

12/02/2018 – Local Supply chain pilots for encouraging high quality retrofit

Context of the project

Policy Context

Natasha briefly went through the context as to how we got here – mentioning the Clean Growth Strategy (CGS), which was launched last October and had a number of commitments on homes. This included the commitments on extending regulations for the private rented sector and regulations new builds and an aspiration for all homes to be EPC band C by 2035 where practical, cost effective and affordable. The challenge of improving homes in the owner occupier sector was covered by the Call for Evidence on building a market for energy efficiency. The contents of this were discussed, including the barriers to market growth, and the need to find ways to support supply chain integration and upskilling of the RMI (Repair, Maintenance and Improvement) supply chain to deliver improvements.

Examples of successful programmes:

Aaron shared some programmes that have been successful in America – Colorado and Michigan and a similar project in the UK in Nottingham. All of these programmes share similarities with the approach being piloted here – a focus on supply chain building and dealing with the non-financial barriers to retrofit projects rather than just focussing on the financial barriers.

Structure of the project:

Gervase ran through the provisional structure of the project including the how much money each successful organisation would be receiving and the geographical split [see slides for more information]. Important questions were raised around a number of issues. These were expanded on in the subsequent one to one interviews. A summary of discussions and current BEIS thinking on these issues is set out below.

A) Joint bids

- If two out of the three organisations are successful after the first 6 months, can the third organisation split its money with the other two and upscale?
- This would be considered at the time. The hope is that all three projects selected at the beginning would continue for the duration of the project. Can

multiple organisations bid together in consortia, does it matter who the lead organisation is?

- Consortia bids would be allowed and indeed encouraged if they help to demonstrate a joined up approach between different partners. We would encourage bidders to have a private sector organisation as the lead bidder.
- Could one company be involved in multiple bids?
 - Yes. However, due to the priority of testing out multiple different approaches, a company is not likely to be awarded the contract as **the lead** on multiple projects.

B) Geographic spread

- **Urban/ rural.** The proposal is to split the funding into 3 pots, and to try and ensure a geographic spread (including sufficient coverage of rural/ urban) across pots. There was an open discussion about the best way to do achieve a spread between rural and urban areas. Our current view is that we are not likely to do separate pots for rural and urban, and instead prioritise the best bids. Due to areas covered by projects, it is likely most will have a mix of rural and urban.
- **Size of areas** – some contractors questioned whether they could cover a larger area than just a unitary authority/ combined authority or county level as proposed in the outline.
 - The proposed level was designed to cover the ‘travel to work’ area for local contractors. If contractors want to cover a large region BEIS would be content to support this. However a project covering a significantly smaller area (e.g. single local authority level) is unlikely to be successful due to lack of geographic spread.
- **Existing work/ projects.** Contractors asked for assurances they would not be penalised for focussing on an area where considerable retrofit activity had already taken place. They answer was no, but that contractors might therefore be expected on additional value added measures – e.g. heat pumps.

C) Timeframe

- Questions were asked on whether objectives set out were achievable given the 18month timeframe?
 - The general consensus in the room was it is difficult to answer this question without being clear on the output expectations but a lot of the concerns were due to past experiences of the green deals communities' project, where it took up to three years to build a pipeline of work. Projects, like Nottingham city homes, were successful because they had already done the ground work.
 - The discussion has led to the objectives for the project being slightly revised with an emphasis being put on the fact that it is a pilot programme and BEIS would like to use this as a learning process. Contractors will be expected to build a sustainable business model over the project period, but will not necessarily have ambitious targets in terms of homes improved or measures installed

D) Procurement

- If a contractor is not named on a bid, would they also have to be procured?
 - Prime contractors should always be listed and we encourage contractors to name all parties as it's there is a requirement to know supply chains for SME statistics to Cabinet Office. However, this does not stop the prime contractor, if they win, running an open competition through Contract finder to get others on board and sub-contracting elements of the work.

E) Use of funds

- Could the funds be used to buy interest rates from credit unions?
- Could funds be used to pay for independent financial advisors?
- Could the funds be used to just pay for assessments?

The aims of the funds are to demonstrate a scalable and sustainable model for driving retrofit in a local area through supply chain integration and upskilling. At present, the funding we hope to allocate is programme spend and so would not cover the above activities, and it is not clear that the above activities would drive a sustainable model. However further consideration will be given to this and clarity will be given in the ITT if the project goes ahead.

NEXT STEPS:

Gervase also highlighted that this is not the only thing we are going to do for the able to pay market – BEIS will be publishing a programme of work at the end of the year following an evaluation of the responses to the Call for Evidence on Building a Market for Energy Efficiency. In terms of this project, decisions about the allocation of budgets for the next financial year will be taken soon. Once there is a decision about whether to progress with this project or not, an update will be sent to participants who attended the supplier day on the next steps and plans for the Invitation to Tender (ITT).

- Who would own the intellectual property?
 - For future policy development purposes, BEIS would own the intellectual property.