

North Tyneside Council Report to Cabinet Date: 14 January 2013

ITEM 7(f)

Title: Procurement of a partner to access external funding to deliver energy efficiency works in cross tenure homes within North Tyneside

Portfolio(s): Transport and the Environment

Housing

Cabinet Member(s): Cllr Ed Hodson

Cllr P Mason

Report from Directorate: Community Services

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Tel: 6437295

Wards affected: All

PART 1

1.1 Purpose:

This report seeks Cabinet's approval, in accordance with the Council's procurement rules, to undertake an EU-compliant procurement exercise to identify a preferred partner to access external funding, such as Energy Company Obligation (ECO) funding, to deliver energy efficiency works to cross-tenure homes within North Tyneside. Under Contract Standing Order 8(4), Cabinet's authority is required to proceed with the procurement exercise as the estimated potential contract value exceeds £500,000.

1.2 Recommendations:

It is recommended that Cabinet:-

- (1) Agree to undertake an EU-compliant procurement exercise in order to identify a preferred provider to access external funding, such as Energy Company Obligation (ECO) funding, to deliver energy efficiency works to cross-tenure homes within North Tyneside;
- (2) Authorise the Head of Environmental Services and the Head of North Tyneside Homes, in consultation with the Head of Legal, Governance and Commercial Services, the Strategic Director of Finance and Resources, the Elected Mayor, the Cabinet Member for Transport and the Environment and the Cabinet Member for Housing, to undertake a procurement exercise to identify a preferred provider for the above purposes in accordance with all applicable procurement rules, including authority to undertake the following:
 - a. Determine the most appropriate procurement process, including the scoping of the exercise;

- b. Approve the specification, the procurement documentation and other contract terms;
- c. Determine the duration of the contract;
- d. Approve the evaluation criteria;
- e. Oversee the project procurement and delivery; and
- f. Award the contract and manage the contract monitoring process.

1.3 Forward Plan:

28 days' notice of this report has been given and it first appeared on the Forward Plan that was published on 12 December 2012.

1.4 Council Plan and Policy Framework

This report relates to the priority Quality of Life in the Sustainable Communities Strategy 2010-13, and to the Council's Climate Change Strategy 2010-15.

1.5 Information:

1.5.1 Context

The Climate Change Act 2008 introduced a statutory target for the UK to reduce its carbon dioxide emissions by 80% by 2050, with an interim target of 34% by 2020 (against a 1990 baseline).

Cabinet agreed a number of strategies and plans that demonstrate commitment to reducing carbon dioxide emissions in North Tyneside, including;

- Climate Change Strategy 2010-2015
- EU Covenant of Mayors (Sustainable Energy Action Plan) 2010-2020
- Carbon Management Strategy 2010-15

Reducing carbon dioxide emissions in the domestic sector is a key objective of these strategies.

A key mechanism for reducing carbon dioxide emissions across the Borough is to promote energy efficiency in the domestic market. Over the past four years (2008-2012) North Tyneside Council has done this through working in partnership with Warm Zone Community Interest Company to deliver the North Tyneside Warm Zone (NTWZ) scheme.

Since 2008, NTWZ has completed nearly 19,000 insulation measures (predominantly cavity wall and loft insulation) in over 15,000 cross tenure homes in North Tyneside.

However, the private sector funding for the scheme, provided through the Carbon Emission Reduction Target (CERT) supplier obligation, ended in December 2012. Therefore, the NTWZ scheme stopped delivering CERT funded insulation measures at the end of November 2012.

In order to continue North Tyneside Council's excellent track record of delivering energy efficiency works in the domestic sector, Council Officers explored emerging legislation and subsequent funding opportunities.

1.5.2 Energy Company Obligation

The Energy Act 2011 made provision for the development of a Green Deal and a new Energy Company Obligation (ECO) to replace CERT.

Through the ECO, the Government has placed a legal obligation on the 'big six' energy companies requiring them to promote measures which improve domestic energy efficiency, reduce carbon dioxide emissions and reduce the cost to households of heating their homes.

The Government sets an overall target, which is then apportioned to the energy companies according to their market share. Companies meet their targets by promoting the uptake of energy saving solutions, such as insulation, to household consumers.

The Department of Energy and Climate Change (DECC) estimates that approximately £1.3 billion per year in funding will be provided for domestic energy efficiency measures by the 'big six' energy companies.

Soft market testing has indicated that at least two of the 'big six' energy companies would be willing to work with North Tyneside Council to deliver ECO funded energy efficiency works in homes across North Tyneside, either by directly managing a scheme or by working through a managing agent, as is the current case with NTWZ. Therefore the procurement exercise specification will allow the preferred partner to be one of the 'big six' energy companies or a managing agent who could attract and manage funding from one of these companies.

The match funding provision as set out in section 2.1 of this report will attract external funding as it will contribute to achieving higher levels of carbon dioxide emission reduction for the obligated energy companies.

It is anticipated that the range of measures will deliver leverage of between £5 and £10 for every £1 invested by North Tyneside Council. The level of ECO funding received is different for each measure delivered, e.g. solid wall insulation versus heating system repairs and improvements. Therefore, careful analysis of potential measures is needed to determine the level of ECO funding that can be expected.

The funding will be used to deliver energy efficiency measures in homes across North Tyneside in the affordable warmth, carbon and carbon saving communities obligation categories of ECO. At this stage the majority of the value of the work would be expected to be spent on solid wall insulation, hard to treat cavity insulation and boiler replacement.

The actual delivery of the energy efficiency measure is likely to be undertaken by a number of specialist providers. They will be appointed by the preferred partner and act as subcontractors to them. In the selection of the partner due consideration will be given to how any subcontractors can support the local economy.

1.5.3 Carbon dioxide emissions in North Tyneside

Carbon dioxide emissions in North Tyneside overall fell by 19% between 2005 and 2010. The largest source of the decrease was in relation to Industry and Commerce, where emissions decreased by 30%, due to a shift in the nature of industry in the Borough and the increased awareness of the need to and benefits from reducing energy consumption by many organisations.

The domestic sector is the largest source of carbon dioxide emissions in North Tyneside, at 38%, with 35% caused by Industry and Commerce and 27% by road transport. However, domestic sector emissions decreased by 12% between 2005 and 2010 despite a growing population and an increase in the number of homes in the Borough.

A wide range of energy efficiency measures are available under ECO funding which will reduce carbon dioxide emissions within the domestic sector.

1.5.4 Fuel Poverty

The term “Fuel poverty” is used to describe households where over 10% of household income is spent on fuel. DECC 2010 data shows that nearly 17,000 households in North Tyneside suffer from fuel poverty (equivalent to 19% of North Tyneside households). Sub-regionally (Tyne & Wear) 21.1% of households suffer from fuel poverty and regionally (North East England) the figure is 21.2%.

ECO funding can be used to most effectively target those households in fuel poverty for installation of suitable energy efficiency measures.

1.6 Decision options:

The following decision options are available for consideration by Cabinet:

Option 1 – Cabinet may approve the recommendations in 1.2

Cabinet may choose to approve the recommendations set out in section 1.2 of this report to proceed with the procurement of an appropriate provider partner to attract external funding and deliver energy efficiency measures.

Option 2 – Cabinet may not approve the recommendations in 1.2

This would mean that North Tyneside Council would not work in a coordinated manner with a partner to attract external funding to deliver energy efficiency works in homes across North Tyneside.

Option 1 is the recommended option.

1.7 Reasons for recommended option:

Option 1 is recommended for the following reasons:

Procurement of a suitable partner will:

- Leverage in external funding – it is anticipated that the range of measures will deliver leverage of between £5 and £10 for every £1 invested by North Tyneside Council.
- Reduce CO₂ emissions – a wide range of energy efficiency measures are available under ECO funding which will reduce carbon dioxide emissions within the domestic sector.
- Reduce levels of fuel poverty – ECO funding will be used to target those households in fuel poverty and households which are in receipt of certain benefits.

1.8 Appendices:

None.

1.9 Contact officers:

Phil Scott, Head of Environmental Services, tel. (0191) 643 7295
Catherine Lyons, Senior Manager, Waste and Environmental Sustainability, tel. (0191) 643 7780
Paul Nelson, Environmental Sustainability Manager, tel. (0191) 643 6467
Alison Campbell, Finance Business Manager, tel. (0191) 643 7038
Sarah Heslop, Manager Commercial Team, Legal Services, tel. (0191) 643 5456

1.10 Background information:

The following background paper/information has been used in the compilation of this report and is available at the office of the author:

- (1) [The Green Deal and Energy Company Obligation: Government Response to the November 2011 Consultation](#) -

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

There is provision in the capital plan of £0.200m to be profiled at £0.100m per year in 2013/14 and 2014/15 in order to attract external funding anticipated to be in the region of between £1m and £2m.

A revenue contribution of £0.050m per year is also within current budget.

The contract will require that the preferred partner ensures that the level of the Council's financial contributions is not exceeded.

2.2 Legal

As the predicted value of the contract exceeds £500,000, this procurement process requires Cabinet approval. The proposed procurement process will be undertaken in compliance with the Council's Contract Standing Orders and EU and UK public procurement requirements.

Contracting arrangements with the proposed new partner will be upon terms agreed by the Head of Legal, Governance and Commercial Services to secure the delivery of the Council's objectives and ensure appropriate controls are in place. It is anticipated that the delivery of energy efficiency works will be managed by the partner and where required, suppliers will be contracted directly to the preferred partner.

The appointment of a new provider may have TUPE implications.

2.3 Consultation/community engagement

2.3.1 Internal Consultation

The Cabinet Members for Transport and the Environment, and Housing, and the Change, Efficiency and Improvement Theme C Board have been consulted about the procurement and will be consulted throughout the process.

The procurement will be advertised in the Official Journal of the European Union (OJEU) and therefore all relevant businesses in the market place will potentially be engaged.

2.3.2 External Consultation/Engagement

Soft market testing has indicated that at least two of the 'big six' energy companies would be willing to work with North Tyneside Council to deliver ECO funded energy efficiency works in homes across North Tyneside.

Since the start of the North Tyneside Warm Zone scheme over 51,000 home surveys have been completed to identify energy efficiency opportunities. This data will be used to prioritise potential energy efficiency works.

2.4 Human rights

There are no human rights implications directly arising from this report.

2.5 Equalities and diversity

There are positive implications of accessing external funding to deliver energy efficiency measures to homes in North Tyneside. For example, ECO funding will be used to target those households in fuel poverty and households which are in receipt of certain benefits.

2.6 Risk management

The proposed procurement process will be undertaken in compliance with the Council's Contract Standing Orders and EU and UK public procurement requirements.

Risks identified as the project is taken forward will be addressed and monitored in compliance with the Council's risk management process.

2.7 Crime and disorder

There are no crime and disorder implications directly arising from this report.

2.8 Environment and sustainability

This project will reduce carbon dioxide emissions in the domestic sector in North Tyneside and also reduce energy costs for residents through accessing external funding for energy efficiency measures.

PART 3 - SIGN OFF

- Chief Executive X
- Strategic Director(s) X
- Mayor/Cabinet Member(s) X
- Chief Finance Officer X
- Monitoring Officer X
- Strategic Manager Policy and Partnerships X