

Item No.	Classification: OPEN	Date: 25 August 2011	Decision Taker: Cabinet Member for Transport, Environment & Recycling
Report title:		Gateway 2 – Contract Award Approval for RE:NEW energy efficiency programme in Nunhead and East Dulwich	
Ward(s) or groups affected:		East Dulwich and Nunhead	
From:		Strategic Director of Environment and Leisure	

RECOMMENDATION

1. That on behalf of the South East London Housing Partnership (SELHP), the Cabinet Member for Transport, Environment and Recycling approves the award of the RE: NEW (Home Energy Efficiency for Tomorrow) contract to Providers A for a period of 8 months, making a total contract value of £690,500. In the event that additional funding becomes available, the Cabinet Member makes provision to extend the contract for a further 11 months, taking the contract period up until March 2013.

BACKGROUND INFORMATION

2. RE:NEW is the Mayor of London's domestic energy efficiency scheme. It involves engaging residents, from all housing tenures, to deliver energy efficiency advice and measures such as low energy light bulbs, radiator panels and energy monitors. The scheme will also determine whether further energy efficiency measures, such as loft and cavity wall insulation, are applicable to the home, and whether the household is eligible for energy efficiency grants.
3. The £690,500 is comprised of London Development Agency (LDA) grant funding and will be split equally across four member boroughs of the South East London Housing Partnership (SELHP); Bromley, Bexley, Greenwich and Southwark. £172,625 of the total funding will be spent in Southwark.
4. The SELHP is one of five housing sub-regions that cover London. Under an existing consortium agreement, Southwark is the contracting party and is responsible for co-ordinating and administering funding received on behalf of the other member boroughs.
5. In September 2010, Gateway 1 approval was obtained to seek tenders from an LDA framework contract for delivery of RE:NEW in the sub-region. Funding was then withdrawn by the LDA before being reinstated in March 2011.
6. Following reinstatement of funding, a mini-tender exercise was undertaken in June and July 2011 in order to select a contractor from the LDA framework.

Timetable of procurement process followed

Procurement project plan (Key Decision)

Activity	Completed by/Complete by:
Forward Plan (if Strategic Procurement) <i>Note: Submissions to forward plan should be made soon as reasonably possible after the prospective decision period is known for Gateway 1 and 2</i>	08/07/2011
Approval of Gateway 1: Procurement Strategy Report	16/09/2010
Issue Notice of Intention <i>Note: this is for contracts that only affect Leaseholders. This period is for 8 weeks</i>	N/A
Invitation to tenders	06/06/2011
Closing date for return of tenders	04/07/2011
Completion of evaluation of tenders	15/07/2011
Issue Notice of Proposal <i>Note: this is for contracts that only affect Leaseholders. This period is for 8 weeks</i>	N/A
DCRB/CCRB/CMT Review Gateway 2: Contract award report <i>Note: CMT review corporate and cross cutting decisions only</i>	18/08/2011
Notification of forthcoming decision – Five clear working days	5/09/2011
Approval of Gateway 2: Contract Award Report	6/09/2011
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	15/09/2011
Alcatel Standstill Period (if applicable)	N/A
Contract award	16/09/2011
Add to Contract Register	19/09/2011
Contract start	19/09/2011
Place award notice in Official Journal of European (OJEU) (if applicable) A maximum of 48 days after award	N/A
Contract completion date	31/03/2012

Description of procurement outcomes

- The procurement process resulted in Providers A being recommended for selection to deliver 6,040 home energy advice visits across the SELHP sub-region. 1,500 of these visits will be delivered in East Dulwich and Nunhead wards, resulting in savings for Southwark of approximately 750 tonnes CO₂ per annum. The CO₂ savings are based on an average of 0.5 tonnes CO₂ per household. 0.5 tonnes was the average amount of CO₂ saved in the RE:NEW demonstration projects delivered in 2009, which Southwark participated in.

KEY ISSUES FOR CONSIDERATION

Policy implications

8. The RE:NEW programme will cut energy use and associated CO₂ emissions from residents homes, helping the council to achieve targets set out in the Carbon Reduction Strategy. The programme will also help to tackle fuel poverty by saving residents money on their energy bills, providing advice on any benefits that are available and referring vulnerable households to available grant schemes for heating and insulation improvements. The programme will also contribute to improvements in the thermal efficiency of homes in Southwark, as measured by the Standard Assessment Procedure (SAP) which is the national standard for the energy efficiency of homes.

Tender process

9. Following an OJEU tender process, the LDA appointed twelve contractors to be part of a framework to deliver RE:NEW across London. The twelve contractors appointed to the framework are listed below:
 - Providers A
 - Providers B
 - Providers C
 - Providers D
 - Providers E
 - Providers F
 - Providers G
 - Providers H
 - Providers I
 - Providers J
 - Providers K
 - Providers L
10. As outlined in the Gateway 1 procurement strategy, Southwark Council, on behalf of the SELHP, conducted a mini-tender exercise to select a contractor from the LDA framework to deliver the scheme in the sub-region.
11. The mini-tender exercise enabled the Council and the SELHP to select a contractor from a pre-approved list, whereby all contractors had met pre-selection criteria determined by the LDA. All six contractors that submitted mini-tender responses were then required to meet Southwark's own procurement criteria, in addition to the criteria determined by the LDA.
12. Six of the twelve contractors from the LDA framework submitted responses to the mini-tender.
13. All six tender documents were received by the closing date of Monday 4 July 2011. Tender documents were then opened in the presence of staff in the delegation of the Strategic Director for Communities, Law & Governance.

Tender evaluation

14. The evaluation panel was comprised of staff from the Council's energy, environmental procurement and housing renewal teams, plus the SELHP co-ordinator who is currently based at Southwark. Representatives from the housing teams at Bexley, Bromley and Greenwich were also on the panel. Additional health and safety and equalities checks were carried out by Southwark Council staff in order to ensure that contractors met Southwark's specific requirements, over and above that required by the LDA.
15. Following individual evaluation, staff then met to agree consolidated scores for each of the tenderers.
16. Tenders were evaluated according to technical capability (70%) and price (30%), as specified by the LDA and outlined in the Gateway 1 report. For the technical capability element, tenderers were evaluated according to the criteria and weightings detailed below:
- **Delivery plan (10%):** including timeframe for delivery, strategy for roll out across the four borough areas, ability to meet key milestones and ability to meet the required number of home visits across the boroughs
 - **Project management (5%):** details of project management processes including strategic liaison with the boroughs, agreement on communication with residents, compliance with data protection act and reporting processes
 - **Capacity (10%):** confirmation that tenderers have the capacity to deliver their proposals in the four boroughs, contingency arrangements to ensure sufficient capacity and details of the number of staff and hours to be dedicated to the project
 - **Customer acquisition (10%):** provision of a marketing and communications plan including methods of engaging with diverse communities with reference to borough profiles, details of booking process and call handling, previous experience of delivering marketing and communications activities for energy efficiency programmes
 - **Home visit (15%):** process for the home visit including survey, advice, installing measures, referral for further measures, referral to other borough services, capturing data, complaints process, meeting the needs of diverse customers, details of previous experience of providing home energy efficiency schemes
 - **Levering funding (15%):** details of confirmed funding including the government Carbon Emissions Reduction Target (CERT) as well as an outline of any related services, funding or schemes that can be brought to the boroughs.
 - **Method statements (5%):** provide method statements detailing the choice of products materials to be used, method of access and fitting procedure for loft insulation, cavity wall insulation and draught proofing
 - **Acceptance of the form of legal agreement:** (pass/fail)
 - **Confirmation of the required levels of insurance:** (pass/fail).

17. Tenderers were allocated a score for each of the criteria detailed above, ranging from 1 to 5 as follows:

Score	Criterion
0	No submission was made
1	Unacceptable, an unsatisfactory response
2	Only some of the requirements met
3	A satisfactory response, which meets basic requirements

4	Good response, which meets all requirements and gives some confidence
5	Outstanding response, exceeds expectations, adds value, full confidence and includes innovation

18. Following consolidation of the scores, each score was then averaged.
19. Weightings were then applied to each score according to technical criterion and the overall 70% weighting that was applied to the technical capability section.
20. For the price element, tenderers were asked to submit their prices for a target area of 3,000 households and to deliver 1,000 home visits. Tenderers were asked to include the following items in their overall price:
- Marketing materials
 - Door to door engagement including free phone and call centre
 - Project management including storage and travel
 - Home energy advice visit, survey and fitting of measures
 - Easy measures
 - Information pack for residents
 - Other costs.

Requiring tenderers to submit their costs in this way enabled the evaluation panel to obtain an overall price per visit, inclusive of all associated costs.

The scores for technical capability and price were then combined and a pass/fail criterion added for the health and safety requirement.

Plans for the transition from the old to the new contract

21. Not applicable

Plans for monitoring and management of the contract

22. The contract manager will be the SELHP Private Sector Co-ordinator, who is accountable to the member boroughs of the SELHP consortium. The SELHP Private Sector Co-ordinator will be responsible for collecting the following performance information from the contractor:

Information to be reported **weekly** to the sub-region:

- a) Number of visits pending (cumulative)
- b) Number of homes completed (cumulative)
- c) Number of insulation referrals (cumulative, by type)
- d) Number of insulation measure installed (cumulative, by type)

Information to be reported **monthly** to the sub-region:

- a) Number of homes visited

- b) Carbon dioxide saved from easy measures
- c) Carbon dioxide saved from further measures
- d) Amount of funding levered in and source of such funding
- e) Delivery plan for remaining homes
- f) Equalities information about residents who have received a home visit, including age, gender, ethnic group, disability, religion.
- g) Audit data including addresses of homes visited, residents' names and contact details, details of residents who have agreed to further contact.

Information to be reported every 6 months and at the end of the project period:

- a) Number of homes visited
- b) Carbon dioxide saved from easy measures:
- c) Carbon dioxide saved from confirmed installations of further measures
- d) Amount of funding levered in and source of such funding
- e) Number and detail of referrals made for the further measures
- f) Number and detail of referrals converted into installations
- g) Penetration rates of:
 - (i) Total number of homes in the chosen area
 - (ii) Number of homes receiving marketing
 - (iii) Number of homes that were door-knocked
- h) Number and detail of measures installed
- i) Cost of delivery broken down by
 - (i) Measures (installed)
 - (ii) Storage and distribution
 - (iii) Transport & parking
 - (iv) Marketing:
 - (v) Administration & postage
 - (vi) Management & reporting

(vii) Administrator and call centre agent fee

(viii) Home energy assessor time

(j) Health and safety performance; issues; incidents and mitigations

23. At the end of the project period, the contractor will provide a report detailing all raw data collected, including contact details, and approvals for whether or not the customer is happy to be contacted for evaluation purposes.
24. The contractor will submit a report six months after the final initial visits have been completed, detailing the number and detail of referrals converted into installations of harder measures (and carbon dioxide saved from such installations) and funding levered in to cover such installations.
25. At the end of the project period the contractor will provide a full project report detailing the outcomes and outputs, the successes, lessons learned, information about uptake across the tenures, engagement activities including details of community engagement of local community/ voluntary groups representing the diverse needs of customers e.g. older and disabled residents, young families and Black, Asian and Minority Ethnic residents, as well as up-take rates of these different groups. This will be required within one month of completing all the initial visits.

Performance bond/Parent company guarantee

26. The mini-tender specification outlined that the London Borough of Southwark reserves the right to require the successful tenderer to provide a performance bond, and/or may require the parent company of the successful tenderer to guarantee the performance of the call off Contract. It is a condition of appointment that tenderers confirm in their tender submissions, that the Form of Performance Bond and Parent Company Guarantee set out in the specification are acceptable. A performance bond and parent company guarantee will be required.

Community impact statement

27. Each borough has selected specific areas or communities where RE:NEW will be rolled out. In Southwark this will be East Dulwich and Nunhead. Should additional funding become available then the scheme could potentially be rolled out to other areas of the borough. Householders of all tenures will be able to take up the offer. RE:NEW will have a positive effect on households within these wards in terms of being able to take advantage of a free home energy assessment completed by an energy expert, plus advice and a range of measures to help them to save energy and save money.
28. The RE:NEW areas were chosen on the basis of providing maximum opportunities for carbon savings. An analysis was made of wards in Southwark, and their potential for loft and cavity wall insulation as deduced from construction date and property style. The greatest opportunities for loft and cavity wall insulation were found to be in East Dulwich and Nunhead wards. These wards are also of a suitably sized geographic area to deliver the target number of visits.
29. RE:NEW will primarily be marketed by introductory letter followed up by door-knocking. All communications material will adhere to the Council's communications

guidelines and will be subject to internal sign off. All contractors will be required to wear identification badges and residents will be able to telephone the Council to verify that the scheme is genuine. Ward councillors, safer neighbourhood teams and the community safety team will be informed that the scheme is taking place. Residents can opt in to the scheme by either calling a free phone number given in the letter or making an appointment with the door-knocking team. Boroughs will work with local groups and agencies to promote RE:NEW, for example through schools, pensioners groups, faith groups, BME groups, children's centres. Tenderers were asked to show that they are able to handle calls from people with poor hearing or who do not speak English as a first language. All written material will be produced using clear English and clear layout to make it accessible to a wide audience.

30. Tenderers were asked to demonstrate how they will be sensitive to the needs of different groups during the visit. This included how they intend to present advice and information to those with vision/ hearing impairments; how they will offer / accommodate requests for visits to be carried out by a male / female assessor; how they will present information to households where English is not their first language.
31. RE:NEW will be open to all households, however it may be of particular benefit to older people, families with young children and people living with chronic illness or disability as these groups are typically most vulnerable to the ill health affects that can be associated with fuel poverty. Low income households containing residents from these groups may be entitled to additional grants.
32. RE:NEW will help identify these households and make direct referrals to the housing renewal team in the first instance who offer a range of financial assistance for repairs and home improvements for vulnerable clients.

Sustainability considerations (Including Economic, Social and Environmental considerations)

33. The RE:NEW scheme was established by the LDA in order to pull a range of energy efficiency projects together to deliver a single scheme across London.
34. Delivering the scheme across London will help reduce fuel poverty, particularly as energy advisors will carry out benefits checks whilst in the home.
35. Tenderers were required to outline their plans for local job creation in their submissions.

Market considerations

36. Tenderers were asked to outline, in their tender responses, how they would work with Southwark Works, Job Centre Plus and other council agencies to promote local employment opportunities.

Staffing implications

37. The main project manager will be the SELHP Private Sector Co-ordinator who will spend approximately one day per week managing the contract. This will include:
 - monitoring project delivery as outlined in section 22

- compiling grant claims to the LDA based on evidence of project delivery from the contractor
- administering payments to the contractor
- dealing with complaints and queries that are outside the contractors remit.

38. Each borough will contribute some resources to deal with local issues such as community engagement, internal communications and onward referral to other Council for local services. For Southwark, it is anticipated that 0.5 days per week will be committed by the Low Carbon Zone Project Manager. As detailed in paragraph 40, costs for the Low Carbon Zone Project Manager's time will be met from the central allocation of £707,500.

Resource implications

39. The cost of the RE:NEW programme, including staff costs, will be met from the LDA grant of £176,875 per borough or £707,500 in total. A sum of £17,000 has been allocated, from within the £707,500, to cover approximately one day per week of the SELHP Private Sector Co-ordinator's time and approximately 0.5 days per week of the Low Carbon Zone Project Manager's time. This leaves £690,500 for contract costs. Delivery of the contract does not require funding from Southwark's own resources.

40. The SELHP Private Sector Co-ordinator will administer claims from the LDA and payments to the contractor.

41. The grant funding will be linked to achievement of agreed milestones between SELHP and the LDA.

Table 6. Indicative schedule of funding payments from LDA to SELHP

Milestone	Funding claimed (%)	Funding claimed (£)	Claim date
Preparatory works	20%	£141,500	16/09/2011
25% of homes visited	25%	£176,875	31/10/2011
50% of homes visited	25%	£176,875	14/01/2012
100% of homes visited	30%	£212,250	31/03/2012
Total	100%	£707,500	

Legal implications

42. Please see concurrent report of the Strategic Director of Communities, Law & Governance below.

Consultation

43. It is not considered necessary to undertake consultation as the funding is provided by the LDA, specifically to deliver the RE: NEW project.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance

44. The Strategic Director of Communities, Law & Governance (“SDCLG”, acting through the Contracts Section) notes the content of this report. Southwark acts as the lead borough within the SELHP and the SDCLG has previously advised officers in connection with the legal agreement regulating the Housing Partnership. Advice has also been given to the report author in connection with the legal issues arising from the procurement of the proposed contract with Provider A. The award of the contract is consistent with national and corporate policy and the Community Impact Statement comprising paragraphs 28 to 33 explains the measures which are to be taken in order to address equalities issues arising during the course of the project.
45. The mini-tendering exercise described above has been conducted in line with the requirements of the LDA framework agreement, which was procured in compliance with EU Procurement Regulations, and with the Council’s Contract Standing Orders (“CSOs”). The services and works which are to be provided by Provider A will be governed by the terms of a call-off contract issued by the LDA as part of its framework arrangement, and those terms place an obligation upon Provider A to indemnify the Council in respect of any losses, expenses, claims etc arising from a direct or indirect breach (of the call-off terms) or negligent performance of the services.
46. The decision to approve the award of the contract is one which may be taken by the Cabinet Member for Transport, Environment and Leisure after having taken advice from the Departmental Contract Review Board under CSOs. The Cabinet Member is also requested to approve an extension to this contract subject to the future availability of funding, and a recommendation to exercise that option can be made through a Gateway 3 report. As the award of this contract will generate expenditure of £500,000 or more in a single year, the decision sought from the Cabinet Member is a key decision which is required to be noted on the Forward Plan and, as such it will be subject to call-in before it can be implemented, under the Council Constitution. CSOs require that no contract shall be awarded unless adequate expenditure has been identified and set aside for the purpose, and paragraphs 40 and 49 confirm that the grant funding provided by the LDA will cover all costs arising from this project.

Finance Director (NR/F&R/15/8/2011)

47. This report seeks approval to award the NEW (Home Energy Efficiency for Tomorrow) contract on behalf of the South East London Housing Partnership (SELHP). Southwark council acts as the contracting party and is therefore responsible for co-ordinating and administering the funding received on behalf of the other member boroughs.
48. The contract is to be fully funded from grant awarded by the London Development Agency (LDA) and therefore does not require direct funding by Southwark.
49. In addition to the contract, the LDA grant will also fund the work of both the SELHP Private Sector Co-ordinator in relation to contract monitoring and administration and Southwark’s own Low Carbon Zone Project Manager responsible for dealing with local issues.

Head of Procurement (MG0811)

50. This gateway 2 report seeks approval to award the RE:NEW contract for period of 8 months at a total estimated cost of £690,500. The gateway one report had approved a mini-tender exercise from providers on the LDA framework. This report confirms that the process undertaken was compliant with both CSOs and relevant legislation.
51. The report describes the mini-tender process and the evaluation undertaken initially by representatives of each of the boroughs and subsequently as a consolidated score. Award was based on MEAT (most economically advantageous tender) using the then standard ratio for quality/price ratio of 70/30. Four of the six companies submitted very similar prices for the scenario – all four were between £109,125 and £110,715 whilst the other two tenders were considerably more expensive at £179,516 and £195,530 respectively.
52. Detailed contract management and monitoring arrangements are detailed in the report. These include requirements for specific reports and costs to be provided at key milestones and at the end of the project. The report identifies resources to project manage the contract on behalf of the four boroughs in addition to the Low Carbon Zone Project Manager working specifically on behalf of Southwark.

BACKGROUND DOCUMENTS

Background documents	Held At	Contact
Gateway 1 - Procurement Strategy Approval RE:NEW 2010-12 Home Energy Advice Programme	Energy Team, Sustainable Services, 160 Tooley Street	Laura Hales 0207 525 0688
South East London RE:NEW specification volume 1	SELHP, Regeneration and Neighbourhoods, 160 Tooley Street	Kirsten Firth, 0207 525 2036

AUDIT TRAIL

Lead Officer	Gill Davies, Strategic Director of Environment and Leisure		
Report Author	Ian Smith, Acting Head of Sustainable Services		
Version	Final		
Dated	25 August 2011		
Key Decision?	Yes	Date noted on Forward Plan	June 2011
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title	Comments Sought	Comments included	
Strategic Director of Communities, Law & Governance	Yes	Yes	

Finance Director	Yes	Yes
Head of Procurement	Yes	Yes
Cabinet Member	Yes	Yes
Contract Review Boards		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
Date final report sent to Constitutional Officer		25 August 2011