Finance and Resources Committee

10.00am, Thursday, 21 January 2021

Housing Energy Projects Delivery Partner Framework Agreement 2021-2025

Executive/routine	**Executive**
Wards	**All**
Council Commitments	

1. Recommendations

1.1 It is recommended that the Finance and Resources Committee:

1.1.1 approves the award of a single supplier Framework Agreement to Changeworks Resources for Life (Changeworks) as a Housing Energy Projects Delivery Partner, to commence in February 2021 for a period of two years, with the option to extend for a further two years in one-year increments;

1.1.2 notes the value of this Framework Agreement is expected to be a maximum of £24m, with Changeworks' fees estimated at up to £2.088m over the four-year period; and

1.1.3 approves an extension to the existing Contracts Standing Orders waiver with Changeworks by £51,394 to enable the Council to deliver an additional Scottish Government funding allocation of £739,537 for energy efficiency measures to an additional 114 properties as part of the HEEPS:ABS 2020-21 programme.

Paul Lawrence

Executive Director of Place

Contact: Willie Gilhooly, Acting Housing Property Manager

E-mail: William.gilhooley@edinburgh.gov.uk | Tel: 0131 529 7866

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

Report

Housing Energy Projects Delivery Partner Framework Agreement 2021-2025

2. Executive Summary

2.1 This report seeks approval from the Finance and Resources Committee to award a single supplier Framework Agreement to Changeworks Resources for Life (Changeworks) following a procurement process published on Public Contracts Scotland, for the appointment of a Housing Energy Projects Delivery Partner.

2.2 The Framework Agreement will commence in February 2021 for a period of two years, with the option to extend up to a further two years, to the maximum value of £24m, with Changeworks' fees estimated at up to £2.088m.

2.3 The report also seeks approval to extend the existing waiver to the Council's Contract Standing Orders with Changeworks to deliver an additional Scottish Government funding allocation of £739,537 for energy efficiency measures to an additional 114 properties as part of the Home Energy Efficiency Programme for Scotland Area Based Schemes (HEEPS:ABS) 2020-21 programme. The value of the extension is £51,394.

3. Background

3.1 The Housing Revenue Account (HRA) Budget Strategy 2020/2021, published February 2020, outlines how the Council will deliver £2.5bn investment over ten years in building and improving Council homes to deliver Council commitments on affordable housing and net zero carbon by 2030.

3.2 Making homes easier and cheaper to heat has been the cornerstone of the HRA Budget Strategy and annual Capital Investment Programmes. Over half of Council homes have benefited from energy efficiency measures over the last five years (including 7,100 new heating systems; 2,900 homes insulated; and 1,600 homes fitted with new windows and front doors). Work continues towards meeting the Energy Efficiency Standard for Social Housing (EESSH); currently 71% of homes have been brought up to standard and 86% were expected to be compliant by the end of 2020 (pre-Covid-19).

3.3 The HRA capital investment programme not only covers the investment required to meet statutory standards such as Scottish Housing Quality Standard (SHQS) and EESSH, and Council commitments on affordable housing and net zero carbon, it also ensures that growth and regeneration is delivered in ways that supports place making, inclusive growth and sustainability; outcomes set out in key Council strategies.

3.4 Changeworks currently provides housing energy consultancy services and delivery partner support to the Council under a Service Level Agreement (SLA) with the Housing Service. The SLA was approved by the Finance and Resources Committee on 26 November 2015 for the period 2016-2019 and was subsequently further extended to 31 March 2021. The Council was notified of an additional funding allocation in October 2020.

3.5 As the market has matured in recent years, a procurement process was undertaken to ensure best value for the Council. This new Framework Agreement will ensure that key sustainability outcomes for the Housing Service such as improving energy efficiency and reducing fuel poverty and working towards net zero carbon by 2030 continue to be prioritised.

4. Main report

4.1 In February 2020, the Council published a Prior Information Notice (PIN) to raise awareness to the market of the upcoming procurement and gauge how much interest and capability there was via a short questionnaire. The PIN received six questionnaire responses leading to an Open Procedure being utilised for tender.

4.2 In October 2020, the Council undertook an Open Procedure procurement in accordance with the Public Contracts (Scotland) 2015 Regulations. A cost:quality ratio of 40% price, 60% quality was applied.

4.3 The Framework Agreement advertised for a single Energy Projects Delivery Partner for the Council. The purpose of this is to help programme manage complex grant funding programmes linked to energy retrofit and the installation of low zero carbon technologies. 31 suppliers noted interest, of those five confirmed they were not bidding due to capacity or capability. One tender submission was received by the deadline. This is potentially down to the complex and multi-disciplinary nature of the service that was being tendered for, which not only includes project management and commercial management, but also detailed technical and social monitoring, evaluation and marketing, and communications to encourage householder sign up to funding schemes.

4.4 The Tender submission was evaluated by officers, placing an emphasis on quality, as well as price.

4.5 The quality analysis was based on weighted award criteria questions, which were scored using a 0 to 4 matrix, with further detail available in Appendix 1.

4.6 Following completion of the quality analysis, the tender was subject to a cost analysis.

4.7 Changeworks role under the new Framework Agreement will be to facilitate grant applications and project manage successful grant funded projects throughout their lifecycle, ensuring suppliers are appointed in compliance with regulations and project managed through to completion. The funding for this role is paid for either 100% via each successful grant fund or as a combination of grant funding and Council contribution via the HRA depending on the specific grant fund being applied for. A total enabling fee of 8.7% per project will be applied. This represents good value for money as historically enabling fees for delivery partner costs for funding programmes such as HEEP:ABS have averaged at around 10%. £6m of funding is forecast in each year, with £522,000 (8.7%) allocated to Changeworks and the remaining £5.478m used for project delivery.

4.8 The Framework will allow the Council to continue to apply for funding programmes via Changeworks to the Scottish Government for programmes such as HEEPS:ABS and other future funding programmes released as part of the Scottish Governments Energy Efficient Scotland Programme. Specification enhancements as part of this contract will ensure that the Council will be able to apply for new funding streams to deliver further benefits to the citizens of Edinburgh.

4.9 This new Framework will help to support the Council's net zero carbon commitment and the whole house retrofit approach that is being developed for existing homes. It will ensure that HEEPS:ABS can continue to be delivered at scale but also to ensure that HEEPS:ABS can be focused more on whole house retrofit rather than individual insulation measures. HEEPS:ABS will continue to be an extremely important funding stream in terms of unlocking complex mixed tenure barriers. Other funding streams will also be targeted to trial the installation of low zero carbon technologies such as heat pumps and solar PV with combined battery storage and aggregation services.

4.10 As part of the HEEP:ABS 2020-21 programme an additional £739,537 in funding has being made available to the Council. This programme is currently being delivered by Changeworks and as such the existing Contract Standing Orders waiver with Changeworks needs to be increased by a value of £51,394 to enable them to programme manage the delivery of this additional funding. This will see an additional 114 properties receive a range of energy efficiency measures.

5. Next Steps

5.1 Subject to Committee approval, the Framework Agreement will commence in February 2021.

5.2 As part of the Framework Agreement, the supplier has been asked to report on how they will manage best practice and legal obligations in relation to Covid-19 working

practices. This documentation will form part of the terms and conditions and will be reviewed regularly to ensure it is up to date.

5.3 A virtual start up meeting will be held with Changeworks before the estimated start date.

5.4 The Framework Agreement will be managed by the Council's Housing Property service.

5.5 Subject to approval, the existing SLA value (approved under a Contract Standing Orders waiver) will increase by £51,934 to enable Changeworks to project manage the delivery of the HEEPS:ABS 2020-21 programme to an additional 114 properties within Edinburgh for financial year 2020-21.

6. Financial impact

6.1 Project delivery costs and grant application fees will generally be met through the grant allocations, this though will vary on a case by case basis and will be linked to the specific conditions of grant. The Scottish Government, for example via the current HEEPS:ABS programme, allows up to 20% of the grant value to be attributed to delivery partner enabling fees. Some grant funding programmes may require a 50% contribution from the Council. In these circumstances any financial contribution from the Council would be covered as part of the Housing Service Capital Programme which is set annually as part of the HRA budget process.

6.2 The estimated Framework Agreement value for project delivery is approximately £6m per annum, £24m over the four-year period. The £6m represents the total amount of funding that would be secured each financial year and would include any Council contributions where required. This value is subject to change based upon various factors, including Covid-19.

6.3 The tender process pricing assessment involved asking potentially interested suppliers to detail percentage fees payable on project costs for each completed works stage. This resulted in an overall percentage the supplier would take per project as their enabling fee.

6.4 Changeworks supplied an overall enabling fee percentage of 8.8% per project within their tender return, a value of approximately £2.112m over the four-year contract period. Based upon benchmarking of previous projects, this is a reduction of 1.17%, a value of approximately £70,000 per annum if the full forecast value of £24m is utilised.

6.5 As only a single tender was returned, Changeworks were contacted to discuss cost reductions, with a 0.1% reduction being agreed. Bringing the enabling fee per project to 8.7% a value of approximately £2.088m (a reduction of 1.27%), with an additional saving of £6,000 per annum, with a total saving of £76,000 per annum, demonstrating value for money.

6.6 This results in the remaining grant allocated enabling fee of 11.3% (out of a potential 20%), at an approximate value of £678,000 per annum to be utilised to increase the number of homes within a given funding programme.

6.7 The costs associated with procuring this Contract are estimated to be up to £10,000.

7. Stakeholder/Community Impact

7.1 As part of the procurement process it was identified that the successful supplier pays the real Living Wage rate to employees and does not utilise zero-hour contracts.

7.2 Changeworks have also agreed to provide the following community benefits:

7.2.1 **Targeted recruitment and training, supported employment and promotion of job opportunities** - Engagement with the Department of Work and Pensions' Kick Start Scheme which targets 16-24 year olds that are currently unemployed. This role would be supplementary to their current delivery staff and would consist of a six-month placement per year for the duration of the contract working across the elements of delivery to gain broad work experience. This role would be advertised through the Local Job Centre and in publications such as the Evening News.

7.2.2 **Outreach and education opportunities** – Engagement with Edinburgh's universities and colleges to provide an opportunity for an intern who is either studying or has recently graduated college in a related subject to work within their Consultancy Team. Providing both work experience on Council projects and mentoring during this time to assist the intern in pursuing a career in construction/ sustainability. The intern would receive at least the Real Living Wage and would be in post for approximately three months for every year of this Contract.

7.2.3 **Community consultation, engagement and strengthening community relations** - Hosting drop in events at local facilities within the communities where Changeworks currently provides energy saving, recycling, and sustainable transport advice to residents. Changeworks will engage with local community groups to support these events as well as other support agencies such as Citizens Advice Scotland and the NHS. (Should Covid-19 restrictions still be in place, then Changeworks will provide similar support events online). Changeworks will provide an event for each project area over the course of the Contract.

7.2.4 **Training for existing workforce** - Provision of additional training to staff through the Social Enterprise Academy who are based in Edinburgh. This will cover subjects such as leading and managing remotely, dealing with change, and personal and professional resilience.

7.3 Positive impacts of activity on energy efficiency projects include:

7.3.1 reducing the costs of energy for residents;

7.3.2 contributing to fuel poverty reduction targets;

7.3.3 ensuring that residents live in warmer, easier to heat homes which has a positive effect on their wellbeing and health;

7.3.4 carbon emission reductions are expected to be achieved as a result of continued housing energy efficiency and low zero carbon technology projects;

7.3.5 the success of these contracts will be measurable against Key Performance Indicators which were detailed within the tender package;

7.3.6 an Integrated Impact Assessment and a Data Protection Impact Assessment have been completed; and

7.3.7 the procurement has been developed to secure Best Value to the city's residents and planned investment into the housing stock to improve tenant's homes and living conditions.

8. Background reading/external references

8.1 Finance and Resources Committee, 27 August 2020 - Home Energy Efficiency Programme – Enabling Support.

8.2 Housing Homelessness and Fair Work Committee, 5 November 2020 – Housing Sustainability Update

8.3 Housing Homelessness and Fair Work Committee, 5 November 2020 – Housing Revenue Account (HRA) Budget Strategy 2021/22

9. Appendices

9.1 Appendix 1 - Summary of Tendering and Tender Evaluation Processes.

Appendix 1 – Summary of Tendering and Tender Evaluation Processes

<table>
<tr><td>Framework</td><td colspan="2">Housing Energy Projects Delivery Partner Framework 2021 to 2025</td></tr>
<tr><td>Framework Period</td><td colspan="2">Two years for a period of two years, with the option to extend for a further two years in one-year increments</td></tr>
<tr><td>Estimated Framework Value (including extensions)</td><td colspan="2">£2.088m (8.7% of an estimated £24m)</td></tr>
<tr><td>Procurement Route Chosen</td><td colspan="2">Open Procedure using Public Contracts Scotland</td></tr>
<tr><td>Tenders Returned</td><td colspan="2">1</td></tr>
<tr><td>Name of Recommended Provider</td><td colspan="2">Changeworks Resources for Life</td></tr>
<tr><td>Price / Quality Split</td><td>60 % Quality</td><td>40 % Cost</td></tr>
<tr><td></td><td colspan="2">The emphasis on Quality was to reflect the need for a high level of service for the Council and end users.

Quality was evaluated as below;

<table>
<tr><th>Question</th><th>Quality (out of 100%)</th></tr>
<tr><td>Project Management</td><td>30%</td></tr>
<tr><td>Project Team</td><td>30%</td></tr>
<tr><td>Contract Management and Key Performance Indicators</td><td>20%</td></tr>
<tr><td>The Environment (including Sustainable Practices)</td><td>5%</td></tr>
<tr><td>Data Protection</td><td>5%</td></tr>
<tr><td>Fair Work Practices</td><td>5%</td></tr>
<tr><td>Community Benefits</td><td>5%</td></tr>
</table>
</td></tr>
<tr><td>Evaluation Team</td><td colspan="2">Tenders were evaluated by Council Officers from Housing Property</td></tr>
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