

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2417

Title: London Community Energy Fund 2019-2020

Executive Summary:

The Mayor wants to make London a zero carbon city, as set out in his Environment Strategy. For this to happen, London will need to be supplied by a range of efficient and clean energy sources and reduce its energy use.

The Mayor's London Community Energy Fund (LCEF) was launched in October 2017 to empower community energy groups in the Capital. LCEF provides grant funding of up to £15,000 to community energy groups to support the development phases of community energy projects in London.

Under cover of MD2137, DD2200 and MD2331, a total of allocation to LCEF of £400,000 has been approved so far.

Over the first two phases of LCEF (2017/18 and 2018/19), £300,000 has been allocated, supporting 31 community energy projects.

£100,000 was therefore left for phase 3 (2019/20). We have received some very good applications to phase 3 and if we were to maximise impact and fund all 18 projects deemed eligible for support after evaluation, we would need £204,000 in total, requiring an additional £104,000.

This additional £104,000 would provide grants to an additional 11 projects under phase 3, bringing the total of projects supported by LCEF since 2017 to 49.

This Decision therefore approves an additional £104,000 from existing budgets to be transferred to LCEF.

Decision:

That the Executive Director of Environment approves:

Expenditure of an additional £104,000 on the London Community Energy Fund (from reallocating an existing underspend on another budget) in the form of grant funding to support more community energy projects under phase 3 of the LCEF, taking total expenditure to £504,000.

AUTHORISING DIRECTOR

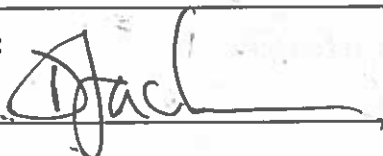
I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.

It has my approval.

Name: Debbie Jackson

Position: Interim Executive Director for Development, Enterprise and Environment

Signature:



Date:

14/11/19.

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1 The Mayor wants to make London a zero carbon city by 2050. For this to happen, London will need to be supplied by a range of low carbon energy sources. Energy generated from solar and other renewable technologies will need to provide a significant proportion of London's energy mix. The Mayor's Solar Action Plan, published in June 2018, is the first of its kind for London and sets out how the Mayor will seize the opportunity for solar energy in the capital and increase deployment in the coming years. This plan sets out a range of actions to realise London's solar potential, increase the share of decentralised energy generation and alleviate fuel poverty as part of the Mayor's Energy for Londoners (EfL) programme. EfL aims to make London's homes warm, healthy and affordable, its workplaces more energy efficient, and to supply the capital with more local clean energy.
- 1.2 Supporting community energy, such as energy efficiency or solar projects, helps deliver the Mayor's ambition for London to become a zero carbon city by 2050 and his aspiration to put London on track to achieve 2 gigawatts (GW) of installed solar capacity by 2050. Community energy groups have a key role to play in London. As well as delivering renewable energy schemes, they raise local awareness of energy and climate change issues and the benefits of clean and local energy. These groups have become experts in putting in place decentralised sustainable energy systems. Examples include installing solar photovoltaic (PV) systems on churches, social housing blocks and schools. This is often financed through the purchasing of shares by members of the local community.
- 1.3 Some community groups focus on promoting energy efficiency and tackling fuel poverty, through financing or enabling the retrofit of measures that will reduce energy demand. This also fits well with some of the objectives in the Mayor's London Environment Strategy (e.g. promoting clean local energy in objective 6.2) and the Mayor's Fuel Poverty Action Plan.
- 1.4 Community energy groups face several challenges when delivering energy projects. With solar installations for example, groups have cited problems identifying suitable sites for energy installations, low levels of available capital to get projects 'investor ready', a lack of resources (time and money) to develop a business case for investment, and challenges in co-ordinating activities with local authorities. Since 2015 the rate of the national Feed-in-Tariff (FiT – which incentivises solar installations) has reduced significantly and closed to new applicants in April 2019. In addition, the Government's Urban Community Energy Fund (UCEF) closed, meaning that many community energy groups have found it challenging to get new projects off the ground. It has also meant that it is harder for smaller or new community groups to establish themselves. The Mayor's LCEF is aiming to plug that gap.
- 1.5 To provide much needed support to community energy groups in London and help get projects off the ground, the Mayor launched his London Community Energy Fund (LCEF) on 13 October 2017. The fund offers grants of up to £15,000 to support the development stages of community solar projects (solar photovoltaics and storage). Funding is provided towards the work required to get a community energy project to the stage where it is ready to be financed, removing the financial risks in funding project development work. Funding can be used, for example, to carry out preliminary feasibility studies for solar energy or develop a financial business case.
- 1.6 Across phase 1 (2017/18) and phase 2 (2018/19) LCEF has provided development grants to 31 different community energy projects which will:
 - support and empower 17 different community groups in London;
 - enable the installation of up to 1.4MWp of solar panels;

- support other clean energy projects such as energy efficiency, EV charging points, etc; and
- save over 350 tonnes of carbon.

- 1.7 The allocation of the first phase of LCEF (£75,000) was approved by the Mayor under cover of MD2137 (as part of the 2017/18 Environment Team Work Programme). Once launched, the fund was oversubscribed with high quality applications and, to support as many good applications as possible, an additional £75,000 was requested and brought forward to make a total of £150,000 available in 2017/18. The expenditure of up to an additional £75,000 was approved under cover of DD2200.
- 1.8 Under cover of MD2331 (August 2018) the Mayor approved allocation of an additional £250,000 to LCEF to provide more grants through phase 2 and phase 3 of LCEF, making the total programme's budget £400,000. £150,000 was allocated under phase 2, leaving £100,000 for phase 3.
- 1.9 Phase 3 launched in July 2019 and 20 applications were received. After due diligence and evaluation of the applications by a panel of independent experts, 18 applications would be eligible for grant funding to a total of £204,000.
- 1.10 Limiting the number of projects LCEF can support to the £100,000 available in the budget would fund the top seven scoring projects. Having an additional £104,000 made available to LCEF would mean that all 18 projects could be supported. That would bring the total number of projects supported through all three phases of LCEF to 49. Appendix 1 shows the list and grant amount for each project under LCEF phase 3.

2. Objectives and expected outcomes

- 2.1. To contribute to London's zero carbon target by 2050, it is estimated that London will need to install up to 1 GW by 2030 and around 2 GW of solar energy by 2050. In support of this within his Solar Action Plan, the Mayor proposes to undertake actions within his powers to increase the level of solar energy technologies installed in London. This includes funding community energy projects.
- 2.2. Project development funded through the LCEF provide each community energy group with a strong and detailed business case for investment and ensure each project is ready to proceed to investment, and ultimately, delivery. As part of the project development process, the applicants will share their experiences, photos and testimonials to inform and inspire other like-minded groups to deliver similar projects.
- 2.3. By working with Community Energy London and facilitating joint-working between community groups, we are also aiming to ensure community groups learn from each other, share experiences and resources so that new community groups get the support they need to establish themselves and go on to deliver more projects in the future without the need for GLA support.
- 2.4. Through the LCEF, we also aim to enable new business models to be developed for community groups. This will support our objective for more community projects to be financially viable without grant funding.

3. Equality comments

- 3.1 To date, the LCEF has been widely promoted by key stakeholders including Community Energy London, charities, NGOs and trade associations and on various social media sites to ensure that we reached a wide audience. In addition, all boroughs were informed of this fund. By supporting community groups, including those with protected characteristics under the Public Sector Equality

Duty, the fund appeals to a diverse range of groups who might otherwise be excluded by having insufficient funds to initiate a project.

3.2 Furthermore, community energy projects often seek to directly support the more deprived members of the community. Benefits to the local community, including social benefits, formed part of the scoring criteria used to select the projects. Benefits that the projects deliver include:

- using profits generated by the community energy scheme to alleviate fuel poverty;
- directly alleviating fuel poverty through energy efficiency projects saving, meaning occupants directly benefit from lower energy bills;
- seeking to supply local buildings with cheaper electricity. This could mean lower energy bills for its occupants, who may not be able to afford solar panels; and
- allowing members of the local community to own a share of the project and benefit from any return on investment rather than only financial institutions benefiting.

3.3 LCEF enables community groups to bring awareness of renewable energy and bill saving to groups who would not normally have had access to such technology (e.g. school pupils, members of varied faith groups, local resident association members, leisure centre users, city farm visitors, art centre visitors, etc). The range of Londoners benefiting from these community energy projects is wide. By supporting community energy groups in London, a diverse range of people become beneficiaries, which is broader than, for example, when funding domestic owner-occupier solar installations (who tend to be more affluent), or industrial/commercial installations.

3.4 Projects supported by the LCEF are provided with an equality and diversity monitoring form which they are required to fill in when engaging with members of the community including information on the volunteers they work with. This allows us to monitor and ensure these projects have reached those with protected characteristics and provide equal opportunities to members of the community.

4. Other considerations

(a) Key risks and issues

4.1 Risks and mitigation:

Risk description	Likelihood (out of 5)	Impact (out of 5)	Rating	Mitigation actions
Potential applicant not suitable for receiving grant leading to fraud	1	1	1	Financial due diligence is undertaken by GLA Finance for all applicants. The questions in the application form also gets to previous experience of the applicants and asked for references. Maximum grant funding is £15,000 per project. Finally, the grant money is given in tranches upon completion by the successful applicant of milestones and on presentation of clear evidence. Therefore fraud would be spotted very early on and could be of minimum loss (i.e. tranche 1 payment maximum).

Community groups are unable to complete project development work funded through the LCEF	1	2	2	Like for phase 1 and 2, LCEF supports the development of community energy projects. GLA officers will work closely with successful applicants and provide guidance to develop strong projects. The GLA will help to support community groups by facilitating workshops and working closely with Community Energy London (CEL) to enable the sharing of resources and experience between the community groups supported by the LCEF.
GLA money is spent on developing projects which are not feasible	1	2	2	Instead of allocating funds in just one or two tranches, we would recommend that, as for phase 1 and 2, we put in place staggered funding for certain elements of the project development work where progress is dependent on the completion of key milestones. Funds will be released on delivery of specified milestones, such as getting planning consent (if relevant), getting landlord approval or having a roof survey done which shows that the roof is structurally sound to receive solar panels. That way we will minimise any money being spent on unsuitable projects. Based on learning from phase 1 and 2, this risk is low.
Measures are not installed	2	2	4	As in previous phases, phase 3 of this fund provides revenue funding for project development work. There is a risk that these community groups may not be able to access the amount of capital funding required for the project delivery stage of their project. The application form requires applicants to set out how they will access the necessary funds to install the measures and this will be taken into consideration when assessing the applications received. GLA officers will also work with CEL to make applicants aware of any possible capital grant programmes they could apply to (e.g. Local Planning Authority offset funds). Should any project encounter difficulty raising capital, the GLA could help publicise the community share offer, for example through its crowdfunding platform.

Estimates of development costs are unrealistic	1	1	1	Steps have been taken to minimise this risk, through the appraisal process assessing project development activities and associated costs to ensure they are realistic, including clarification questions to the applicants when not enough detail had been provided. Our experience from phase 1 and 2 shows that broadly the costs stated in the application were in line with real expenditures encountered.
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(b) Links to Mayoral strategies and priorities

- 4.2 The London Community Energy Fund has been developed to help meet objectives in the London Environment Strategy and the associated Solar Action Plan and Fuel Poverty Action Plan.

(c) Impact assessments and consultations.

- 4.3 This proposal to support community energy projects was publicly consulted on as part of the Draft London Environment Strategy and the Draft Solar Action Plan.
- 4.4 The integrated impact assessment report for the Draft Environment Strategy identified that the Mayor's support for decentralised and community based energy systems would facilitate more resilient communities.
- 4.5 Furthermore, the objectives and outcomes of the London Community Energy Fund are derived from Mayoral strategies which themselves have been subject to extensive consultation and impact assessment. Additionally, the lead organisations for projects being supported by the LCEF will undertake community engagement and consultation on each project.

(d) Conflicts of interest

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

5. Financial comments

- 5.1. The first phase of the London Community Energy Fund was approved by the Mayor under cover of MD2137 and DD2200 to award grant funding of up to £150,000 to community energy projects in London. The Mayor also approved a further £150,000 towards phase 2 and 3 of LCEF, giving a total of £400,000 for this programme under cover of MD2331.
- 5.2. This Director decision is seeking to reallocate £104,000 from the 'New Mechanisms' budget to the LCEF budget (Solar and Community Grant' budget), giving the programme a new total of £504,000 over 2017-18, 2018-19 and 2019-20.
- 5.3. Revenue expenditure of up to £204,000 for phase 3 would be spent in the 2019/20 financial year.

6. Legal comments

- 6.1 The foregoing sections of this report indicate that:

- 6.1.1 the decisions requested of the Director concern the exercise of the GLA's general powers, falling within the statutory powers of the GLA to do such things as may be considered to further, and or be facilitative of or conducive or incidental to the furthering of, the improvement of the environment in Greater London; and
- 6.1.2 in formulating the proposals in respect of which a decision is sought officers have complied with the GLA'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 Officers have indicated that the expenditure proposed will amount to the provision of grant funding as a contribution to the project costs of successful funding applicants and not a payment for services to be provided. They must ensure that the proposed funding is disbursed in a fair and transparent manner in accordance with the GLA's Contracts and Funding Code and funding agreements are put in place between and executed by the GLA and successful applicants before any commitment to the provide funding is made.
- 6.3 In taking the decisions requested, the Director 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 and foster good relations 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 (section 149 of the Equality Act 2010). To this end, the Director should have particular regard to section 3 (above) of this report.

7. Planned delivery approach and next steps

Activity	Timeline
LCEF phase 3 application deadline	9 September 2019
Application assessment, clarification questions	September 2019
Evaluation panel day	27 September 2019
Approval for additional funding	November 2019
Grant offers to successful applicants and funding agreements drafted	November 2019
Funding agreements signed and announcement of winners	November 2019
Project development phase completed and all claims received	March 2020
Projects delivered	July 2020

Appendices and supporting papers:

Appendix 1- Applications for community energy projects under LCEF phase 3

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:

Intended for publication at a later date following entry into funding agreements with recipients.

Until what date: 31 December 2019

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:

Sylvia Baron has drafted this report in accordance with GLA procedures and confirms the following:

✓

Assistant Director/Head of Service:

Aram Wood has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

Financial and Legal advice:

The Finance and Legal teams have commented on this proposal, and this decision reflects their comments.

✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 11 November 2019.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. D. Allen

Date

12.11.19

DD2417: Appendix 1- Applications for community energy projects under LCEF phase 3

£100,000 could fund the top seven projects (highlighted in green). An additional £104,000 could fund all remaining eligible projects, i.e. a total of 18 projects.

Order by score	Project name	Organisation	Amount requested
1	Energy Garden GTR	Energy Gardens	£15,000
2	Energy Garden TfL	Energy Gardens	£7,200
3	Ealing Transition 2 cont	Schools Energy Coop / Ealing Transition	£14,700
4	NKCE 3	Repowering London	£15,000
5	Lambeth part 2	Repowering London	£15,000
6	Ealing Transition New	Schools Energy Coop / Ealing Transition	£15,000
7	LJ Works AD	Repowering London	£14,994
8	Catford Schools	SELCE	£14,528
9	Camden Schools	Power Up North London	£13,800
10	North Lewisham schools	SELCE	£14,528
11	John Burns Primary	John Burns Primary School	£4,800
12	Camden Children Centre	Power Up North London	£5,650
13	Nonsuch schools	SELCE	£11,446
14	Besson Street Garden	SELCE	£2,943
15	Muswell Hill Golf Club	Power Up North London	£7,420
16	SE24 LED	SE24	£10,730
17	Summerland Gardens	En10ergy	£5,725
18	Polka theatre	CREW Energy	£14,870
Total			£203,334

