

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2712

Title: Green Homes Grant Local Authority Delivery scheme funding

Executive Summary:

The Mayor wants to make London a zero-carbon city by 2030, while at the same time protecting the most disadvantaged by tackling fuel poverty. The COVID-19 pandemic has presented London with its most challenging period in recent history and London's recovery will be based on delivering a Green New Deal and a robust safety net.

Since January 2018 the Mayor has operated the Warmer Homes programme, improving the energy efficiency of low income Londoners' homes. In September 2020, the GLA led and submitted a successful consortium bid for £2,565,500 of Green Homes Grant Local Authority Delivery scheme funding to deliver additional deep energy efficiency improvements for 350 low income London households, across various tenures. The budget needs to be spent by the end of March 2021.

The programme is split into two elements (private and social housing). The private sector element would be delivered by our existing Warmer Homes contractors and the social housing element by the five social landlords as part of a consortium. This Mayoral Decision seeks approval for the funding and delivery of this energy efficiency programme, from November 2020.

Decision:

That the Mayor approves:

1. Receipt of £2,565,500 of Green Homes Grant Local Authority Delivery scheme funding from the Department for Business, Energy and Industrial Strategy, by March 2021;
2. Expenditure of £1,969,000 of this funding to match the Mayor's existing Warmer Homes programme funding to deliver energy efficiency improvements in the homes of around 200 low income London households by March 2021; and,
3. Expenditure of £596,500 of this funding to support five social landlords to improve the energy efficiency of their stock to deliver improvements in the homes of around 150 low income London households by March 2021.

Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:



Date:

19/11/20

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

Decision required – supporting report

1. Introduction and background

Background

- 1.1 The Mayor wants to make London a zero-carbon city by 2030, whilst at the same time protecting the most disadvantaged Londoners by tackling fuel poverty. This is a stretching ambition given the scale of fuel poverty and the low take-up of energy efficiency measures. In light of the COVID-19 pandemic the Mayor's London Recovery Programme has also set out two relevant missions: A Green New Deal and A Robust Safety Net.
- 1.2 The Government's Clean Growth Strategy sets out an aspiration for all fuel poor homes to be upgraded to Energy Performance Certificate (EPC) Band C by 2030 and for as many homes as possible to be EPC Band C by 2035 where practical, cost-effective and affordable. The Fuel Poverty Strategy for England – published in 2014 and due to be revised in 2020 – also contains a target for as many fuel poor homes as reasonably practicable to achieve an energy efficiency standard of Band C by 2030. The Mayor's Fuel Poverty Action Plan lays out actions to help achieve this target in London but we have also made the case to Government that a minimum of Band B will be required to protect Londoners from fuel poverty now and into the future but that far greater investment will be required to realise this ambition.
- 1.3 In 2018 there were 392,000 households living in fuel poverty in London, which equates to over 11 per cent of all households. London continues to lose out on funding from the Government's Energy Company Obligation (ECO); while Londoners contribute 13 per cent to ECO through their energy bills, only 4 per cent of this finds its way back to London. The Mayor has set out his programme of actions to address fuel poverty in London with the powers he has in his Fuel Poverty Action Plan. These include support for energy efficiency programmes such as the current Warmer Homes scheme and fuel poverty advice.
- 1.4 The focus of the current Warmer Homes scheme has been to target energy efficiency support to fuel poor households, including extending the scheme to the private rented sector in November 2018. The current, second phase of Warmer Homes was approved by MD2412.
- 1.5 In the Summer Statement of July 2020, the Chancellor of the Exchequer announced that a £2 billion Green Homes Grant scheme would be established to upgrade homes across England. Under this, £500 million funding will be delivered through local authorities, to improve the energy efficiency of low-income households. The Local Authority Delivery (LAD) scheme aims to raise the energy efficiency of low energy performance homes (those rated at EPC Band E, F or G), including off-gas grid homes. The initial phase of the scheme provides £200 million funding for local authorities to upscale existing energy efficiency improvement projects. A further £300 million will be available in the second phase of the scheme later in 2020 for Local Energy Hubs in England to procure services that support upgrading eligible homes. The GLA can apply for all stages of the funding. It is from the first allocation that we secured £2,565,500.
- 1.6 London is facing the most challenging period in recent history, following the initial and ongoing impacts of coronavirus. This programme addresses two of the key guiding principles of the London Recovery Programme: addressing social, economic and health inequalities and delivering a cleaner, greener London and contributes to two of the missions set out above.

Current Warmer Homes programme

- 1.7 The second phase of the Mayor's £4.95 million Warmer Homes programme was launched in March 2020, providing up to £4,000 worth of energy efficiency improvements to 1,188 homes qualifying fuel poor homes. This programme was approved by the Mayor in March 2019 through MD2412.
- 1.8 Warmer Homes forms part of the wider £34 million Energy for Londoners (EfL) programme, which aims to deliver against the targets set out in the London Environment Strategy, making London's homes warm, healthy and affordable. The programme takes a whole house approach, identifying a package of measures based on the needs of each customer and their home. Within EfL, and particularly in the Energy Leap pilot project, and previous RE:NEW and current Retrofit Accelerator - Homes programmes, there has been an increased focus on deeper retrofitting. This approach aims to achieve greater occupant benefits including lower bills, greater comfort and improved health and wellbeing, in addition to reduced CO2 emissions.
- 1.9 Warmer Homes has received over 1,600 applications and is on track to deliver improvements to 1,188 homes by March 2021. Many of these homes will be ineligible or have no suitable package of works identified and the Greener Homes Grant funding will mean that we can offer grants to at least 100 further new applicants, identified in collaboration with the boroughs.
- 1.10 Warmer Homes is currently delivered by Happy Energy Solutions Ltd which processes applications and oversees the installation of energy efficiency measures. We specifically procured with a headroom of £13.97m in order that we could take advantage of further sources of funding without the need to reprocure, allowing us to contract Happy Energy Solutions Ltd to carry out the works without a further procurement exercise.

Programme overview

- 1.11 The consortium bid we submitted to government is composed of two parts:
 - £1,969,000 of this funding to match our existing Warmer Homes programme funding, delivering energy efficiency improvements in the homes of around 200 low income London households by March 2021; and
 - £596,500 of the funding to support five social landlords to improve the energy efficiency of their homes, delivering energy efficiency improvements in the homes of around 150 low income London households by March 2021.
- 1.12 Around 100-125 homes will be existing Warmer Homes applicants receiving enhanced packages and a further 75-100 will be new Warmer Homes applicants identified in collaboration with up to 11 boroughs.
- 1.13 Up to £10,000 is available for each owner-occupied home and £5,000 for each privately rented home through the Green Homes Grant. Match funding will be sought for all packages from the Energy Company Obligation, local carbon offset funds and Better Care Funding to maximise improvements to homes. Measures will vary per property and are subject to a detailed whole house assessment, but the funding does not permit the installation of fossil fuel heating systems. Anticipated measures include air source heat pumps, solid wall insulation and solar photovoltaics.
- 1.14 Around 150 homes have been identified by the five social landlords in our consortium and up to £5,000 is available (plus ancillary costs) for each home, with the social landlords required to contribute at least a third of the cost. The measures being installed by the social landlords include underfloor insulation, flat roof insulation, triple glazing and internal wall insulation. The social landlords will be responsible for reporting on monthly progress to the GLA who will in turn submit monitoring returns to government.

1.15 Breakdown of grant:

Organisation	Homes	Capital	Ancillary/admin	Total
GLA	200	1,925,000	44,000	1,969,000
LB Camden	82	186,000	21,000	207,000
Clarion Housing	5	25,000	3,500	28,500
RB Kensington & Chelsea	18	90,000	13,000	103,000
LB Sutton	20	100,000	15,000	115,000
Westminster CC	25	125,000	18,000	143,000
TOTAL	350	2,451,000	114,500	2,565,500

Grant eligibility criteria

1.16 The Green Homes Grant eligibility criteria around income and energy performance are significantly tighter than for our own programme as they have strict energy efficiency and income thresholds. To be eligible for the grant funding under the Green Homes Grant Local Authority Delivery scheme enhancement to Warmer Homes, the applicant must fulfil the following criteria. Differences from Warmer Homes criteria are highlighted:

- own or rent their own home from a private or social landlord, if they are a landlord they can apply if their tenant is eligible:
 - Warmer Homes is not open to social housing.
- Live in a home with an Energy Performance Certificate rating of E, F, or G:
 - Warmer Homes does not set a maximum energy efficiency rating to qualify for support.
- Have a gross household income of below £30,000 per year:
 - Warmer Homes is open to households in receipt of means-tested or disability benefits or those who are below the Minimum Income Standard after housing costs. A gross household income including housing costs in London is very low and we have asked government to review this for future funding rounds.

1.17 The amount of funding available is £10,000 for owner-occupiers and £5,000 for both social and private tenants.

1.18 In the case of GLA's own share of the bid, our contractors, Happy Energy, will seek evidence of income and the social landlords will do this for their own tenants

1.19 Eligible measures would include:

- building fabric measures such as loft, wall, roof, or floor insulation;
- glazing upgrades glazing or draught proofing; and
- renewable technologies and battery storage.

Programme procurement and set-up

1.20 An OJEU-compliant procurement for our own Warmer Homes programme was carried out in winter 2019/20 and Happy Energy Solutions Ltd were appointed as contractors. There is headroom within the procurement for delivery of up to £13.97m of value, and provision for a three-year extension beyond 2020/21. We will need to vary the agreement with the contractor in accordance with the variation procedure set out in our contract with them. To the extent that there are certain government conditions to be met not currently covered we will need to structure the work to be done using the

government funding so that it fits their conditions and if required we may need to add some of the legal terms.

- 1.21 The social landlords involved in the consortium are responsible for their own procurement. Some, such as Camden, have contractors ready to go, whereas others will procure with the intention of delivering in Quarter 4.
- 1.22 A condition of the Green Homes Grant Local Authority Delivery funding is that project expenditure is completed by 31 March 2021, with any underspends potentially being repaid. Given this condition, the proposed funding agreements with the social landlords and the GLA's contract with Happy Energy Solutions Ltd will include milestones and deliverables for the 2020/21 financial year only. This means that there will not be any potentially unfunded contractual commitments that will fall beyond the 2020/21 financial year.
- 1.23 It is expected at this stage that the full grant will be utilised as planned. However, any underspends at year end would represent underperformance by project partners rather than contractual commitments slipping into 2021-22. The terms and conditions of the grant include the provision to allow for a project extension to be granted and project underspends to be utilised in 2021/22, at the discretion of the Secretary of State. If these clauses need to be exercised and government approval is granted, this will be subject to further approval via the Authority's decision-making process.

2 Objectives and expected outcomes

- 2.1 The key outputs from this programme are expected to be as follows:
- 350 low income households will be supported. These households will benefit from a range of energy efficiency measures such as solid wall insulation, flat roof insulation, underfloor insulation, triple glazing, and solar photovoltaics. Around 100-125 homes will be existing Warmer Homes applicants receiving enhanced packages, 75-100 will be new Warmer Homes applicants identified in collaboration with up to 11 boroughs, and 150 will be homes owned by the social landlords in the consortium;
 - Annual fuel bill savings for Londoners of £267,500;
 - Annual CO2 savings of 88 tCO2; and
 - Annual energy savings of 1,076,250kWh.
- 2.2 Programme performance would be determined against a set of KPIs and qualitative indicators:

KPI	Target
Numbers of homes identified as eligible	581
Number of homes receiving at least one measure	350
Number of measures installed	386
Number of homes improved to a minimum Energy Performance Certificate (EPC) band of C and above as a result of installed measures	183
Average cost per home receiving a measure	7330
Number of jobs supported	55
Energy, carbon and bills savings expected to be achieved as a result of installed measures	1,076,250kWh 87,950kg £267,420

3 Equality comments

- 3.1 Under Section 149 of the Equality Act 2010, as a public authority, the GLA is subject to the public sector equality duty and must have due regard to the need to (i) eliminate unlawful discrimination, harassment and victimisation; (ii) advance equality of opportunity between people who share a relevant protected characteristic and those who do not; and (iii) foster good relations between people who share a relevant protected characteristic and those who do. Protected characteristics under section 4 of the Equality Act are age, disability, gender re-assignment, pregnancy and maternity, race, religion or belief, sex, sex orientation, and marriage or civil partnership status (all except the last being "relevant" protected characteristics).
- 3.2 The GLA will take appropriate steps to ensure there are no potential negative impacts on those with protected characteristics in relation to the development, design, targeting, marketing and delivery of the scheme. This will be done by ensuring compliance with the Mayor's Equality, Diversity and Inclusion Strategy and developing and testing in line with GLA guidance on equalities and diversity. Those with protected characteristics will gain from the positive benefits of this scheme in equal measure should their households be eligible, and there will be equality of access to participate in the delivery and benefit from the scheme, without discrimination.
- 3.3 The programme has been designed in line with the London Environment Strategy and the proposals in there were tested to ensure they had due regard to the public sector equality duty. The programme will target residents who are in or at risk of fuel poverty and homes with poor levels of energy efficiency, and it will aim to promote holistic, whole-house energy efficiency retrofits. The programme is therefore designed to advance equality of opportunity and support those who are particularly vulnerable, whether as a result of their protected characteristics or other factors, such as their health or personal circumstances. It is therefore expected that this scheme will have a positive impact on lower income and fuel poor households directly through the home refurbishments. Indirect benefits are also anticipated by catalysing greater awareness of energy use and the opportunities for people to reduce their energy consumption and bills, whilst still protecting their health.

4 Other considerations

Links to Mayoral strategies

- 4.1 The proposals for the second phase of Warmer Homes and therefore the enhanced programme, have been developed to support delivery of the London Environment Strategy, in particular the following policy proposals:
- I. **Proposal 10.1.2.a:** To support start-ups and business growth across the economy, including in the low carbon and environmental goods and services sector.
 - II. **Proposal 10.1.1.e:** The Mayor will work with stakeholders from across the financial and environmental sectors to develop financing mechanisms.
 - III. **Proposal 6.1.2.a:** The Mayor will work with partners to help alleviate fuel poverty in London through implementing the recommendations of the Fuel Poverty Action Plan.
 - IV. **Proposal 6.1.1b:** Pilot innovative methods to implement the stronger energy efficiency retrofitting needed.
 - V. **Proposal 6.1.1a:** Contribute to helping Londoners improve the energy efficiency of their homes, where appropriate, by providing technical assistance, support and funding.

Key risks

Risk no	Risk	Likelihood (1-4)	Consequence (1-4)	Rating	Mitigation
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Financial risks

1	Social landlords in the consortium fail to deliver match funding	1	2	2	All consortium members have assured us of their match funding availability. If some are unable to meet their targets, then the funds will be offered to other members or rolled into the Warmer Homes side
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Delivery risks

2	A restrictive lockdown means that contractors cannot go into homes	3	4	4	A revised delivery schedule would be proposed to the funder, with delivery extended into Quarter 1. Households not shielding could be prioritised.
3	Supply chain problems caused by the England-wide delivery of the various Green Homes Grant problems in a five-month period	3	3	3	A revised delivery schedule would be proposed to the funder after this had been flagged with them. Government are aware of this risk and we have already lobbied them on this.
4	Installations not meeting quality standards	2	2	2	Installation reports including photos will be required. A proportion of the works will be inspected for quality.

Conflicts of interest

- 4.2 There are no conflicts of interest to note for any of the officers involved in the drafting or clearance of this decision form.

5 Financial comments

- 5.1 Approval is being sought for the receipt of £2,565,500 capital funding from BEIS from their 'Green Homes Grant Local Authority Delivery Scheme' to support the following:
- expenditure of £1,969,000 to match fund the GLA's existing Warmer Homes programme funding, delivering energy efficiency improvements in the homes of around 200 low income London households by March 2021; and
 - expenditure of £596,500 to support five social landlords to improve the energy efficiency of their homes, delivering energy efficiency improvements in the homes of around 150 low income London households by March 2021.
- 5.2 The funding from BEIS is wholly capital funding and will be accounted for within the GLA's 2020-21 Capital Programme, specifically the Environment Unit and as part of the conditions of the grant award, will have to be spent in full by the 31 March 2021.
- 5.3 As noted within the main body of the report, for the element of expenditure that will match the GLA's existing Warmer Homes Programme (£1,969,000), there is an existing OJEU compliant procured delivery partner, Happy Energy Solutions Ltd, who will be able to deliver this additional requirement as there is provision to extend the contract to include these works (including varying the contract to ensure compliance with Government's terms and conditions).
- 5.4 For the funding that would support the social landlords with their initiatives (£596,500), this funding will be administered directly to the London Boroughs (as indicated above) via funding agreements. These funding agreements will include the relevant clauses to ensure the compliance with the conditions stipulated by Government within their Grant Determination Notice and Memorandum of Understanding.
- 5.5 One of the conditions of the capital funding from BEIS is that project expenditure is to be completed by the 31 March 2021. In order to mitigate any risk of projects slipping into 2021-22 with unfunded commitments, the funding agreements with the social landlords and the contract with the GLA's delivery partner, Happy Solutions Ltd will include milestones and deliverables for the 2020-21 financial year only. The funding agreements and contracts will not allow for project slippage into 2021-22 and any underspends that transpire at year-end will be due to underperformance. This means that there will be no contractual commitments beyond the 2020-21 financial year.
- 5.6 As noted above, the terms and conditions of the BEIS grant includes the provision to allow for a project extension to be granted and project underspends to be utilised in 2021/22, at the discretion of the Secretary of State. If these clauses need to be exercised and government approval is granted, this will be subject to further approval via the Authority's decision-making process.

6 Legal comments

Powers

- 6.1 The foregoing sections of this report indicate that the decisions requested of the Mayor fall within the statutory powers of the Authority to promote and/or to do anything which is facilitative of or conducive or incidental to social development within Greater London and in formulating the proposals in respect of which a decision is sought officers have complied with the Authority's related statutory duties to:

- (a) pay due regard to the principle that there should be equality of opportunity for all people;
- (b) consider how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom; and
- (c) consult with appropriate bodies.

6.2 In taking the decisions requested of him, the Mayor must have due regard to the Public Sector Equality Duty; namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010, and to advance equality of opportunity between persons who share a relevant protected characteristic (race, disability, gender, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment) and persons who do not share it and foster good relations between persons who share a relevant protected characteristic and persons who do not share it (section 149 of the Equality Act 2010). To this end, the Mayor should have particular regard to section 3 (above) of this report.

Funding

- 6.3 In the second and third decisions of this decision form, the officers have sought approval for a £2,565,500 programme of funding aimed at providing energy efficient improvements to 350 London homes. The officers are reminded that they must adhere to the requirements of section 12 of the Authority's Contracts and Funding Code when distributing the funding.
- 6.4 Moreover, the proposals in this decision form include the provision of capital grant funding to support five (private and public) registered providers of social housing to make improvements to around 150 of their social homes. This funding is likely to constitute "social housing assistance" within the meaning of Section 32 of the Housing and Regeneration Act 2008 (where financial assistance is given on condition that the recipient "... acquires, constructs, converts, improves or repairs any housing or other land for use as social housing ..."). Accordingly - and insofar as the grant provided is capital rather than revenue - the GLA's "Recovery of Capital Grants From Registered Providers and Recycled Capital Grant Fund (Greater London) General Determination 2017" and related provisions under the GLA's Affordable Housing Capital Funding Guide will apply to the grant by virtue of Sections 32 to 34 of the Housing Authority Act 1999. This means that, where a "relevant event" defined in the Recovery Determination arises in respect of one of the grant-funded social homes, the grant recipient will either be required to repay the grant or recycle it into their Recycled Capital Grant Fund (for further social housing use, as permitted by the GLA), as specified by the Recovery Determination.
- 6.5 It should be noted that, in accordance with Section 333ZE(3) of the Greater London Authority Act 1999, if the GLA receives any repayment of grant that it has made for the purposes of social housing (as in this case), the GLA is required to use such repaid amount "for the purposes of social housing".

7 Planned delivery approach and next steps

Activity	Timeline
Delivery Start Date	9 November 2020
Delivery End Date	31 March 2021
Project Closure	31 March 2021

Appendices and supporting papers:

None.

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after it has been approved or on the defer date.

Part 1 - Deferral

Is the publication of Part 1 of this approval to be deferred? YES

If YES, for what reason: To allow comms to be put in place.

Until what date: 20 November 2020

Part 2 - Sensitive information

Only the facts or advice that would be exempt from disclosure under FoIA should be included in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form - NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to
confirm the
following (✓)

Drafting officer:

John Kolm-Murray has drafted this report in accordance with GLA procedures and confirms the following:

✓

Sponsoring Director:

Philip Graham has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Mayoral Adviser:

Shirley Rodrigues has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 2 November 2020.

EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature



Date

4 November 2020

CHIEF OF STAFF:

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature



Date

2 November 2020

Nick Bowes for David Bellamy