

Energy Efficiency Dynamic Purchasing System (EEDPS)

Procuring Retrofit Services for the future
Net Zero Delivery Team



I. EXECUTIVE SUMMARY

I.1 Recommendation to sign and enter into a Concession Agreement and Customer Contract Agreement with INCIC to host and use an Energy Efficiency Dynamic Purchasing Agreement (EEDPS) to then procure suitably qualified and competent PAS2030 contractors to deliver retrofit improvements to privately owned and rented homes.

I.2 There is no financial risk in entering the Concession Agreement, and there is minimal financial risk in entering the Customer Access Agreement. The risks in the competence and quality of the contractor delivery is transferred to INCIC to manage. The benefits significantly outweigh the risk, especially in investing the grant funding directly into Plymouths local economy.

I.3 There are positive Climate Impacts as a result of this proposal and no negative effects identified in the Equality and Diversity Impact Assessment.

I.4 There is no financial expenditure associated with the Concession Agreement, however a likely revenue income should the DPS cover all INCICs annual overheads and generate a profit, of which PCC stands to receive 50% as part of the revenue sharing clause within the Agreement.

I.5 Financial expenditure from direct DPS use will likely be no more than £35,960.00 per year, and will be fully funded by the Warm Homes: Local Grant fund secured from DESNZ.

I.6 Key risks: Contractor Competency; Contractor Capability; PAS2030 certified Contractors locally available to deliver complex retrofit works.

2. BACKGROUND

2.1 Business Need:

The Net Zero Delivery Team is in the process of securing over £7 million of Warm Homes: Local Grant (WH:LG) funding from the Central Government Department of Energy Security and Net Zero (DESNZ), to improve over 500 eligible homes.

This grant will be spent on fully funding measures to improve the thermal performance, comfort and energy self-sufficiency of privately owned and rented low income and fuel poor households across the city. These home improvement actions are termed 'Retrofitting' existing homes and include measures such as insulation, solar pV, and better heating systems for the home, such as air source heat pumps.

The funding duration is initially for 3 x years, running from 1 April 2025 until 31 March 2028, and it is within this timeframe PCC aim to treat and improve >500 homes.

This initial 3 x year duration it is expected to be extended by Central Government for a further 2 x years, potentially increasing the project lifespan to 5 years, and being available until 3 March 2030.

If the funding is extended, the Net Zero Delivery Team aims to secure an additional £5.8 million to treat a further >400 homes.

2.2 Current Business Problem:

Currently we face the challenge of securing local, competent and appropriately qualified contractors to deliver retrofit works, which could include:

- Loft Insulation
- External Wall Insulation
- Solar pV installation
- Air Source Heat Pump Installation
- Room in Roof Insulation
- Improvement ventilation

Instead, we are currently reliant on 1 x national company, Evolve Home Solutions Ltd, who has a monopoly over the products installed, measures that can be installed, level of improvement to a home, cost, and speed of delivery. All of which place Plymouth City Council in a vulnerable position of being reliant on the sole Contractor to set the pace and options of retrofit measures, which doesn't always best serve the resident, especially in the case of complex needs with hard to treat properties.

2.3 Business Opportunity:

Plymouth City Council seeks the opportunity to contract INCIC Ltd, through a Concession Agreement, to set up and manage an Energy Efficiency Dynamic Purchasing System (EE DPS), and to provide the role of securing correctly qualified and competent contractors to deliver a full range of energy efficiency (EE) retrofit measures to Plymouths eligible homes.

The EEDPS will resolve our current challenge of sourcing competent contractors and varied measures by managing the PQQ procurement process, vetting, inspections and ongoing competency, compliance and contract particulars to provide a pool of approved PAS2030 and TrustMark accredited contractors, many of whom may already be approved to deliver installations through Plymouth City Councils Disability Facility Grant programme, and will be supported by INCIC, through their social values programme, to continually upskill their team and sub-contractors to PAS2030 certification to include insulation and other retrofit measures.

Contracting INCIC's DPS to support the local SME market to engage with the WH:LG funding will enable Plymouth City Council to invest the funding we secure back into our local economy, increasing the social value to our city, increase employment opportunities, and direct investment into specific PAS2030 training programmes with City College to ensure more micro and SME businesses are skilled and compliant to work on the grant funded scheme.

2.4 PROPOSED CHANGES AND REASONS

2.5 Business Proposal:

2.5.1 Concession Agreement:

Enter into a non-exclusive Concession Agreement with INCIC to host the EEDPS, which will allow this DPS to then be made available to other LA's to have individual Access Agreements with INCIC to make use of the platform in securing energy efficiency works.

The Concession Agreement will be at no cost to Plymouth City Council, and should last for an initial period of 4 x years, with the opportunity to extend by further 2 x periods up to a maximum of 60 months.

The Concession Contract will have a Revenue Sharing Clause written into it, that will state PCC will receive 50% of the profit after INCICs costs are deducted, creating a potential revenue stream for Plymouth to further invest in our internal retrofit delivery, local training and skills programmes, or SMEs to continue the upskilling of competence to deliver whole house retrofits within the city.

2.5.2 EEDPS Customer Access Agreement (CAA):

Separately for Plymouth City Council to enter a Customer Access Agreement with INCIC, for an initial period of 4 x years, with the opportunity to extend by further 2 x periods up to a maximum of 60 months.

Plymouth City Council will use the DPS to advertise the works required at each home in 'Lots', which will enable more complex works to be bid for, as the works can be broken down into specific measures, such as External Wall Insulation; Solar pV, which will enable more specialist contractors to bid for depending on their business offering, mitigating the risk of 1 x business providing a one stop shop of measures that may not be applicable to complex housing archetypes and retrofit recommendations.

INCIC will charge a management fee of 1% (Net of Vat) on each total Lot value contracted through the DPS platform.

The financial risk to PCC is minimal as charges are only incurred as a result of use and contracts secured.

Alongside the EEDPS enabling Plymouth City Council to provide far more complex whole house retrofit works to our eligible homes across the city, which will make a marked improvement for the low income, fuel poor residents within these properties; it will also provide a greater transparency and access to records, photos and contractor certifications - evidencing who, where, what and how each task has been completed, which will support our own audit records per property, and collate the records to evidence to the grant funder how the funding has been appropriately spent.

2.6 Why is the EEDPS a Preferred Option:

- Increased accountability of grant spending
- Increased management and oversight of contractor compliance
- Increased access to competent contractors and specialists
- Increased audit trail of full works delivered per property
- Ability to deliver complex works to eligible homes, to deliver deep retrofit
- Improved transparency of grant expenditure and resultant works completed
- Increased opportunity to invest the funding into local micro and SME businesses
- Increased opportunity to increase the social value of the funding to improve the local training opportunities with City College to upskill local businesses
- Very low financial risk – all financial risk sits within the parameters of the grant fund, and how it is spent
- Expenditure is based on competitive tendering, and weighted as set by PCC Procurement, Sustainability and Social Values agenda

2.7 Advantage to PCC:

Plymouth City Council already has an existing, mature and well developed Concession Agreement and Customer Access Agreement in place with INCIC to provide an ARMI DPS (Adaptations, Repairs, Maintenance & Improvement). This Agreement has been in place for over 8 years, and managed by the

Housing Team has aided their ability to deliver a leading housing service in support and improvements, especially through the Disabled Facilities Grant.

PCC retrofit grant delivery model was established in 2020, based on the exemplary model of the Housing Teams exemplary model in delivering Disabled Facilities Grants (DFG). However, the key DFG procurement structure that the retrofit model failed to develop (due to role changes, and staff departures and new starters), has to date prevented Retrofit from investing its funding secured into the local economy and building up suitably qualified local contractors. The PCC Net Zero Delivery Team now finds itself in a strong position to be able to develop this procurement structure into our current Retrofit model, whilst still working in delivery partnership with Plymouth Energy Community, our key partner in ensuring the residents remain at the centre of all grant funding expenditure, and home improvements.

2.8 Key Benefits Include:

- **Streamlined Procurement:** Reduces costs and simplifies the contractual process, encouraging competitive pricing
- **Project Support:** Facilitates the assessment and funding of complex projects, allowing for thorough and effective retrofits
- **Improved Response Times:** Saves time on project initiation, contract awards, record handling, and payments, enhancing operational efficiency
- **Local Economy Investment:** Includes a profit-sharing model between INCIC and PCC, whereby PCC can receive 50% of the profit after INCIC costs are deducted, which can be reinvested into the local economy to ensure PAS2030 upskilling and certification is met
- **Social Value:** Engages with micro and SMEs, fostering supportive relationships for delivering retrofit improvements
- **Carbon Reduction:** Supports local businesses, reducing travel mileage and sourcing materials locally, contributing to carbon reduction target

2.9 Risks Understood:

- Entering into a Concession Agreement does not place PCC at any financial risk, as this agreement is not based on any direct financial transactions.
- Entering into a Customer Access Agreement places PCC at minimal financial risk, so long as the 1% management fee to INCIC is set, and not subject to inflation or increase at intermittent stages throughout contract length
- Missing a valuable opportunity to utilise significant grant funding secured to invest into our local economy

2. 3. ALTERNATIVE OPTIONS

3.1 What may happen should we 'do nothing':

Plymouth City Council will continue our currently well established model of working with Plymouth Energy Community to secure work with Evolve Home Energy Solutions Ltd to deliver simple quick win measures for homes, that don't deliver complex retrofit improvements.

Together with PEC, PCC will seek to support and procure local competent contractors to deliver within the scheme requirements. However, this is a time consuming and significant resource demand of both PEC and PCC

project mgr time, and so is unlikely to be progressed with the speed and focus required to make any significant changes within the 3 x year timeframe.

3.2 Do Nothing Option	Continue with current Retrofit Delivery Model
List Benefits:	<ul style="list-style-type: none"> - Mature procurement process in place with Evolve Ltd and Taylor Hickey Ltd, that works - Current model has passed multiple external audits conducted by grant funders and Devon Audit Partnership, and deemed an acceptable and approved model
List Risk / Issues:	<ul style="list-style-type: none"> - Reduced offer of what improvements can be made to residents homes; - Evolve Ltd will control the pricing, materials and measures to be installed as well as pace of delivery. - PCC reliant on both organisations, leaving PCC exposed to risks on demanding improved quality, performance, delivery timeframes - Unable to move away from Contractor should issues arise, as lack of other options in place
Cost:	£0.00 (set at zero as all expenditure is covered by grant funding)
Why did you discount this option	<ul style="list-style-type: none"> - Option of what can be provided to a resident is too narrow - Doesn't always result in the best improvement for what the resident/ house could receive to improve the thermal comfort of their home
3.3 Do Minimum Option	<ul style="list-style-type: none"> - Continue with current approved Installer - PEC & PCC project mgrs. seek to onboard more local contractors as PCC progresses into new WH:LG scheme
List Benefits:	<ul style="list-style-type: none"> - Have established model in place - Roles and deliverables are known and understood
List Risk / Issues:	<ul style="list-style-type: none"> - Lack of internal staff resource to effectively deliver on this - Potential lack of access into local contractor market without supporting time resource
Cost:	£25,000.00 – additional time and focus from internal resource working away from direct project delivery
Why did you discount this option	<ul style="list-style-type: none"> - Time and focus is an issue with this option, its not impossible, but it would require a considerable amount of officer time to achieve effectively
3.4 Viable Alternative Option	Reshape PCC delivery model and find turnkey contractor to deliver full grant programme
List Benefits:	<ul style="list-style-type: none"> - Main Contractor will be responsible for sourcing all contractors to improve residents homes
List Risk / Issues:	<ul style="list-style-type: none"> - PCC would have a lack of control on design and depth of improvements to homes - it would remove role of Plymouth Energy Community who play a vital role in handholding the resident through their customer journey, offering impartial advice and checking that they receive best workmanship and quality of install
Cost:	£135,000.00 – PCC officer time in developing tender, and contract managing Main Contractor over 3 x year period

Why did you discount this option	<ul style="list-style-type: none"> - This model has significant risk of not ensuring the resident is the central focus of the grant fund, - In delivery process the offer to the resident may be simple and cheapest solution, so Contractor and subcontractors maximise their profit in fund delivery - A key focus of both PCC and PEC to ensure that the funding results in highest levels of improvements as felt by the resident, and that the funded improvements work at a practical level to suit the households needs and lifestyle. This is likely not the case with a Main Contractor
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4. FINANCIAL IMPLICATIONS AND RISK

The financial implication is minimal to Plymouth City Council:

4.1 Concession Agreement:

There is no financial expenditure connected to this Agreement. By signing the Concession Agreement Plymouth City Council enables INCIC to offer the platform to other Local Authorities through their own direct Customer Access Agreements.

At YE, after all INCIC overheads have been accounted for, a revenue sharing clause applies, whereby Plymouth City Council receives 50% of any profit made. Plymouth City Council can then utilise this to invest into internal staffing costs, or alternatively through further developing retrofit training, contractor competencies within our local economy.

4.2 Customer Access Agreement:

There is a 1% mgmt fee charged to PCC by INCIC for the total value of contracts issued to contractors using the EEDPS. This 1% fee will be fully funded by the Warm Homes: Local Grant Plymouth City Council will receive from central government Department of Energy Security and Net Zero over 3 x year duration between FY's 25/26 – 27/28.

5. TIMESCALES

5.1 Concession Agreement:

To sign both the Concession Agreement by 1 November 2024.

This will enable PCC and INCIC to work in partnership over the following 4 x months to invest in local micro and SME contractors to be procured onto the DPS, ready for the commencement of the Warm Homes: Local Grant on 1 April 2025.

5.2 Customer Access Agreement:

To sign this Agreement prior to 1 March 2025.

There is less pressure to set up Plymouth City Councils individual Access Agreement, as we will not likely start to use until the commencement of the Warm Homes: Local Grant on 1 April 2025.