



CABINET – 17TH DECEMBER 2019

**EXCEPTION TO CONTRACT PROCEDURE RULES - PROPOSED
APPOINTMENT OF A PROVIDER TO DELIVER
WARM HOMES FUND PROJECT**

REPORT OF THE DIRECTOR OF PUBLIC HEALTH

PART A

Purpose of the Report

1. The purpose of this report is to request an exception to Contract Procedure Rules to enable a direct appointment to E.on to deliver a project to help address fuel poverty in Leicestershire. The project is funded by the Warm Homes Fund, established by the National Grid and a Community Interest Company.
2. The Leicestershire Warm Homes Service is part of the Public Health Department. Its role is to support and educate members of the public and organisations to reduce fuel poverty and provide practical information, advice and guidance to people who may experience challenges with their energy use and costs.

Recommendation

3. It is recommended that the Cabinet approves an exception to the Contract Procedure Rules to enable the Council to enter into a contract with E.on to deliver a Warm Homes Fund project to residents experiencing fuel poverty in Leicestershire, over a 2-year period.

Reasons for Recommendation

4. The County Council's Contract Procedure Rules (Part 4G of the Constitution) require that, where the estimated value of a contract exceeds £181,302, formal tenders must be invited.
5. Where an exception to the Contract Procedure Rules is required for contracts over £181,302, Rule 6 (b) (ii) requires that Cabinet approval be obtained to the exception where this is justified on its merits. The proposed contract with E.on would have an estimated total value of £3.4m over the two years.
6. The circumstances and financial considerations surrounding the funding bid, explained in Part B of this report, mean that other procurement processes are difficult and in this instance are not considered necessary.

Timetable for Decisions (including Scrutiny)

7. Subject to the Cabinet's approval, contracts will be put in place as soon as is practicable. The intended project launch is scheduled for February 2020, running to project completion in October 2021.

Policy Framework and Previous Decisions

8. The County Council's Strategic Plan 2018-2022 sets out the Authority's overall policy framework and approach and includes five strategic outcomes. The proposal in this report aligns in particular with the 'Wellbeing and Opportunity' outcome, that the people of Leicestershire have the opportunities and support they need to take control of their health and wellbeing.
9. The County Council has been moving towards a social model of public health with greater involvement of public health across other services and a strong emphasis on prevention. The Director of Public Health Annual Report 2017 noted areas of deprivation in Leicestershire, including financial poverty and lack of access to good quality housing. This project aligns with Public Health's Early Help and Prevention agenda in its aims to reduce excess winter mortality and ill-health caused by cold homes. It will provide significant improvements for households benefitting through physical improvements to the home and financial and behavioural advice to ensure residents maintain a level of resilience and independence to keep warm at home.

Resource Implications

10. The Works contract proposed is estimated to have a total value of £3.4m over the 2-year period. This funding has been achieved through a successful application for external funds so does not affect any budgets or funding that currently sits with the Warm Homes team.
11. External funding has been awarded within the bid to create an additional advisor post within the Public Health First Contact Plus advice and signposting service for 2 years. This is to ensure adequate resource to manage increased numbers of referrals as a result of promotional activity during the project.
12. The Director of Corporate Resources and the Director of Law and Governance have been consulted on the content of this report.

Circulation under the Local Issues Alert Procedure

13. None.

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PART B

Background

Fuel Poverty and the Warm Homes Fund

14. In 2014 the UK Government introduced a statutory target to ensure fuel-poor homes in England achieve a minimum energy efficiency rating of Band C by 1 December 2030.
15. The Warm Homes service within the Council's Public Health Department, has been successful in applying to the Warm Homes Fund administered by Affordable Warmth Solutions CIC (AWS). Local authorities and registered social landlords had the opportunity to bid for funding to install first time central heating measures in low income, fuel poor households, and develop innovative projects tackling fuel poverty through additional benefits that might be realised - for example: providing advice in the home, insulation measures and income maximisation.

Submission of Bid to the Warm Homes Fund

16. AWS required funding bids to demonstrate a commitment of third-party funding (i.e. to include assurance of access to additional grant funding as part of Energy Company Obligation grants scheme, and other resources). Bids had to demonstrate value for money and a clear net benefit of outcomes in comparison to the amount of funding requested from AWS. The level of financial detail required at the bid submission stage was such that it would be difficult to run a competitive procurement process once the funding had been secured, since each energy supplier or installer bidding would have different pricing and resources to those detailed in the funding bid.
17. The Warm Homes Fund bid was submitted by the County Council's Warm Homes service on the 27th September 2019 in line with the final round of bids closing deadline. Prior to submitting a funding bid, soft market testing was carried out by the Council to identify interest in the scheme and to test possible ways of comparing the different approaches that could be taken by the market in delivering the project. Various market options were examined however the main challenge was the inability to write a bid in sufficient detail without working collaboratively with a delivery partner in advance of the funding award decision. Successful bids also required the commitment of third-party funding.
18. Given the challenges identified and not wanting to miss out on this final opportunity to bid for the funding, a bid was developed based on a free of charge assessment carried out by E.on on the opportunity to target all electrically heated properties.

Partnership with E.on

19. E.on is an established energy supplier and has been proactive in wanting to create a project in line with other Warm Homes Fund bids it has developed in Nottinghamshire and Staffordshire and approached the Council directly.

20. The bid submitted focuses on two categories, designed to run in conjunction as one project. Firstly, for E.on to install 500 first-time gas central heating systems along with relevant insulation measures to primarily private sector housing. Secondly, to realise wider benefits that reduce the likelihood of fuel poverty through income maximisation, benefit checks and home energy assessments via a partnership between E.on and Age UK and by funding additional staffing resource within the Public Health First Contact Plus advice and signposting service.
21. Properties would be identified by all parties involved with particular focus on Eon utilising communications agreed by a project steering group within communities. Targeting will utilise a variety of data sets on household energy efficiency, heating type, gas network coverage, fuel poverty prevalence and deprivation.
22. Local authority private sector housing leads, and the Lightbulb housing support partnership have been engaged as part of the bid development to ensure local knowledge and experience can identify households eligible for support.
23. The funding bid was submitted on the basis that it was subject to exception approval for direct award and approved by AWS.

Direct Contract Award

24. The intention to direct award a contract to deliver this project follows a precedent set by Nottinghamshire County Council directly awarding a similar contract to E.on. AWS guidance advised that local authorities are free to set up their own partnerships to create effective projects. E.on, is one of the larger established and experienced energy suppliers in the UK, with similar existing projects already operating in the Midlands region and beyond.
25. In the immediate months prior to the submission of a funding bid, no other party directly approached the Council to express a desire for potential Warm Homes Fund project collaboration. E.on's main role in the project is to arrange works for both installation of gas boilers and gas network extensions. Any other minor services (such as project management) being provided by E.on are ancillary and not severable from the main purpose of the contract which is the works. Therefore, the arrangements between the Council and E.on are classified as a works contract under the Public Contracts Regulations 2015. The proposed contract is significantly below the threshold for advertising works under the Public Contracts Regulations 2015 (the contact not being of interest to suppliers outside the UK).

Risk Assessment

26. The Council considers the risk of partnering with E.on low on the basis of experience, financial risk rating, contingency and existing successful project involvement specifically within the Warm Home Fund.

Conclusion

27. An exception is therefore sought to direct award a Works contract to E.ON so they may deliver the project for which significant funding has been secured. The total project value is estimated at £3.4m over a 2-year period.

Equality and Human Rights Implications

28. There are no adverse equality or human rights implications arising from this report – there are no proposed changes to policies or strategies, services, and so on, which would indicate any adverse effect on particular groups. If approved, the contract proposed would improve the lives of eligible residents, currently living in fuel poverty, by providing them with warmer homes and/or greater financial resilience. There will be positive implications for certain groups at increased risk of the effects of fuel poverty, for example those with long term ill-health affected by cold weather will benefit from the target eligibility criteria set out by AWS.

Environmental Implications

29. The installation of first-time gas central heating in combination with insulation measures is considered appropriate to ensure all adequate means to reduce the need to heat the property are reasonably addressed. There is a need to balance affordability in terms of running costs for residents in using their heating system with the environmental sustainability of continued use of fossil fuels. It is recognised that use of existing gas network infrastructure has a role to play in future decarbonisation of energy use at home.

Background Papers

Leicestershire County Council Strategic Plan 2018-2022

<https://www.leicestershire.gov.uk/about-the-council/council-plans/the-strategic-plan>

Director of Public Health Annual Report 2017

<http://www.lsr-online.org/uploads/dph-annual-report-2017.pdf>

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