

Appendix 3 - Procurement Strategy for an Approved Installer List in relation to Scaling up Retrofit through Energy Company Obligations (ECO) and the Great British Insulation Scheme (GBIS)

1. Executive Summary

To obtain approval of the procurement strategy to proceed with the procurement for an approved installer list in relation to scaling up retrofit through ECO and GBIS funding opportunities.

The procurement will be undertaken as a services concession contract subject to the Concession Contract Regulations 2016.

The approved installer list will be in place for a period of 17 months with the option to extend up to a further three years. The contract period and extension has been determined around the funding profile for the ECO and GBIS schemes.

The estimated value of the contract is based on anticipated turnover of the approved installers as a result of the contract and has been estimated at £60million per annum or £265million for the duration of the contract including extension.

2. Background

Energy Company Obligation (ECO)

The Energy Company Obligation (ECO), first introduced in 2013, is an energy efficiency scheme that places legal obligations on energy suppliers to deliver energy efficiency measures to domestic premises. The fourth wave of the scheme (ECO4) covers the period from 27 July 2022 to 31 March 2026 and has a value of £1 billion per year.

Compared to previous waves, ECO4 focusses on improving the least energy efficient homes, as only properties in EPC band D-G can be treated. It also requires a more complete upgrade of those homes, shifting to a fabric-first multi-measure whole-house retrofit approach with the aim of encouraging the installation of insulation, renewables, and district heating connections, as well as upgrading inefficient heating systems.

Although the current ECO4 scheme runs until March 2026, there are early indications that the scheme will be extended to ECO5 and maybe an ECO6 version.

Great British Insulation Scheme (GBIS)

The Great British Insulation Scheme is a new government energy efficiency scheme (formerly known as ECO+) that will be administered by Ofgem. It is designed to deliver improvements to the least energy-efficient homes in Great Britain to tackle fuel poverty and help reduce energy bills.

The scheme complements the Energy Company Obligation (ECO) scheme, yet unlike ECO4's 'whole house' approach, this scheme will mostly deliver single insulation measures.

As well as supporting low-income and vulnerable households, it will also be available to those living in homes with an Energy Performance Certificate rating of D-G, and within Council Tax bands A-D in England and A-E in Scotland and Wales.

The scheme will work by placing an obligation on medium and large energy companies to deliver measures that result in reduced energy usage. It is intended to run from around April 2023 until March 2026.

2.1 Background

The Council currently relies on Social Housing Development Funding to fund retrofit measures. The Council applies for the funding and then utilises current contractors or procures a solution for contractors to deliver retrofit improvements to the Council's housing stock.

Through the Energy Company Obligations programme there is significant opportunity to increase fully funded investment into retrofitting the most inefficient homes of all tenures across the city. Whilst largely an opportunity for private households, there is potential to also leverage funding to support retrofit of council and other social homes, reducing the demand on the Housing Revenue Account (HRA).

With ECO and GBIS the installers are required to deliver the retrofit improvement measures and apply for the funding to the relevant organisations/body, without any involvement from the Council.

The Council is now seeking to adopt an approach recently taken by the Greater Manchester Combined Authority (GMCA) to facilitate an increase in the number of properties which can be benefited through the scheme and to generate revenue to the Council. The revenue will be used to cover the Council's costs to target and promote ECO and GBIS funded measures in Birmingham, verifying household eligibility, signing declarations, notifying Ofgem, and liaising with DESNZ.

2.2 Service Requirements

The Council is looking to appoint up to a maximum of five installers to an approved list who will be able to conduct the retrofit installations during the contract period.

The Council will be looking for retrofit improvements to be delivered to approx. 3,000 homes per annum.

It is anticipated that an area approach will be taken with each installer being responsible for a section of the city.

The services required relate to all eligible tenures.

Installers will be required to market, develop, deliver, and manage a holistic service (from application to completion) for households that includes:

- sourcing of funding and utilisation of those funds
- property identification and lead generation
- householder engagement and referral
- checking eligibility against the Council's LA Flex statement of intent, as published online.
- providing the necessary documents (e.g., on household eligibility evidence) to enable the Council to sign declarations.
- assisting the Council in responding to any queries raised by Ofgem.
- PAS2035 compliant Retrofit Advice, Assessment, Design, Co-ordination and Evaluation

- supply chain engagement and procurement (if required)
- installation of measures and Quality Assurance
- notifying Ofgem after installation of measures
- post-works customer care
- administration and management.

The successful installers must be able to provide all these services in house or via their pre-existing supply chain partners.

The retrofit measures that are expected to be delivered by successful installers include, but are not limited to; insulation works, low carbon heating systems, renewable energy installations, heating system upgrades and repairs, glazing and doors, draught proofing, flood risk appropriate measures (e.g., suitable insulation for properties at risk of flooding) and other associated enabling or 'trigger point' building works.

The successful installers will also need to provide a customer helpline, website, as well as social media presence.

2.3 Outcomes Expected

The following outcomes are anticipated over the life of the contract as a result of the proposed procurement process to be carried out:

- 3000 homes per annum have measures installed which improves their EPC rating
- Resident fuel bill reduction
- Reduction in energy consumption
- Reduction in carbon emissions
- Reduce health issues through causes such as damp and mould
- Create warm, dry homes
- Annual private investment into the City's housing stock
- Revenue stream to the Council

2.4 Market Analysis

There is already an established market of ECO installers across the country. However, there is a recognised capacity issue in terms of skills and resources to deliver retrofit measures. The Council is working with training providers and the supply chain to work towards increasing supplier capacity to meet demand.

The Council have held initial conversations with a number of installers to ascertain the level of interest in the procurement opportunity, to glean market intelligence and to test the Council's ideas. The organisations engaged to date have expressed significant appetite to work in partnership with the Council.

The Council will be looking to work with installers who can deliver all retrofit measures required rather than smaller organisations who may only deliver one type of retrofit measures, offering a one stop shop to households.

Further conversations have also taken place with GMCA in regards the interest and outcome of their recent procurement activity for a similar scheme.

A formal market engagement event will take place in advance of commencing any procurement activity.

3. Strategic Procurement Approach

3.1 Options

The following options were considered:

- Option 1 – Do nothing – This has been discounted on the basis that the Council's involvement will help facilitate delivery of more households receiving retrofit improvement measures. The energy companies and installers are unable to build trust to the level that the Council working in partnership with community groups is able.
- Option 2 - Use a collaborative framework agreement. This option is discounted as there are no collaborative framework agreements in place that meet the Council's requirements.
- Option 3 – Carry out a competitive tender exercise inviting tenderers to bid to be appointed to an approved installer list under a concession arrangement. The procurement process can be structured to best meet the Council's needs and priorities. The initial market testing has identified that the supply market has the capacity and capability to undertake this type of work and suppliers are interested in performing the services. This is the recommended option.

3.2 Duration and Advertising Route

The contract will be awarded for a period of 17 months with the option to extend up to a further three years and will be advertised on Find a Tender Service, Contracts Finder and on In-tend, the Council's eTendering portal.

3.3 Sourcing Strategy

The Council is looking to appoint a maximum number of installers to the approved list who will be able to conduct the retrofit installations during the contract period. It is anticipated that an area approach will be taken with each installer being responsible for a section of the city.

3.4 Procurement Route

The opportunity will be tendered as a concession opportunity. Having calculated the estimated value in accordance with the Concession Contract Regulations 2016 the Council has determined the estimated value of the contract to be £265million. This is above the current threshold for concession contracts which is £5,372,609.

The opportunity will be offered to the open market and will be based on a single stage procedure.

4. Evaluation Criteria

Bids will be assessed in accordance with the evaluation criteria set out below.

Appointment to the approved installer list will be awarded based on the Most Economic Advantageous Tenders (MEAT) received. This will consist of quality, social value and price criteria.

Evaluation will consist of the following stages.

- Stage 1 – Selection Criteria

- Stage 2 – Award Criteria

4.1 Selection Criteria

Bidders responses will be assessed against the selection criteria, in response to the questions set out in the Selection Questionnaire. Any bidder failing to achieve any element of these selection questions may be excluded from the process and the remainder of their submission will not be evaluated.

Criteria	Evaluation
Company Information and Bidding Model	Information only
Grounds for Mandatory Exclusion	Pass / Fail
Mandatory and discretionary grounds relating to the payment of taxes and social security contributions	Pass / Fail
Grounds for Discretionary Exclusion	Pass / Fail
Economic and Financial Standing	Pass / Fail
Technical and Professional Ability	Pass / Fail
Insurance	Pass / Fail
Data Protection	Pass / Fail
Cyber Security	Pass / Fail
Health & Safety	Pass / Fail
Certifications / Accreditations	Pass / Fail
Safeguarding	Pass / Fail
Equality	Pass / Fail
Declaration	Pass / Fail

Bidders will be required to pass Stage 1 in order to progress to Stage 2. The Council will reject a submission which is awarded a 'fail' in any of the pass/fail criteria.

4.2 Award Criteria

Tenders will be evaluated against the award criteria using quality, social value and price criteria in accordance with a pre-determined evaluation model.

The quality element will account for 55%, social value 15% and price 30%.

The quality, social value and price balance has been established having due regard to the corporate document 'Evaluating Tenders' which considers the complexity of the services to be provided and the degree of detail contained within the contract specification.

The Council will reject a submission which:

- Is awarded a 'fail' in the pass/fail criteria
- Scores 'zero' or 'one' against any quality or social value qualitative question

Evaluation of award criteria will consist of both pass/fail and scored criteria as set out below.

Criteria	Weighting %	Sub-weighting %
Living Wage		Pass/Fail
Evidence of Funding		Pass/Fail

Safeguarding	Pass/Fail
Declarations	Pass/Fail
Quality	55%
Maximising the Opportunity	9%
Pipeline Generation	100%
Delivery	18%
Approach and Resources	55%
Project Plan	25%
Financially Sustainable	20%
	100%
Customer Engagement	28%
Retrofit Measures	40%
Customer Journey	40%
Customer Enquiries and Complaints	20%
	100%
Social Value	15%
Social Value Qualitative response	7.5%
Local Employment	40%
Buy Local	25%
Partners in Communities	15%
Green and Sustainable	20%
	100%
Social Value Quantitative response	7.5%
BBC4SR Action Plan	100%
Price	30%
Fee amount	30%

Price

The Council is looking to secure an annual fee from each installer. The fee has been separated into bands, dependent upon the number of properties forecasted to be delivered within the year. Each fee band has been allocated a fixed weighting, with a higher weighting attached to a larger number of properties delivered and consequently a higher fee amount.

This fee will be used to cover the Council's costs in targeting and promoting ECO and GBIS funded measures in Birmingham, verifying household eligibility, signing declarations, notifying Ofgem, and liaising with DESNZ.

The fee will be paid annually in advance and is non-refundable. The fee is based on the number of properties completed in the subsequent period funded through ECO and GBIS. This relates to all properties completed by the delivery partner including ECO and GBIS, regardless of whether declarations are required.

Overall Evaluation

The overall weighted Quality, Social Value and price scores for each tender will be added together to produce an overall combined total score. The scores for each tender will be ranked. The top four highest scoring submissions will be recommended for acceptance. The fifth highest scoring submission will be recommended for acceptance where the number of properties committed by the top four is below 3000 per annum.

For the avoidance of doubt, whilst the Council intends to appoint the four highest scoring compliant bidders, should fewer than four bidders successfully pass the requirements of this ITT, the Council reserves the right to appoint only the three highest scoring compliant bidders to the Approved Installer List.

4.3 Evaluation Team

The evaluation of submissions will be undertaken by officers from City Housing, drawing in resource from other areas of the Council, as applicable. The evaluation process will be supported by the Commercial and Procurement Services team.

5. Procurement Timetable

The anticipated timetable for the procurement has been set out below.

Procurement Phase	Anticipated Date
Publication of advertisement	05/07/2024
Issue tender document pack	05/07/2024
Clarification questions to be submitted by	01/08/2024
Clarification responses to be issued by	02/08/2024
Tender submission deadline	12:00hrs (noon) 09/08/2024
Evaluation Period	12/08/2024 - 30/08/2024
Internal Governance	18/09/2024
Notification to Bidders	20/09/2024
Standstill Period	21/09/2024 - 30/09/2024
Contract Commencement Date	01/11/2024

6. Service Delivery Management

6.1 Contract Management

The contracts will be managed operationally by the Housing Strategy and Enabling team.

The following will be monitored at contract review meetings:

- Number of applications received
- Applications processed
- Assessments completed
- Installations completed (properties and measures)
- Complaints/Issue received and resolved within timescales

7. Compliance Issues

7.1 BBC4SR

Commitments will be sought in accordance with the BBC4SR. Bidders will be required to submit an action plan with their tender that will be evaluated in accordance with the scoring

methodology in the tender document pack and the action plan of the successful tenderers will be implemented and monitored during the contract period.

7.2 Safeguarding

This service has been assessed as having safeguarding requirements due to direct contact with the general public. The required standard of safeguarding will be achieved by applying the Council's tier 2 safeguarding requirement for suppliers and evaluating competency of installers.

7.3 Information Management / Data Protection

The 3rd Party Data Protection and Cyber Security Requirements will be secured by requiring installers to achieve the Council Level 1 requirements for both 3rd Party Data Protection and Cyber Security.

The tender document pack will include a Data Sharing Agreement in the contract terms and conditions.

Social Value Rationale

Social Value Rationale
Title of Commissioning / Procurement project: Approved Installer List in relation to Scaling up retrofit through Energy Company Obligation (ECO) and Great British Insulation Scheme (GBIS)
Project details: Secure retrofit delivery partners to scale up the delivery of the Energy Company Obligations (ECO) and Great British insulation Scheme (GBIS) to deliver our ambition of installing energy efficiency measures to up to 3000 homes per year.
Contract value (total contract): £265,000,000 (including extension(s))
Estimated award date: Please see the procurement timetable at section 5.
Duration of the Contract: 17 months with the option to extend up to a further three years.
Main element of contract: Services
Market dynamics: Larger sized organisations with scope to incorporate social value commitments.
Total Social Value Weighting: 15%
Qualitative / Quantitative split: 7.5% / 7.5%
Reasons for which themes are to be prioritised: It is anticipated that outcomes from the following four themes can be achieved as a result of contracts agreed.
Sub-weighting of the Themes:
<p>Local Employment: 40% Seeking commitments which:</p> <ul style="list-style-type: none"> • Create employment and training opportunities for local residents, targeting areas of high unemployment and groups facing disadvantage, including people with disabilities through activities such as work experience placements, apprenticeships, internship and mentoring. • Seek opportunities to work with schools and colleges to help to ensure that the local young people are equipped with the right skills to match the requirements of the labour market. For opportunities relating to the Built Environment work with the Building Birmingham Academy at the Council.
<p>Buy Local: 25% Seeking commitments which:</p> <ul style="list-style-type: none"> • Commitments to support the local economy by choosing suppliers close to the point of service delivery. • Use Find it in Birmingham as the primary method of sourcing suppliers for contracts in Birmingham, increasing the accessibility of opportunities to local businesses throughout the supply chain. • Where possible, commitments to make use of small, medium enterprises (SMEs) and/or social enterprises in the delivery of the works and services.
<p>Partners in Communities 15% Seeking commitments which:</p> <ul style="list-style-type: none"> • Support community projects through the Match my project portal, a minimum of one project per year, but additional support may be offered as appropriate through the portal. • Provide support and/or work with third sector organisations, particularly those organisations working to promote and support retrofit as well as tackling fuel poverty.
<p>Green and Sustainable: 20% Seeking commitments which:</p>

- Reduce the carbon footprint, showing awareness of main impacts on carbon emissions including the indirect carbon used in manufacturing processes and the direct impact of operations and logistics (scope 1, 2 and 3 emissions).
- Eliminate unnecessary waste by adopting the "reduce, reuse, recycle" philosophy.
- Be a good neighbour, minimise negative local impacts (noise, air quality).
- Protect the environment and minimise adverse impacts and instil this approach throughout the supply chain.