nature of the service.	The procurement of a delivery partner to establish, market and operate a scheme through which energy efficiency and improvement services will be made available to domestic and commercial customers in the LB of Brent under the ECO obligation.	
(ii)	The estimated value.	The estimated value of the contract is difficult to predict precisely and will depend on a range of factors, including the number and type of dwellings involved and the measures proposed. Market testing through procurement will give us this information but, as an indication, a scheme of the type envisaged within this report has already been agreed for the Watling Gardens Estate, which comprises four residential blocks with a contract value over £4 million. Depending on the final scope of the scheme, this indicates a total value exceeding £40 million.	
(iii)	The contract term.	The contract term will be 5 years with a possible extension of up to a further 2 years. The contract will contain a break clause at January 2015 when the current round of ECO funding expires.	
(iv)	The tender procedure to be adopted including whether any part of the procedure will be conducted by electronic means and whether there will be an e-auction.	An open or one stage tender procedure will be used.	
v)	The procurement timetable.	Indicative dates are:	
		Adverts placed	16.9.13.
		Deadline for tender submissions	1.11.13.
		Panel evaluation and interviews	4.11.13 - 22.11.13
		Panel decision	25.11.13

		<p>Report recommending Contract award circulated internally for comment</p> <p>Executive approval</p> <p>Mandatory minimum 10 calendar day standstill period – notification issued to all tenderers and additional debriefing of unsuccessful tenderers (contracts covered by the full EU Regulations only)</p> <p>Contract start date</p>	<p>26.11.13- 6.12.13</p> <p>December 2013</p> <p>December 2013</p> <p>February 2014</p>
(vi)	The evaluation criteria and process.	<p>Shortlists are to be drawn up in accordance with the Council's Contract Procurement and Management Guidelines namely the pre qualification questionnaire and thereby meeting the Council's financial standing requirements, technical capacity and technical expertise.</p> <p>Tenders will be evaluated on the basis of the most economically advantageous tender using the following criteria.</p> <p>1. Quality</p> <p>The quality assessment will be evaluated using the following criteria:</p> <ul style="list-style-type: none"> • Proposed approach for working in partnership with the Council and its partners • Proposed methods of service delivery including quality of service delivery and service management • The quantity and quality of energy efficiency measures over the life of the contract 	

		<ul style="list-style-type: none"> Social and Economic benefits including the proposed number of new jobs created in the Borough. <p>2. Price</p>
(vii)	Any business risks associated with entering the contract.	No specific business risks are considered to be associated with entering into the proposed contract.
(viii)	The Council's Best Value duties.	This procurement process and on-going contractual requirement will ensure that the Council's Best Value obligations are met.
(ix)	Any staffing implications, including TUPE and pensions.	See section 7 below
(x)	The relevant financial, legal and other considerations.	See sections 4 and 5 below

4.0 Financial Implications

4.1 The ECO is measured in terms of meeting carbon reduction targets; different types of energy efficiency works therefore attract different levels of funding. In addition, the situation of the existing tenant or homeowner can influence the level of funding given. A commercial partner may be likely to seek to meet its ECO obligations in the cheapest and most efficient way, for example by carrying out work on an estate or area basis to achieve economies of scale. Any commercial imperative will need to be balanced against the council's own priorities in terms of the greatest benefit to low income households.

4.2 There will be occasions whereby an area by area approach is the most appropriate and could offer wider regeneration opportunities and it is likely that stock within the HRA will fit this model. The position may be complicated by the presence of leasehold homes within a block - for example, if in a low-rise block of flats, external ECO funding was available to cover all of the social housing properties but within the block, 5% of flats were privately owned and considered 'able to pay'. The position of leaseholders varies according to the terms of the lease: in some cases, the council is entitled to re-charge for improvements while in others this option may not be available. Since the expenditure in this case is not incurred by the council, it is envisaged that any re-charge would be waived. Additional staff resources may also be required to support the project and contract manage the partner. The specification will

include an expectation that any requirement for this will be funded by the partner. Any other costs, which will include officer time, will be met from existing budgets.

- 4.3. The Council has an existing long-standing SLA arrangement in place with 'Energy Solutions' and their role in this project in terms of stock analysis, encouraging take up and identifying our most vulnerable residents who require assistance needs to be formalised.

5.0 Legal Implications

- 5.1 The estimated value of the proposed contract over its lifetime exceeds the EU threshold for works contracts. However, the contract is categorised as a public works concession contracts under the Public Contracts Regulations 2006 ("the EU Regulations") and accordingly it is subject to the application of the EU Regulations.
- 5.2 In addition, as the estimated total value of the proposed contract over its lifetime is in excess of £1,000,000, the procurement and award of the contract is subject to the Council's Contract Standing Orders and Financial Regulations in respect of High Value Contracts.
- 5.3 Once the tendering process has been concluded Officers will report back to the Executive in accordance with Contract Standing Orders explaining the process undertaken in tendering and recommending award of contracts
- 5.4 This project will require significant input and cooperation from Brent Housing Partnership.

6.0 Diversity Implications

- 6.1 A high level of funding is achievable for areas calculated by the Government to be in areas of multiple deprivation. There are 27 areas within the Borough that fall under this category. These areas will be prioritised for ECO funding.

7.0 Staffing/Accommodation Implications (if appropriate)

- 7.1 Additional council employed staff may be required to deliver this project. The requirement for staff will however be dependent upon the proposals put forward by tenderers. As detailed at paragraph 4.2, it is envisaged that this would be funded by the successful contractor.

Background Papers

Latest Government Fuel Poverty Statistics – link:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/199833/Fuel_Poverty_Report_2013_FINALv2.pdf

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