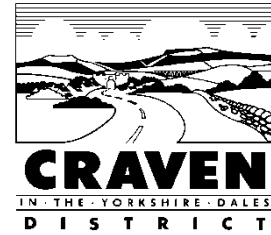


**Policy Committee – 16th
September 2014
LEEDS CITY REGION GREEN
DEAL AND ECO SCHEME**



Report of the Deputy Chief Executive

Ward(s) affected: All

1 **Purpose of Report** –

- a) To inform Members of the progress made to date with the procurement of the Leeds City Region Green Deal and ECO (Energy Company Obligation) Scheme and to obtain approval to 'Call-Off' from the Framework Agreement.
- b) To inform Members of the benefits of the scheme to help in their decision making in respect of 'Call-Off'

2. **Recommendations** – Members are recommended to:

- 2.1 Delegate authority to the Solicitor to the Council to agree the commercial terms of the Call-Off Contract and sign the Contract.
- 2.2 Delegate authority to the Environmental Health & Housing Services Manager to take operational decisions including the attendance of the Home Energy Project Board (HEPB).
- 2.3 Approve the creation and funding of a joint project management post between like-minded partners in the Leeds City Region to manage the relationships between the Green Deal Provider and the local authorities.

3. **Summary of Main Issues**

- 3.1 Members may recall that in April 2013 this Committee approved the Council's participation in the Leeds City Region Green Deal Scheme (POL.507). Since that time 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.
- 3.2 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 who may call-off later due to existing contractual arrangements).
- 3.3 Each Call-Off Contract will run until 2022 with regular performance reviews against Key Performance Indicators (KPIs) and a break clause after 3 years. The terms of

AGENDA ITEM 12

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.

- 3.4 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 ECO services to private households within each LA area.
- 3.5 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.
- 3.6 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.
- 3.7 LCR Authorities have the option to use this contract on a non-exclusive basis for their corporate estate and to promote it to Small Medium Enterprises (SME's) but are under no contractual obligation to do so.
- 3.8 There is a Contract Management mechanism built in to the Call-Off contract to ensure robust management of the contract, ensuring services are delivered and to generate some income for the Authorities.

4. **Background information**

- 4.1 The project follows on from the Domestic Energy Efficiency Programme (DEEP) scheme which procured a number of partners through which Local Authorities could provide domestic energy saving schemes based on areas or particular measures. The original DEEP scheme was a success and so Leaders and Chief Executives considered continuing the collective approach to widen the scope of the scheme and change the focus of measures and installations to take advantage of the new ECO scheme which commenced in 2012.
- 4.2 The purpose of this 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. 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.
- 4.3 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 WYCA was created on 1st April 2014 and has

AGENDA ITEM 12

legal status, the OJEU can 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.

- 4.4 This is an unusual procurement in that there is no monetary purchase taking place. Instead, it is a competition to obtain the use of LCR Local 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.
- 4.5 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.
- 4.6 ECO subsidies are provided to householders to install energy efficiency improvements to enable the energy companies to discharge their commitments under the Obligation.
5. **Main issues**
 - 5.1 During the procurement process there have been some major changes in Government policy, notably:
 - a) Significant reduction in ECO
 - b) Significant increase in cash back incentives (Green Deal Home Improvement Fund)
 - 5.2 These changes have changed the likely mix of measures to be installed and have altered the potential value of the contract to bidders in the short-term. However, these issues have been discussed in detail with the bidders and the potential impacts have been reflected in the procurement process.
 - 5.3 Key Performance Indicators (KPI's) have been developed to manage the performance of the contract with input from specialist officers in each Authority. The KPI's cover five key areas:
 - a) Marketing Activity
 - b) Customer Satisfaction
 - c) Economic and Social Impact
 - d) Information Management/Business Systems
 - e) Finance.

AGENDA ITEM 12

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.

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.

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.

- 5.4 It is worth noting that each local authority in the City Region will need to drive the development, marketing and introduction of the Leeds City Region Green Deal.

The Council as with other Leeds City Region authorities in North Yorkshire and York do not have the capacity to deliver the above requirements. It is therefore proposed that this Council in partnership with Harrogate Borough Council, Selby District Council and the City of York Council jointly fund a Project Manager post to deliver the aforementioned requirements. The funding for this post would be from existing Departmental resources and the additional income fees derived by the Green Deal Provider shared amongst the participating authorities.

- 5.5 The procurement is intended to deliver outcomes in respect of social impact through the creation of job and apprentice opportunities. Please see below table that details the minimum targets for social impact:

AGENDA ITEM 12

Month	Total
Education site visits/workshops	12
Community site visits/workshops	12
Work experience - p/w	200
Apprentices existing - p/w	M
Apprentices existing - no.	M
Apprentices project initiated - p/w	1457
Apprentices project initiated - no.	20
Short Courses	M
Entry Level 1 Qualifications	100
Level 2 Qualificatons	20
Higher Level 3+ Qualifications	M
Employment (local)	44
Employment (LCR)	114
Employment (Other)	44
Employment safeguarded	19
Business event held	12
Social Enterprise engaged	1
LCR businesses engaged	M
Y&H businesses engaged	M

*M = Monitored, no specific target.

As part of the evaluation process bidders have detailed how they will meet or exceed the targets stipulated and provide a rationale for how they will appoint to posts through filling skill gaps.

- 5.6 Detailed and robust marketing and mobilisation plans have been produced by the Authorities which seek to ensure customer take up, and in turn these will feed into the targets we have set for achieving LCR ambitions in this area.
- 5.7 The procurement team has 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.
- 5.8 Exclusivity is not being granted for social housing or non-domestic/Small Medium Enterprise (SME) opportunities. However, the Authorities that have Council housing stock can use the Contract to request pricing for any energy efficiency or renewables projects they would like to consider. This approach means that Authorities can avoid entering into lengthy (and costly) procurements, and deliver local priorities in a timely fashion.

The Authorities have set a minimum threshold for an income share of £60k per annum to fund the position of a Leeds City Region Green Deal and ECO Scheme Contract Manager, with additional fees to be shared among the participating authorities based on revenue.

AGENDA ITEM 12

- 5.9 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.

6 Implications

6.1 Financial and Value for Money (vfm) Implications –

The proposed Project Management post can be funded from existing resources and the additional income fees derived by the Green Deal Provider shared amongst the participating authorities.

6.2 Legal Implications –

The legal implications are outlined in the report.

6.3 Contribution to Council Priorities –

The participation in Green Deal directly contributes to one of the Council Priorities of a 'Greener Craven'.

6.4 Risk Management –

6.5 Equality Analysis –

An Equality Impact analysis has been undertaken and there is no negative impact resulting from participation in the Leeds City Region Green Deal and ECO Scheme.

7. Consultations with Others –

Solicitor to the Council and Payments and Risk Manager

8. Access to Information : Background Documents – Nil

9. Author of the Report –

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Note : Members are invited to contact the author or Annette Moppett in advance of the meeting with any detailed queries or questions.