

Report of Energy and Climate Change Manager

Report to Director of Environment and Housing

Date: 6th November 2014

Subject: YORE-97PH9U Leeds City Region Green Deal & ECO Scheme

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. On 15th October the Executive Board meeting for Leeds City Council delegated authority for the signing of the Leeds City Council call off contract from the West Yorkshire Contracting Authority's framework contract with KSW to deliver Green Deal and ECO services to private sector households within the Leeds City Region. This call off contract commits Leeds City Council to exclusively endorse KSW for Green Deal and related energy efficiency work within private sector homes within the Leeds area.
2. An invitation to submit final tenders was sent to KSW on 16th October and a tender was received from them on the same day.
3. The tender was evaluated and deemed to meet the requirements for the tender.
4. A report was presented to the Home Energy Project Board on the 22nd October which recommended proceeding with the contract.
5. On 23rd October the West Yorkshire and Leeds City Region Chief Executives' met and agreed to sign the framework contract on the 21st November 2014.

Recommendations

6. For Neil Evans to use his delegated authority to authorise the signing of the Leeds City Council call off contract with KSW and WYCA on the 21st November 2014.

1 Purpose of this report

The purpose of this report is to seek approval to sign the Leeds City Council call off contract with KSW and WYCA on the 21st November 2014.

2 Background information

- 2.1 This procurement follows the LCR wide Domestic Energy Efficiency Programme (DEEP) which procured a framework of partners in 2011 through which Local Authorities could provide domestic energy saving schemes. As DEEP was a success, Leeds City Council led the development of a business plan for the next phase of work. Based on this, LCR Leaders and Chief Executives agreed to continue the collective approach and to widen the scope of the scheme and change the focus of measures and installations to take advantage of ECO funding which commenced in late 2012. The Leaders reports can be found at www.leedscityregion.gov.uk¹
- 2.2 The purpose of the procurement is to establish a long-term partnership with a Green Deal Provider to generate 'green' investment in the LCR. This will include a range of energy saving technologies in residential properties (predominantly private sector) resulting in the creation of jobs and skills opportunities, a reduction in fuel poverty and lower carbon emissions.
- 2.3 The OJEU notice to commence procurement was published on 26 July 2013 and its scope was wide enough for social housing and non-domestic opportunities to also benefit.
- 2.4 Leeds City Council agreed at Executive Board in December 2012² to act as the anchor authority for the procurement, with a commitment to lead the procurement and deliver energy efficiency improvements to at least 6,000 homes. The intention was also for Leeds to sign the Framework Agreement on behalf of the LCR, to allow other LCR authorities to call-off work from the Framework. However, as the West Yorkshire Combined Authority (WYCA) was created on 1st April 2014 and has legal status, the OJEU can be amended to allow WYCA to sign the Framework Agreement, transferring the risk from Leeds to WYCA. All involved parties are currently undertaking due-diligence in this regard.
- 2.5 This is an unusual procurement in that the council is not directly purchasing anything. Instead, it is a competition to obtain permission to use Local Authority branding, access to customer/stock data and marketing channels for the length of the Call-Off Contract. This provides value to the market as they will be better placed than competitors to discharge ECO commitments and provides value to the council as we will have a long-term partner with KPIs to reach for jobs, skills, fuel poverty and houses improved.

3 Main issues

- 3.6 Leeds City Council's Public Private Partnerships Unit have been engaged, for and on behalf of Leeds City Region (LCR) to lead the procurement of a Green Deal and ECO scheme for all Local Authorities within the LCR boundary.
- 3.7 Upon Contract award, a Framework Agreement will be established to run for four years. It is anticipated the Framework Agreement will be signed by the West Yorkshire Combined Authority (WYCA), with each Local Authority in the LCR (excluding Wakefield) to call-off from the Framework immediately. Wakefield have an existing contractual arrangement in place which prevents them from calling off at the outset, however this is due to expire in

¹ 1st July 2014, LCR Green Deal Scheme

11th April 2013, LCR Green Deal Scheme

7th February 2013, LCR Green Deal Scheme

6th December 2012, LCR Green Deal Business Case

2nd February 2012, Options for Delivering and Financing the Green Deal

² Reaffirmed by Executive Board in March and October 2013

2016 at which point Wakefield will review their position and call-off should they feel the Contract meets their needs.

- 3.8 As the SPV will not be established at contract signing in November, the Combined Authority and local authorities will contract with Keepmoat Regeneration Ltd with a Parent Company Guarantee and Willmott Dixon acting as an Approved Subcontractor, with a novation to the SPV agreed in advance of Contract Signature and with an appropriate clause in all the contracts to ensure that this happens.. KSW have confirmed that the Consortia will bear the legal costs of producing the Novation Agreement and associated actions to coordinate the introduction of the SPV. Keepmoat Parent Company and contracts will be novated to the SPV once set up. The legal costs of the LCR/LAs to arrange the novation will be paid for by the bidder.
- 3.9 Each Call-Off Contract will run until 2022 with regular performance reviews against KPIs and a break clause after 3 years. The terms of the Framework Agreement are incorporated into each Call-Off Contract, allowing the terms of the Framework to continue for the duration of the Call-Off Contracts.
- 3.10 The offer to the bidders is an exclusive endorsement from each Local Authority and the LEP for them to provide energy efficiency and renewable services, including Green Deal and Energy Company Obligation (ECO) services to private households within each LA area.
- 3.11 By exclusively endorsing the product of the successful bidder, the Local Authorities are granting exclusive endorsement to the successful bidder to market to properties within the LEP/LCR geographical boundary. This means LCR Authorities shall not approve or advertise the Green Deal or ECO products of any other service provider or utility company and will signpost residents who make enquiries about energy efficiency and renewable products to this scheme. In doing so, the product of the successful bidder is being endorsed as a good quality, value for money offer to citizens.
- 3.12 There are some areas where Green Deal/ECO contracts already exist, so these are to be 'carved out' from the scheme as unavailable and recorded within the contractual documentation.
- 3.13 Most obligations contained in the Contract sit at Framework level, with obligations unique to the Authorities delegated through the Call-Off Contract. This is to ensure the LCR Authorities have collective power, while also making sure individual authority's interests are protected and they have a mechanism to hold the Contractor to account to deliver services in their area.
- 3.14 LCR Authorities have the option to use this contract on a non-exclusive basis for their social housing, corporate estate and to promote it to Small Medium Enterprises (SME's) but are under no obligation to do so.
- 3.15 There is a Contract Management mechanism built in to ensure robust management of the contract, ensuring services are delivered and to generate some income for the Authorities.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 Leaseholder consultation has begun with a Notice of Intention issued to all leaseholders in June 2013. A consultation event was held to respond to questions, however this was

not attended by any leaseholders and there was little feedback received by the Home Ownership team. The second round of consultation requires individual prices and so will be carried out for scheme NEC3 contracts not for the framework or call off contract. This means Contract Award can take place in November and falls outside of the Approvals processes for all participating Authorities. A second round of consultation will take place with the leaseholders within the reference scheme shortly but this does not affect the signing of the call off contract.

4.1.2 Market testing was carried out with contractors to better understand the scale of the opportunity and market appetite. Response to the market test was positive with potential providers indicating they had confidence in their ability to achieve the ambitions of the LCR Authorities.

4.1.3 Although the procurement has been led by the Public Private Partnerships Unit in Leeds City Council, all Authorities have had the opportunity to engage in the process through evaluation of bids, attending dialogue meetings and comment on documents. LCR have regularly reported back to Leaders, Chief Execs and Directors of Development. The Project Board is also formed of representatives from across the LCR partner Authorities. All participating Authorities have contributed to the procurement costs and signed a Memorandum of Understanding to govern the process up to the award of the Contract.

4.2 Equality and Diversity / Cohesion and Integration

4.2.4 The original December 2012 report undertook equality screening and did not identify any significant negative issues. Instead, it indicated that by accessing ECO the programme will help to lift deprived individuals and communities out of fuel poverty, with consequent health and social benefits.

4.2.5 It also concluded that the Green Deal will target help at properties that have been excluded from previous incentive schemes. The insulation measures (either loan or grant funded) will help residents to save energy and money and make their homes warmer and healthier. This will help to ensure that an offer for hard-to-treat properties is available to all over the longer term, to ensure equality of opportunity.

4.2.6 This has been reviewed following government policy changes and the consequent redesign of the programme and the fundamental findings remain the same. Although the focus of ECO is no longer primarily on solid wall properties that have been missed out before, the council can still target marketing at more vulnerable people to ensure that the programme tackles fuel poverty.

4.3 Council policies and City Priorities

4.3.1 The Vision for Leeds 2011 to 2030 acknowledges that climate change is one of the three major challenges that have emerged since the last Vision was published in 2004 and has a specific aim to ensure that “all homes are of a decent standard and everyone can afford to stay warm.”

4.3.2 The Vision is supported by the City Priority Plan 2011 to 2015, which brings together a number of key four-year priorities that will help us deliver the 2030 Vision. It is supported by five separate action plans that address the five key themes. Of these, two contain priorities which are directly relevant to the strategy:

- Best city... for business:
 1. Create more jobs.

2. Improve the environment through reduced carbon emissions.
- Best city... to live:
 1. Maximise regeneration investment to increase housing choice and affordability within sustainable neighbourhoods.
 2. Enable growth of the city whilst protecting the distinctive green character of the city.
 3. Improve housing conditions and energy efficiency.

4.4 Resources and value for money

- 4.4.3 All LCR Local Authorities have contributed financially to the procurement process which, due to the complexity of the project, was via competitive dialogue. The competitive bid process with built in price benchmarking (including through the life of the Contract) will ensure that the project delivers value for money.
- 4.4.4 There is no requirement for the council to contribute further revenue or capital costs, with the contractor taking responsibility for marketing and lead generation. The exception for Leeds is that we have committed to using some of the Housing Leeds stock as a 'reference scheme' which we will seek to fund from the Housing Revenue Account early in the contract. Housing Leeds has a maximum budget of £600k over 2 years for phase 1, to deliver external wall insulation to 117 council homes. The final costs will be determined by the NEC3 contract and we require the contractor to bring funding from ECO or other sources to reduce the cost to us.
- 4.4.5 The Contract value should generate at least £40 million of new investment into the LCR/LEP over the first three years with potential to generate fee income for each participating authority.

4.5 Legal Implications, Access to Information and Call In

- 4.5.6 The dialogue process has had a specific workstream for the legal documentation to be developed in conjunction with bidders, the procurement team, lawyers from each Local Authority and the Combined Authority. Bidders have produced mark-ups of both the Framework Agreement and Call-Off contract. At each stage the mark-ups have been shared with LCR lawyers for comment and amendment for feedback to bidders to enable negotiation of a strong commercial position for all Authorities. Although the process has been labour intensive, it has been necessary to ensure all parties are comfortable with the content of the drafting to allow Contract Award and Signature to happen without incident.
- 4.5.7 Because this is an 'administrative decision' there is no call-in period.
- 4.5.8 Where council house retrofits are undertaken as part of the Contract, some leaseholders may also be affected. It is important for the Leaseholder consultation process to be conducted correctly, when appropriate, ensuring adherence to relevant legislation to allow the Authority to claim back any costs where works are required to take place on Leaseholder premises.

4.6 Risk Management

- 4.6.9 The programme has maintained an active risk register which has formed a key part of the dialogue with bidders, to ensure that risks are mitigated and transferred to the most

appropriate party. The most significant risks are lack of customer demand, changing government policy/funding regimes and technical problems/customer service problems.

4.6.10 Risks will continue to be monitored and updated throughout programme delivery.

5 Recommendations

5.1 For Neil Evans to use his delegated authority to sign the Leeds City Council call off contract with KSW and WYCA on the 21st November 2014.

6 Background documents³

6.1 None

³ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.