

Report of the Cabinet Member for Environmental Services, Planning and Sustainability and the Cabinet Member for Homes and Safer Communities

Maximising the opportunities from the Green Deal in York

Purpose of the report

- 1 To inform Cabinet of the progress made to date with the procurement of the Leeds City Region (LCR) Green Deal and Energy Company Obligation (ECO)¹, including the benefits of the scheme and to obtain approval to delegate authority to officers to negotiate the finer details and to call off from the Framework Agreement.

Background to the Leeds City Region (LCR) Green Deal Model:

- 2 The purpose of the procurement was to establish a long-term partnership with a Provider to generate 'green' investment in the LCR, comprising of energy saving technologies in residential properties (focussed on the private sector), jobs and skills, and reduction in fuel poverty and carbon emissions. The OJEU was published on 26 July 2013 and its scope was wide enough for social housing and non-domestic opportunities to be included also.
- 3 Leeds City Council (LCC) originally set out as the Anchor Authority with the intention of LCC signing the Framework Agreement to allow the LCR authorities to call-off from the Framework. The West Yorkshire Combined Authority (WYCA) was created on 1st April 2014 and has legal status; therefore the OJEU for the above could be amended to allow WYCA to sign the Framework Agreement, transferring the risk from LCC to WYCA. All involved parties are currently undertaking due-diligence in this regard.
- 4 This is an unusual procurement in that there is no purchase taking place. Instead, it is a competition to obtain the use of LCR Local

¹ ECO places legal obligations on the larger energy suppliers to deliver energy efficiency measures to domestic energy users. It operates alongside the Green Deal which is designed to help people make energy efficiency improvements to buildings by allowing them to pay the costs through savings made on their energy bills rather than upfront. Customers have the option to use other sources of finance to fund measures (personal loans, savings, etc). They are under no obligation to take out a Green Deal loan. ECO subsidies are provided to householders to install energy efficiency improvements to enable the energy companies to discharge their commitments under the Obligation

Authority branding, access to customer/stock data and marketing channels for the length of the Call-Off Contract which will assist in enabling the successful bidder to discharge their ECO.

- 5 This new programme will have a Framework Agreement and a Call off contract once procured. All partners will use the call off contract to set up programmes of delivery in their areas.
- 6 The whole programme aims to deliver across the region a minimum of 14,000 green deal measures to 12,000 homes over the first 3 years of the contract. However, this is subject to any changes in government policy especially regarding ECO and the Green Deal Home Improvement Fund (GDHIF). Recent changes to these subsidies in particular the reduction in the amount of ECO available and the suspension of the GDHIF from July this year until at least April next year has made it very difficult to predict what the contract will be able to deliver.
- 7 However the LCR approach is currently the only programme available which aims to ensure that the council can continue to increase the energy efficiency of private homes at no cost to authority. It is also expected to create/safeguard local jobs, help alleviate fuel poverty, financial exclusion and contribute to city-wide carbon emissions.
- 8 The procurement is intended to deliver outcomes in respect of social impact through the creation of job and apprentice opportunities
- 9 To ensure timely signing of the Framework Agreement and then subsequent calling off the framework by councils, this paper asks for delegated powers to be given to officers to enable them to make the final decisions on the framework and calling off process to be undertaken.

Main issues

- 10 At the point of writing this paper the Green Deal procurement exercise is still ongoing. At the end of the ISDS stage two bidders were given feedback and advised that they were being taken through to the next stage. Subsequently one of the bidders has made the decision to withdraw from the process. Although this is disappointing and the obvious competitive tension with another bidder has been lost, the Procurement Team are recommending that the other bidder is taken forward as the sole bidder in the process in line with the competitive dialogue regulations. The Procurement Team are currently working on how they can ensure that we can make best of the situation and are now focusing their attention on working with bidder to further develop

their bid, ensuring that the LCR receives a competitive, good quality deal upon Contract Award. A final tender will still be required from the bidder, and this will be evaluated and subject to the same scrutiny as would be the case if two bidders remained.

- 11 In particular Members can be reassured that Key Performance Indicators (KPI's) have been developed to manage the performance of the contract with input from specialist officers in each Authority.²

The KPI's cover five key areas:

- Marketing Activity
- Customer Satisfaction
- Economic and Social Impact
- Information Management/Business Systems
- Finance.

All of the targets are set at and monitored at a collective LCR level, except the following targets:

- Number of properties where Green Deal Measures and ECO measures have been installed.
- Number of Green Deal Measures and ECO Measures installed.

This ensures the Contractor is obliged to deliver services from contract award and that services are fairly distributed in each geographical location. Ultimately failure to meet any of the KPIs could result in termination of the contract and successful achievement of the KPIs will be a key consideration at break clause.

- 12 The procurement team has also appointed technical advisors to provide a benchmark for pricing to ensure that a competitive deal is secured for LCR residents. The prices for measures will be fixed for all residents based on a shopping basket of archetypes that the Contractor will be committed to guaranteeing (subject to bi-annual benchmarking). This means there will be equality of offer for all residents.
- 13 In addition detailed and robust marketing and mobilisation plans have been produced which will ensure customer take up, and in turn these will feed into the targets we have set for achieving LCR ambitions in this area.

² The Management Information that feeds into the collective targets will be broken down by Local Authority area, allowing organisations to understand how the contract is performing in their area

- 14 A minimum threshold for an income share of £60k per annum to fund the position of a Contract Manager, with additional fees to be shared among the participating authorities based on revenue has been set.
- 15 It is the intention in York and the North Yorkshire Councils to use the fee income to create a shared post in the sub region to maximise delivery across the area. The post will be based in York but report to a steering group of officers in the area. Further income is also expected should individual authorities exceed their estimated deployment rates annual. This income is proposed to be used to support further fuel poverty and carbon saving measures in the city.
- 16 Therefore, once the procurement process is complete, (current estimated award date 3rd November 2014), and in order to not prolong and delay rollout of measures in York, delegate powers by a senior officer would enable CYC to then decide quickly, and if appropriate, draw down on the calling off contract. If this is not approved a further paper will need to return to Cabinet after 3rd November. This will slow CYCs ability to deliver quickly upon commencing the new contract.

Options

- 17 There are currently 2 options to maximise delivery of the Green Deal in York which Cabinet are being asked to consider:
 - Option 1** proceed with the LCR Green Deal scheme and give delegated powers to senior officers to then decide and draw down from the Framework Contract
 - Option 2:** not to proceed with LCR GD scheme and look at other local options (currently none are as developed)

Analysis

Option 1 – to proceed

- 18 The advantages and risks of proceeding with the LCR green deal scheme are outlined below. However to mitigate those risks we are seeking to both use the fee income generated from the contract to create a sub regional post to maximise delivery working both with the successful bidder, officers from the York and North Yorkshire Councils, the LCR contract manager and other key partners and communities group.

Advantages of option 1	Risks associated with option 1
<p>Potential local training / employment opportunities</p> <p>Potential for direct stimulation of local economy</p> <p>More scope to ensure the most vulnerable / less attractive properties in York will be included in the programme (private GD providers are more likely to 'cherry pick' the best properties to maximise profits)</p> <p>Will enable the council to fulfil its legal requirements under HECA</p> <p>Support for wider local strategic priorities in particular our ambitious target to reduce carbon emissions by 40% by 2020 and better health outcomes. Without the Green Deal (or its predecessors such as CERT) it will be difficult to secure funding for the levels of retrofit required to support York reaching its challenging carbon reduction targets by 2020.</p>	<p>Depending on the procurement of a LCR GD programme, there is the risk that training / employment opportunities and direct stimulation of local economy may only occur in Leeds with no or reduced local benefit to York</p> <p>Lower than expected uptake of GD measures so unable to sign up the minimum 12,000 homes across the sub region.</p> <p>Reputational risk to LAs associated with poor installations and customer service</p> <p>Length of time before procurement process completed means it is unlikely any measures will be installed before 2015</p> <p>Potential future changes in government policy (also the feed in tariffs programme)</p>

Option 2- Not to proceed

- 19 This option would let the market deliver GD as it sees fit, with little or no council involvement. This would mean that CYC would have no designated model to deliver energy efficiency improvements to the private housing stock post 2013 and this will greatly affect the city's ability to improve housing standards, reduce fuel poverty and decrease carbon emissions from the domestic sector (currently approx. 38% of York's carbon footprint). It would also mean that we would have very limited involvement in the homes and areas targeted, and could result in those in greatest need missing out.

Advantages of option 2	Risks associated with option 2
<p>No upfront investment required by public sector bodies so no financial risks to LAs</p> <p>No resource expenses / burden</p> <p>No or less reputational risk to LAs as a result of poor performance</p> <p>Arguably more scope for private sector expertise / commercial know how and innovation resulting in a more effective / deliverable approach</p>	<p>Less influence over stimulus for local jobs and the economy</p> <p>No potential for income generation stream for LAs</p> <p>Potential failure to achieve priorities on fuel poverty / climate change as Green Deal Providers opt to work in other local authority areas through agreed partnership GD programmes such as the LCR model.</p> <p>Exclusion of those who need assistance most</p> <p>Won't enable the council to fulfil its legal requirements outlined in HECA</p> <p>Less support for wider strategic priorities including reducing carbon emissions and improving health.</p>

Consultation

- 20 Although the procurement has been led by the Public Private Partnerships Unit in Leeds City Council, all Authorities including York 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 with the Housing Services Manager being the York and North Yorkshire representative. 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 (see financial and procurement implications)
- 21 Since 2012 in York there has been an internal officers working group meeting on a regular basis to ensure that York can maximise the potential from this scheme
- 22 Leaseholders in Council properties need to be consulted if the contract is to be applied to block of flats with mixed tenure. 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 some feedback received by the Leaseholder team. A second round of consultation is to take place during the ISRS stage of the procurement. It is anticipated the second stage will start on 1st October and will last for 37 days. This means Contract Award can take place in November and falls outside of the Approvals processes for all participating Authorities.

- 23 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.

Council Plan

- 24 The LCR Green Deal Scheme will support and contribute to the aims of the following Council Plan Priorities –
- Create Jobs and Grow the Economy – has the potential to ensure that jobs and apprenticeships are created and maintained in the region –see table in 2.4
 - Get York Moving – Housing provision of the right type and affordability makes York an attractive place to live and promotes quality of life for the community
 - Builds Strong Communities – Contributes to sustainable neighbourhoods and communities
 - Protects Vulnerable People – Ensures that CYC has input in so that the most economically and socially vulnerable households are targeted and fuel poverty is reduced
 - Protects the Environment – Directly contributes to this priority especially the reducing carbon emissions objective by the introduction of the energy efficiency measures to homes throughout the city, thus reducing the amount carbon they emit from heating and powering their homes.
 - It also will support the city’s climate change action plan. It also contributes towards the local housing priorities within the City of York Housing Strategy 2011-2015 and particularly with the objectives of Strategic Aim 5 of the Draft York Private Sector Housing Strategy 2014-2019.

Communications:

- 25 The Chief Executive and the Leader has received regular briefings on the LCR business model.

Financial and Procurement Implications

- 26 A successful DiF bid in March 2013 has covered City of York Council's share (£41k) of the £600,000 procurement costs for the first three years of the 25 year programme and also enabled £5k to purchase energy performance data of the stock and collate and analyse data to create a targeted approach to maximising the LCR model in York.
- 27 All LCR Local Authorities have contributed to the procurement process and due to the complexity of the project the competitive dialogue process was selected.
- 28 Value for Money – competitive bid process with benchmarking built in as part of the Contract.
- 29 There are no specific financial implications for the Housing Revenue Account Capital Programme. However there may be opportunities for the council to maximise any investments, these will be explored with the provider. 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.

Human Resources Implications

- 30 We are also seeking to use the income generated from the scheme to create a shared sub regional post to ensure the successful delivery of the scheme and meet the targets set out in the call off contract.

Equalities Implications:

- 31 A Community Impact Assessment has been completed and is attached as Appendix A. Green Deal including ECO and the Green Deal Home Improvement Fund is the only option available for residents who want to improve the energy efficiency of their home and reduce fuel poverty, following the demise of current government programmes such as CESP/CERT and Warmfront.

Legal Implications:

- 32 The dialogue process has had a specific work stream 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.

In line with procurement rules this contract is a 'key decision' and therefore there is a call-in period of five days.

Risk Management

33 There are risks of not delivering the scheme which we have highlighted in table under paragraph 18 which we are seeking to mitigate through the employment of the shared sub regional contracts manager. A full register also accompanies the LCR procurement exercise and is available on request.

Conclusions

34 The collaborative procurement of a long-term partnership brings about big benefits for the Leeds City Region, but also brings with it some challenges. The principles benefits that this contract will bring include:

- Investment made in local homes and businesses, local jobs.
- GVA growth.
- Reduction in fuel poverty and city-wide carbon emissions
- A good quality, Value for Money offers for residents because we have used competitive dialogue to get best deal.

35 It also ensures standardised measures are available and processes agreed regardless of where residents live or work, there is one quality continuous offer and one point of contact. The joined up approach will also enable all Authorities to respond to future changes in legislation, new funding regimes and new technologies.

Recommendations to Cabinet:

- (i) Approve in principle the participation of the Authority in the Leeds City Region Green Deal Project including support for the Framework and commitment to use the Call-Off Contract.
- (ii) Delegate authority to the Director of Communities and Neighbourhood, in consultation with the Assistant Director of Governance and ICT, to negotiate and agree the commercial terms of the Call-Off Contract, and delegate authority to the Assistant Director of Governance and ICT, or authorised representative, to enter into and sign the Contract

- (iii) To delegate authority to the Housing Services Manager to take operational decisions to attend the Home Energy Project Board (HEPB).
- (iv) To monitor progress through the HEPB and receive annual progress reports.

Reason: To enable CYC to draw down on the framework contract and begin installing measures in homes as soon as possible for the benefit of York residents.

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	Report Approved	✓	Date 26 September 2014

Wards Affected: All	
For further information please contact the authors of the report	

Annex - Appendix A – Community Impact Assessment

Background papers

Source Papers	Location
Meeting Date: 1 st July 2014 Item Title: LCR Green Deal scheme Meeting Date: 11 th April 2013 Item Title: LCR Green Deal Scheme Meeting Date: 7 th February 2013 Item Title: LCR Green Deal Scheme	www.leedscityregion.gov.uk
Meeting Date: 6 th December 2012 Item Title: LCR Green Deal Business Case	
Meeting Date: 2nd February 2012 Item Title: Options for Delivering and Financing the Green Deal	