

## **Committee: Cabinet**

**Date: 18 December 2023**

Wards: All

## **Subject: Award of Home Energy Efficiency Loan Contract**

Lead Director: Dan Jones, Director for Environment, Civic Pride and Climate.

Lead member: Councillor Natasha Irons, Cabinet Member for Local Environment, Green Spaces and Climate Change

Contact officer: Tara Butler, Deputy Head of Future Merton

### ***Exempt or confidential report***

*Members and officers are advised not to disclose the contents of the Exempt appendices.*

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### **Recommendations:**

That Cabinet:

1. Award a new contract to Bidder A for the provision of loan brokerage service to administer an energy efficiency loan to Merton homeowners.
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## **1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1. The purpose of this report is to recommend that Cabinet approves the award of the contract to the successful bidder contained within the Exempt Appendix A for Merton's Home Energy Efficiency Loan (HEEL).
- 1.2. Following extensive soft market testing in spring and summer 2023, the tender process involved the Invitation To Tender (ITT) being published in September 2023 and the evaluation of bids took place in early November 2023. The entire process was undertaken in line with Contract Standing Orders and the Public Contract Regulations 2015.
- 1.3. One service provider is recommended to be appointed. Due to the commercial sensitivity the details of the assessment results have been circulated as a confidential Appendix to this report.
- 1.4. The recommended service provider was the only bidder for this contract and offers extensive experience in this specific area.

## **2 DETAILS**

- 2.1. The report outlines the key features and benefits of this recommendation and the impact that this will have on the delivery of the loan provision. Cabinet approved funds of £300,000 in February 2023 for initial investment into a community retrofit loan scheme. The loan is intended to assist residents with the upfront costs of retrofitting their homes for energy efficiency/ decarbonisation.
- 2.2. The initial approved budget allocation is £300,000 for this contract. The recommended contract award value is up to £2 million which will allow an

extension to the scheme should additional funding become available, as discussed at Leaders' Strategy Group in September 2023.

- 2.3. The contract is for the provision of a Financial Conduct Authority approved loan brokerage service, which will cover the complete cycle of all loans lent to Merton residents. This includes advertising the loan, taking enquiries and assessing residents' suitability for a loan. Once the borrower and their property has been approved for a loan, the broker will collect all payments, deal with arrears and any other issues for the duration of the loan. They will also conclude the loan and remove the charge from the property.
- 2.4. The KPIs proposed in the contract with the loan broker include the monitoring and reporting of promotion and uptake of the loan, debt management, setting a relevant interest rate, ensuring the money is spent appropriately and customer satisfaction.
- 2.5. Monthly contract review meetings will include a review of the loan book status – a report that details number of loans in place, the repayments and capital still available, as well as the KPIs. The loan broker has to remain Financial Conduct Authority compliant throughout the duration of the contract.
- 2.6. The loan broker will manage the funds for the Council for up to 25 years. This includes receiving the interest payments on loans and reissuing them into the loan fund. These funds will not be returned to the Council until the contract term is reached in 2049.
- 2.7. The Council's contract manager and Finance Team will work with the loan broker to ensure an interest rate is set that will keep borrowing costs low for residents.

### **3 PROCUREMENT**

- 3.1. In researching council loan schemes in England, it was found that at least 40 councils currently offer loans to residents to assist in repairing or adapting their homes. Two councils (Bath and North Somerset and Basingstoke and Deane) offer a loan specifically for energy efficiency works. Nearly all used an external loan broker to administer the funds. All councils continued to invest in the loan fund annually after the initial investment. Many councils have funded this service for more than 10 years.
- 3.2. A soft market test was carried out through the Tenders Portal which identified two interested loan brokers, one of whom has bid for this tender.
- 3.3. The procurement was undertaken outside of a framework, and the ITT was published on 22<sup>nd</sup> September 2023 and closed on 23<sup>rd</sup> October 2023.
- 3.4. One submission was received and the evaluation of the bids was carried out in line with the methodology set out in the ITT.
- 3.5. Bidders were required to answer a set of method statement questions to assess the quality of their bid, along with a completed price list.

- 3.6. The tender evaluation comprised three stages: the first was a tender compliance check, on a pass/fail basis; the second was a quality and technical evaluation in line with the methodology prescribed in the tender and the third was the assessment of price in line with the methodology prescribed in the ITT.
- 3.7. The bids were evaluated by a moderation panel of five Council colleagues. Three colleagues reviewed the entire submission and two were brought into assess specific questions: a colleague from finance assessed the pricing schedule and a colleague from the Climate Team assessed the property evaluation method statement.
- 3.8. The bid evaluations were assessed by: Pass/Fail Compliance Checks; 60% Cost; 35% Technical and Quality and 5% Social Value Charter
- 3.9. The moderation meeting was held on 6<sup>th</sup> November 2023 for the panel of assessors to come together and discuss the individual scores and comments for each section and reach an overall score for the bid submission.
- 3.10. The name of the bidder and their respective score is included in Exempt Appendix A.
- 3.11. The bid was evaluated against the below method statement questions:

<b>Sub criteria</b>	<b>Method statement</b>	<b>Weighting</b>
Relevant experience	Describe your relevant experience of loan administration, including the ability to manage a revolving loan book and setting an interest rate relevant to the area the loan is being lent.	8%
Advertising and promotion	Explain how you will promote the loan to a range of residents from varying socio-economic, ethnic, age and health backgrounds. Include a range of outreach methods.	8%
Management of Loan Process	Describe how you will manage the whole loan process from receiving an enquiry to closing a loan, including assessment of applicants, the charge on the property and managing arrears.	6%
Management of Loan Process	Explain the costs involved in the whole loan process and who will bear these costs for each element listed above (the loanee, the loan fund, the Service Provider).	2%
Performance Management and reporting	How will you manage, monitor and report the status of the loan book to the Authority? Describe information you will provide and the frequency it will be provided.	6%
Property assessment	Describe how you will assess property types and the installation of appropriate low carbon/ energy efficient/ energy generation technologies for each property	5%
Social value	Social Value charter to be completed and returned	5%

- 3.12. The bidder also completed a pricing schedule as part of their tender return. It specified the cost of: contract set up, annual contract management, individual loan costs, and any additional costs. These were scored as part of the evaluation under the 60% cost weighting. Please see Exempt appendix A for the Pricing Schedule from the bidder.
- 3.13. Additionally, three example scenarios were also required from the bidder which gave an indication of how the loan book would be spent and replenished at three different example interest rates chosen by the bidder. These were not scored under the cost weighting due to the inability to directly compare between each potential bidders numbers' as each would have submitted multiple variable figures into the template.
- 3.14. The HEEL KPI handbook submitted as part of the ITT documents outline the proposed KPI's and how the contract will be managed.
- 3.15. The initial main stakeholder department and team for this contract will The Climate Team in Future Merton Team across the Housing and Sustainable Development and the Environment, Civic Pride and Climate departments.

#### **4 ALTERNATIVE OPTIONS**

- 4.1. This is a new service and contract for the council and there are no reasonable alternative options put forward to consider other than not awarding the contract. This is not recommended as the council has resolved to deliver this service as part of the climate action plan and the procurement process has been carried out correctly.

#### **5 CONSULTATION UNDERTAKEN OR PROPOSED**

- 5.1. Procurement Board approved the Gateway 1 report on 22<sup>nd</sup> August 2023.
- 5.2. On 4<sup>th</sup> September LSG noted that the tender would include an award of up to £2 million contract limit over the lifetime of the contract should further funding become available.
- 5.3. Stakeholder departments including finance, legal and procurement were involved in the drafting of the specification requirements, tender evaluation documents and also in the evaluation of the tender bid.

#### **6 TIMETABLE**

<b>Stage / Activity</b>	<b>Dates</b>
Evaluation of tenders	24 <sup>th</sup> October to 7 <sup>th</sup> November 2023
Procurement Board	21 <sup>st</sup> November 2023
Leaders Strategy Group	4 <sup>th</sup> December 2023

Cabinet Meeting	18 <sup>th</sup> December 2023
Call in period	19 <sup>th</sup> December 2023 – 12pm 27 <sup>th</sup> December 2023
Notification of the Councils intention to award	3 <sup>rd</sup> January 2024
Confirm award of contract decision	3 <sup>rd</sup> January 2024
Contract Commencement target date	22 <sup>nd</sup> February 2024

- 6.1. Mobilisation stage will start in the new year, immediately after the contract is awarded so that the contract, policies and procedures are in place for 22<sup>nd</sup> February 2024.

## **7 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**

- 7.1. An initial fund of £300,000 has been held in the Future Merton budget for this loan service. The initial split was anticipated to be £20,000 revenue and £280,000 capital to be allocated to individual loans for residents. The confirmed capital and revenue budget for the first five years of the contract will be £56,000 revenue for the set up and running costs of the scheme and £244,000 capital for the loans to residents.
- 7.2. There is potential to invest further into this loan service should the Council make further funds available, up to the value of £2 million.

## **8 LEGAL AND STATUTORY IMPLICATIONS**

- 8.1. The Council has the power to enter into the contract by virtue of section 1 of the Localism Act 2011 and the Local Government (Contracts) Act 1997.
- 8.2. The value of the contract is above threshold and so the route to market has been undertaken in accordance with the provisions of the Public Contract Regulations 2015 (PCR) and Contract Standing Order 19.
- 8.3. Once awarded the contract to the broker will need to be entered on to the Contracts Register in line with the Local Government Transparency Code 2015 and Contracts Finder in accordance with Crown Commercial Services Guidance.

## **9. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS**

- 8.4. None for the purposes of this report.

## **10. CRIME AND DISORDER IMPLICATIONS**

8.5. None for the purposes of this report.

**11. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**

11.1 The KPIs address the risks identified in the risk assessment for this loan service.

**12. APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT BACKGROUND PAPERS**

12.1 Appendix A: CONFIDENTIAL results of tender evaluation

**13. BACKGROUND PAPERS**

13.1 N/A