

Procurement Committee On 18th July 2006

Report Title: Energy Efficiency Scheme: - request for waiver of requirement to tender.

Forward Plan reference number (if applicable) N/A

Report of: Anne Bristow – Director of Social Services

Wards(s) affected: **All (potentially)**

Report for: **Non-Key Decision**

1.0 Purpose

1.1 To seek Member agreement to waive the requirement to tender under Contract Standing Orders.

2.0 Introduction by Executive Member

2.1 Energy Conservation and Fuel Poverty are high priorities within both our Private and Public sector elements of our housing strategy. This project has been very successful in helping residents to access special grants and in delivering significant outputs for our strategy. I have been assured that the recommended approach is justified and the best value option for the council. Therefore I endorse the recommendations.

Contact Officer: Rogerio Antunes – Head of Asset Management, Tel: 020 8489 1229

3.0 Recommendations

3.1 That Members agree the waiver of Contract Standing Order (CSO) 6.4 (requirement to tender), as allowed under CSO 7, in accordance with waiver requirements noted

Report Authorised by:

Director of Social Services

4.0 **Reasons for any change in policy or for new policy development (if applicable)**

4.1 Not Applicable

5.0 **Local Government (Access to Information) Act 1985**

5.1 The following background documents were used in production of this report:

- Energy Saving Trust – Practical Help literature– January 2005
- Energy efficiency measures Market Testing - Contractor returns
- Parliamentary Warm Homes Group Report – October 2004
- GOLSub Regional Housing Partnership letter of 20th Feb 2006

5.2 Part B

This report contains exempt and non-exempt information. Exempt information is contained in **Part B** and is **not for publication**. The exempt information is under the following category (identified in the amended Schedule 12A of the Local Government Act 1972).

6.0 **Background**

- 6.1 In 2003 Haringey Council with Haringey Homes & Building services leading entered a contract with British Gas Trading Ltd (BG) to deliver energy efficiency measures to public housing residents. In so doing Haringey became a 'flagship Local Authority', delivering the BG "Home Essentials for Living Programme" (HELP scheme).
- 6.2 BG's HELP scheme is designed to help residents out of 'fuel poverty'. The programme consisted of subsidised draft proofing, cavity wall and loft insulation, radiator panels and thermostatic valves etc. HELP also provided advice to residents on securing benefits while providing subsidised, or free, home security measures including chains and peepholes for the vulnerable and elderly.
- 6.3 Haringey's Environmental Services entered a parallel contract with BG to provide a similar range of services to the private sector, including Haringey Leaseholders.
- 6.4 Environmental Services selected qualifying occupiers by identifying geographical areas and writing to occupiers inviting them to sign up to the scheme. This method of identification proved successful and is proposed to continue to 2008. This will be augmented with road show publicity events.
- 6.5 Between September 2005 and June 2006 over five thousand public sector housing properties were surveyed, and seven hundred and fifty four properties (equivalent to 15% of the surveyed stock) received the range of energy conservation measures.

- 6.6 This relatively low ratio is in part due to the fact that Haringey consistently insulated cavities and lofts under the annual Housing Capital Programme (funded via the MRA and SCE) and hence few cavities and lofts remain to be insulated.
- 6.7 Energy conservation measures undertaken via the BG contract and Housing capital works programme over 2004/05 financial year yielded a sample of properties achieving a draft energy SAP rating of 66.07. This is equivalent to 2 points above Haringey's LPSA target. This 'SAP report' will be reviewed and issued in due course to advice on BVPI 63.
- 6.8 The Council's success in filling cavities and lofts necessitates Haringey now look for innovative ways to continue SAP improvements. It is anticipated these measures will be less cost effective than cavity and loft insulation, hence a review of measures and value for money is proposed over the 2006/07 financial year.
- 6.9 This BG contract was 'managed' by the Housing Service (now via the councils ALMO Homes for Haringey (HfH)) delivering all public housing projects. Environmental Services managed the contract for all Private sector occupiers. These client side management arrangements are intended to be maintained to 2008.
- 6.10 Contract administration was provided by EAGA Partnership for the 2004/05 financial year. EAGA's service (including delivery of tabulated record data on all energy measures) was provided for a fee of 10% capital cost.
- 6.11 EAGA's role was reviewed at the end of 2004/05 and it was concluded this could be provided by BG and their sub contractors for no additional fee for the 2005/06 programme. This was implemented and successfully achieved. This arrangement is proposed for the 2006/07 and 07/08 financial years as it will deliver better value for money for the Council and residents.
- 6.12 A minimum of five percent quality checks are undertaken by BG's installation contractor via a third party. HfH undertake further five percent independent checks via the construction related consultancy service (CRCS) Consultant for a cost of circa £65 per property.
- 6.13 The current contractor provides a third party underwritten 25 year guarantee for all cavity wall insulations. Provided via the 'Cavity Insulation Guarantee Agency' (CIGA) this guarantee ensures defective work is rectified at no cost to the Council. This method of guarantee is intended to be retained to 2008.
- 6.14 The Housing Service energy efficiency contract with BG came to an end on 30th June '2006. Environmental Services energy efficiency contract with BG came to an end in March 06.
- 7.0 Budget
- 7.1 The programme of energy conservation measures for public sector housing will be funded from the Housing Capital Programme to the end of 2008. An agreed

budgetary resource of £240k is available in the 2006/07 financial year and a further £300k is proposed for the 2007/08 financial year.

- 7.2 The programme of energy conservation measures in private sector will be funded using money secured by Environmental Services through the North London “Sub-Regional Housing Partnerships”. This funding is provided directly from the Department for Communities and Local Government (formerly the Office of the Deputy Prime Minister) and must be specifically spent on achieving the thermal comfort element of the decent homes standard.
- 7.3 The “Sub-Regional” budgetary provision for 2006/07 financial year is set out in part B of this report.
- 7.4 The Sub-Region has submitted a further bid for 07/08 and comments are set out in part B of this report.
- 7.5 Sub-Regional funding will be used to carry out works within the private sector properties identified by Environmental Services and will be subject to occupier means testing. The intent is to address vulnerable home owners, leaseholders and private tenants.
- 7.6 The preferred Contractor identified in Part B provides an addition of a ‘Community Fund allocation’ of £5 per property receiving measures. This money will be made available for community schemes such as play areas. Homes for Haringey will manage implementation of these projects.
- 7.7 The preferred Contractor identified in Part B does not charge a separate survey or management fee where energy efficiency measures are required. Where no measures are found a nominal £25.00 fee per property is charged. This is a cost effective means of determining the current energy efficiency rating of a property (SAP rating) and hence offers VFM from an otherwise abortive exercise.

8.0 Description

- 8.1 Generally, only major energy providers have access to the substantial Government incentives utilised to subsidise energy conservation measures and resource added value of the HELP or similar schemes. The market supply of providers is therefore very limited, and a short list was agreed with the Councils Central Procurement Unit.
- 8.2 A list of potential services provided under ‘here to HELP’ scheme is in Part B (Appendix 3) of the report.
- 8.3 Within the schemes offered by the providers there is known to exist a great deal of variation in the structure of grant and assistance programmes hence best VFM for Haringey’s specific needs would be difficult to assess from a formal priced tender. Market testing, with an emphasis on identifying levels of subsidy and qualitative ‘value add services’ was considered the best vehicle to assess VFM.
- 8.4 Homes for Haringey carried out a ‘Market Testing’ exercise on behalf the Housing Service and Environmental Services departments (26/05/06). The intention was to

establish an empirical comparison of the price and qualitative offerings and hence VFM of the limited number of Energy Efficiency providers able and willing to offer service to Haringey. The results are within part B of this report.

- 8.5 Market testing documents were issued to five national energy (conservation) providers. Two providers responded.
- 8.6 Both returned submissions were evaluated by HfH team via a 70 : 30 quality : cost basis. The qualitative questionnaire and pricing schedule with HfH scoring and comments are contained in Part B of this report.
- 8.7 The results of the market testing demonstrated a clear winner and hence 'preferred provider'.
- 8.8 It is proposed that Housing Service offer the 'preferred provider' an opportunity to work with the councils proposed Constructor Partners (currently being procured by HfH) to deliver energy conservation measures within £200m Decent Homes Standards programme starting in 2007. This is dependant upon securing funding from the Government and attaining an Audit Commission two star rating.
- 8.9 It is proposed that Environmental Services will utilise this 'preferred supplier' to deliver energy conservation measures to the private sector, meeting targets set by Government Office for London as part of the North London sub regional delivery programme.
- 8.10 This single 'provider' will simplify arrangements to install energy conservation measures in Haringey housing block of mixed tenure within the public and private housing sector.

9.0 Consultation/Leasehold Implications

- 9.1 The output of this scheme is limited to achieving improved thermal efficiency and providing resident assistance via the BG HELP scheme providing benefits advice and security measure for pensioners and the vulnerable.
- 9.2 Communication has been carried out through the media 'Tenant Star', (now 'Homes Zone') and posters at Customer Service Centres to get the feedback and comments on the existing scheme.
- 9.3 As a result of applications made under the Right to Buy legislation, there will be leaseholders as well as council tenants, living in the properties affected by the works described in this report.
- 9.4 It is proposed to consult leaseholders by issuing a Section 20 Notice with the aim of setting up of a qualifying long term agreement with a contractor to carry out these works.
- 9.5 Charges to all leaseholders are limited to the estimates contained in their Offer Notices. Invoices for these works will be included with the annual Certificate of

Actual Service Charge, which is sent to every leaseholder after the end of the financial year.

- 9.6 Public sector leaseholders and private sector occupiers may qualify for a grant for these works funded by Environmental Services private sector budget.

10.0 **Summary and Conclusions**

- 10.1 Haringey require a means of delivering subsidised energy conservation works to public and private sector housing, with the principle aim of alleviating fuel poverty and achieving the councils agreed energy SAP ratings.
- 10.2 Market testing was deemed the most suitable method of evaluating the limited market of major energy provider's. (who have access to the necessary subsidy).
- 10.3 The invitation to the 'market test' was issued to five of providers, and two responses were received. Assessment of the responses was undertaken on a quality and cost basis.
- 10.4 Market testing indicated the 'preferred supplier' would ensure grant funding (subsidise energy conservation measures) to Haringey until March 2008. The competing provider could not provide grant funding; placing them at a significant commercial disadvantage. The preferred supplier's qualitative submission was also superior. Part B contains the full analysis.
- 10.5 A single contract with the preferred supplier can bring real benefits in reducing fuel poverty and increasing thermal comfort to public and private housing sector.
- 10.6 A further benefit of a single provider (to both private and public housing). is the ability to deliver mixed tenure blocks under a single contract.

11.0 **Recommendations**

- 11.1 That Members approve a waiver of CSO 6.4 as allowed under CSO 7.2. i.e. that it is in the Council's overall interests, as set out in this report
- 11.2 That members agree the market testing exercise utilised, referred to in Part B of this report, is acceptable in lieu of a formal tender process.
- 11.3 That Members note the intention to spend £240,000 from the Housing Services Capital Budget to address public sector housing measures under this contract in the 2006/07 financial year.
- 11.4 That Members note the intention to spend £340,000 provided from Environmental Services budget to undertake measure to Private Sector properties within the financial year 2006/07.

12.0 Equalities Implications

- 12.1. The energy efficiency measures programme will be of direct benefit to residents of homes targeted, irrespective of race or religion and includes disabled, elderly and people from ethnic minorities.
- 12.2 Residents on low income will particularly benefit from the energy saving measures, assisting them to escape the Governments defined criteria of 'Fuel Poverty'.

13.0 Health and Safety Implications

- 13.1 The Construction design and Management (CDM) 1994 apply to this programme and a Panning Supervisor has been appointed by HfH to ensure all statutory obligations are met and providers maintain KPI safety targets.
- 13.2 A Criminal Records Bureau checking procedure will be followed for operatives who will be visit Council or private properties under this scheme.

14.0 Sustainability Implications

- 14.1 The pre and post SAP rates are worked out by the contractor and reported to Haringey prior to project completion. We aim to achieve an average increase of two SAP points in each property under this scheme.
- 14.2 All energy efficiency measures carried out under this programme will support the new Haringey Fuel Poverty and Private Sector Housing Strategy. It will also help to improve the overall thermal comfort of the properties and reduce the fuel usage and carbon dioxide emissions when the existing boilers are replaced with the recommended energy efficient 'A' rated condensing boilers. Two energy saving bulbs (issued free of charge)per property will be distributed through their sub-contractors.
- 14.3 This programme deals with the most vulnerable within the borough dealing specifically with properties where an occupant's health is affected or exasperated by cold and damp conditions or where families cannot look after their sick relatives due to draughts and heat losses. Needy residents will be prioritised.
- 14.4 Under the present scheme the elderly residents (over 60 years of age) and living in high crime areas will get safety and security devices such as spy holes, safety chains and door bolts installed. Also the contractor will carry out a free gas safety check after the cavity wall insulation.
- 14.5 Under this scheme all residents in public housing and residents in receipt of qualifying government benefits in private rented or owner occupier households will receive advice to identify whether they are claiming all benefits they are entitled to.
- 14.6 The timber framed building cavities will be filled (where possible) with a material made out of the recycled newspaper called 'Warmcell' under this 'here to HELP' programme. This material can only be used in timber framed buildings.

- 14.7 The appointed sub contractors are instructed to dispose waste materials, in a controlled manner to reduce the amount of waste to a minimum. Also the contractors are contractually bound to dispose the waste in accordance with waste regulations and contractor's waste disposal tickets will be spot checked.
- 14.8 The contractors are requested to re-use any pipe fittings wherever possible and re-cycle the any recyclable materials such as copper, aluminium, lead etc. The recycling rate will be established prior to start of this contract. Under this scheme the sub contractors will be requested to re-use a minimum of 5% of re-useable pipe lagging and tank insulation. Also they will be requested to keep a record of what has been re-used and give Council credit for such material.
- 14.9 The contractor will be issued with 'All Haringey' and estates parking permits to keep the transportation to a minimum.

15.0 Comments of the Director of Finance

- 15.1 The Housing Services capital budget for 2006-07 contains a provision of £240k for the energy conservation programme. The 3 year Capital budget reported to Members in February contains an indicative budget provision of £300k in both 2007/2008 and 2008/2009. The Director of Finance notes (Para 7.5 refers) that there will be savings accrued by not using managing agents, thus the majority of the budget will be expended on the works. It is also noted that a grant of £340k will be received from the North London Housing Sub Regional Group for private sector decent homes.

16.0 Comments of the Head of Legal Services

- 16.1 The proposed contract is a mixed contract for the purpose of EU procurement law, consisting of works and services. The predominant purpose of the contract is the installation of energy efficiency measures and the vast majority of the cost will be incurred in relation to the works. The contract is therefore governed by the Public Contracts Regulations 2006. It is below the threshold where tendering is required in Europe (£3,611,319. 00).
- 16.2 The Council's Housing Directorate seeks a waiver of CSO 6.4 (requirement to tender) in accordance with the provisions of CSO 7.3 (d) i.e. that it is in the Council's overall interest.
- 16.3 Because of the value of the contract it is a requirement of CSO's that the waiver is approved by the Procurement Committee in accordance with CSO 7.2 (a).
- 16.4 Should the Procurement Committee approve the waiver, the directorate will present a further report to the Procurement Committee in respect of the award of Here to Help Contract.
- 16.5 The Head of Legal Services confirms that there is no legal reason preventing Members approving the recommendation in this report.

17.0 Comments of the Head of Procurement

- 17.1 The Corporate Procurement Unit originally requested that a market test exercise be undertaken in parallel with the request to waiver, as it was believed that the market could have changed considerably since the first contract was awarded.
- 17.2 The market test exercise showed however that the market has not expanded, and the number of suppliers able to meet this remit is fairly limited. In fact the response to the market test was very low; out of only five suppliers approached, 3 did not respond at all.
- 17.3 Having reviewed the responses received from the two other suppliers, it would appear that there would be no value in undertaking a full tender exercise in such a restricted market.
- 17.4 The Head of Procurement therefore supports the request to waiver (as required under Contract Standing Order 6.4) in accordance with CSO 7.