

REQUEST FOR MAYORAL DECISION – MD2354

Title: Energy for Londoners – RE:NEW Programme extension

Executive Summary:

The Mayor is building on current initiatives to design and roll-out a world-class homes energy efficiency programme as part of Energy for Londoners. This will include a successor to London's homes energy efficiency programme, RE:NEW.

The third phase of the RE:NEW Programme was in operation between July 2014 and 31 July 2018. It was jointly funded by the GLA (ten per cent) and the European Investment Bank (EIB) ELENA facility (90 per cent), with a budget of circa £3m in total until 31 December 2017. The GLA funded 100 per cent of expenditure thereafter until 31 July 2018. Despite there no longer being obligations under the EIB grant agreement – following satisfactory project closure and RE:NEW having exceeded all EIB targets – it would be beneficial to have a scaled back, interim RE:NEW programme to maintain the retrofit pipeline, ahead of the Mayor's new home energy efficiency programme being procured and launched. An extension of RE:NEW necessitates continuing to fund the Support Team, provided by Capita Property & Infrastructure, which offers comprehensive and flexible technical assistance to registered social housing providers, boroughs and universities.

This Mayoral Decision therefore seeks approval to extend the RE:NEW Programme and its Support Team, until April 2019. The extension of the programme aims to support the development of a further 4,000 home retrofits into contract, resulting in an estimated saving of 3,700 tonnes of CO₂ per annum.

Decision:

That the Mayor approves:

1. Expenditure of £180,000, from the existing Development, Enterprise & Environment budget up to April 2019 on the continued services of the RE:NEW Support Team from Capita Property & Infrastructure (taking net GLA expenditure to £676,000 since 2014); and
2. A related exemption from the requirements of the GLA's Contracts and Funding Code to seek competitive tenders for external services.

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:

5/9/12

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

Decision required – supporting report

1 Introduction and background

- 1.1 The Mayor's London Environment Strategy sets out a plan to re-establish London's position as a leader in tackling climate change by setting a target for London to become zero carbon by 2050. However, the pathway to delivering this is becoming increasingly challenging, particularly in home energy performance, where the national policies required to help London have not materialised or have been scaled back.
- 1.2 London's 3.4 million homes are responsible for around one third of London's total greenhouse gas (GHG) emissions. Approximately 80 per cent of these will still be standing in 2050. The poor energy efficiency of London's homes is a major contributor to our GHG emissions. A quarter of London's homes that have been given an Energy Performance Certificate since 2009 have the worst energy ratings of E, F or G. This year, Londoners will spend over £3.9bn on heating and powering their homes. Ten per cent of London's households were in fuel poverty in 2016.
- 1.3 By 2050 the emissions from London's homes will need to reduce to around 1.0 MtCO₂e a year from 12.1 MtCO₂e today. This implies retrofitting, up to 2050, more than an average of 100,000 homes each year with energy efficiency improvements and renewable technologies. MD2235 provides further detail on the step-change that is required in this area and the Mayor's plans to address this challenge.
- 1.4 RE:NEW is an award-winning programme to help make London's homes more energy efficient. The third phase of RE:NEW, was in operation from July 2014 and closed officially on 31 July 2018. It was jointly funded by the GLA (ten per cent) and the European Investment Bank ELENA facility (90 per cent) until 31 December 2017, with the GLA funding expenditure for the remaining seven months.
- 1.5 RE:NEW comprises a Support Team offering comprehensive and flexible technical assistance to registered social housing providers, boroughs and universities, plus a framework of nine suppliers. The Support Team is provided by Capita Property & Infrastructure, which were appointed originally in 2014 via the TFL Project Management Framework (Ref: 90001). The Support Team's remit is to work with London's housing providers to enable home retrofit projects to be rapidly advanced, with increased scope and cost effectiveness. The specialised support provided to London's boroughs and housing associations comprise a number of services such as housing stock analysis and review of retrofit potential, formulation of retrofit projects, funding and procurement advice and support through the procurement process.
- 1.6 The independent evaluation of phase three of RE:NEW, published in August 2017, noted that the programme had performed extremely well within a challenging national policy and delivery context, generating projects that would not otherwise have happened, increasing the value for money, scale, and delivery speed of planned projects. RE:NEW has helped to address the lack of technical expertise and (increasingly) capacity within many organisations and also simplified and sped up the procurement process. Despite the challenging delivery context, RE:NEW has exceeded all EIB targets (i.e. capital expenditure leveraged) and there has been satisfactory project closure.
- 1.7 Since 2014, the third phase of the multi-award winning RE:NEW programme has supported the contracting of retrofit projects in over 30,000 homes. As at June 2018, the value of the improvements delivered was £130m, representing a leverage factor of over 47 times the original investment in the programme of £2.72m (90 per cent of which was co-funded by the EIB ELENA facility (£2.47m) and 10 per cent of which was funded by the GLA (£274k)), saving over 32,000 tonnes of carbon per annum as at June 2018. That equates to about 0.9 tCO₂ saved per annum per home.

- 1.8 As set out in the London Environment Strategy, the Mayor wants to build on current initiatives to design and roll-out a world-class home energy efficiency programme as part of Energy for Londoners. This includes the introduction of a successor to the RE:NEW programme. However, this programme which will comprise a new technical assistance team to support its delivery, will take some time to procure, mobilise and launch, as required, following procurement advice.
- 1.9 Given this lead-in time alongside the significant challenge of retrofitting London's housing stock, it is critical that we maintain the home retrofit pipeline¹ created by RE:NEW and mitigate against any potential loss of momentum, ahead of the Mayor's new energy efficiency programme being launched. A gap in service delivery would also result in there being no active pan-London programme to address household emissions and energy bills within the social housing sector, at a time when housing providers are under strain from continued revenue cuts, sectoral mergers and the need to respond to the Grenfell fire.
- 1.10 This Mayoral Decision therefore seeks approval to extend RE:NEW out to April 2019, when the successor programme is expected to launch. This would involve a new contract for the RE:NEW Support Team.

Scope of activities

- 1.11 It is intended that the extended RE:NEW programme will be limited to and focussed on **four priority areas to help deliver a pipeline of projects worth up to £50m:**
- **deep retrofit projects** – helping to create a pipeline of deeper retrofit projects (akin to Energy Leap – see MD2080) for the Mayor's new home energy efficiency programme
 - **delivery of Solar PV projects** – supporting around 1,500 domestic PV installations through assisting management of the installation phase of Solar Together London and the development of feasibility appraisals and investment plans for social housing providers
 - **communal heating** – standardising approaches to communal heating retrofit through providing options appraisals and high-level feasibility studies for organisations wanting to upgrade their old, inefficient systems. Over the extended project lifetime, this will include 20 site options appraisals for communal heating efficiency improvements
 - **general retrofit support** – a plethora of assistance across London's social housing sector (from procurement of projects to marketing and engagement advice), aggregating retrofit projects and helping organisations to identify and secure the right mix of funding and finance.

Planned approach

- 1.12 The full cost of delivering the RE:NEW Programme Support Team from September 2018 to April 2019 is approximately £180,000 (which equates to around £25,700 per month). This includes the resource of three to four full time staff in Capita who are, primarily, housing and energy specialists, and the ability to draw down on the expertise of other Capita specialists as required. This represents a significant cost reduction (about 25 percent of the original monthly programme spend) which reflects the scaled-back and focussed service provision. It is not possible to provide this specialised service through GLA staff due to delivery pressures on other programmes.

¹ The successor programme (due to be launched in April 2019) will build on the pipeline of projects prepared by RE:NEW in order to hit the ground running. This interim programme would further develop these projects and enable the maintenance of close relationships with relevant staff at key partner organisations (boroughs and housing associations) to ensure continuity of the energy efficiency agenda. Work would include detailed technical analysis, business case development and financial options appraisals.

- 1.13 The new contract for the RE:NEW Support Team will be established to commence in September and run for eight months in total through to 30 April 2019.
- 1.14 Officers acknowledge that section 9 of the GLA's Contracts and Funding Code requires, that services of the value proposed should be procured competitively. Section 10 provides however, that an exemption from this requirement may be approved where the proposed contractor has had previous involvement in a current specific project or is to continue existing work which cannot be separated from the new project/work.
- 1.15 Given the nature of the systems, resources, expertise and experience held by Capita as a consequence of running the RE:NEW Programme since 2014 (including the current project pipeline, valued at around £54.8m, which would be developed further for the successor programme, relationships with the GLA's housing partners, corporate reporting tools, a housing stock database, and management of RE:NEW Framework providers), they are uniquely placed to provide the services sought. Therefore, they are likely, in practical terms, to be the only organisation to be able to confidently mobilise and deliver a programme Support Team within the timescale proposed, for the level of expenditure proposed.
- 1.16 Appointing Capita will provide the GLA with value for money since an alternative contractor delivering this work would duplicate what the GLA has already paid for under the current RE:NEW programme, and delay work due to new processes and relationships having to be built from scratch.
- 1.17 Therefore, the approval of an exemption under the GLA's Contracts and Funding Code (from the requirement to procure the services in question through conducting a tender exercise) is sought. This is on the basis that Capita's previous work on the RE:NEW Programme is such that it places them in the optimal position to provide the GLA with continued services.

2 Objectives and expected outcomes

- 2.1 The RE:NEW Programme extension aims to continue to generate and accelerate substantial home energy efficiency retrofit activity through an established pipeline of projects which will:
- **deliver energy efficiency measures and solar PV installations** in approximately 4,000 homes across London
 - **reduce carbon** in the region of 3,700tCO₂ per year and therefore contributing to efforts to mitigate climate change
 - **reduce fuel poverty, excess winter deaths and illness** through making homes warmer, healthier and more affordable
 - **create and sustain skilled jobs** in the low carbon energy efficiency retrofit market, as the programme continues to promote and normalise innovative approaches and sustainable finance models
 - **develop expertise and increase capacity** to deliver retrofit within social housing organisations, as expertise is shared through deep engagement
 - **increase the quality** of energy efficiency retrofit works.

3 Equality comments

- 3.1 Under Section 149 of the Equality Act 2010, as a public authority, the Mayor of London must have 'due regard' of the need to eliminate unlawful discrimination, harassment and victimisation as well

as to advance equality of opportunity and foster good relations between people who have a protected characteristic and those who do not.

- 3.2 The GLA has commissioned Jacobs UK Limited (Jacobs) to undertake an Integrated Impact Assessment (IIA) of the likely impacts of the Mayor's policies and proposals, as set out in the London Environment Strategy. Assessment of the 'Climate Change Mitigation and Energy' Policy Area, that this programme will deliver within, concluded that there were a combination of minor positive and neutral effects identified by the Equalities Impact Assessment. Benefits will be obtained as a result of the Mayor's commitment to address fuel poverty and his support for decentralised and community based energy systems, which will facilitate more resilient communities.
- 3.3 The programme extension will target homes with poor levels of energy efficiency and potentially fuel poverty, and it will aim to promote community based energy systems and decentralised energy where suitable. It is therefore expected that this scheme will have a positive impact on lower income and fuel poor households directly through the home refurbishments, and by catalysing greater awareness of energy use and the opportunities to reduce their consumption.
- 3.4 Furthermore, research shows that sensitive retrofit can also contribute to better health outcomes for vulnerable groups (for example the very young and the elderly) through negating the negative impacts of cold and poorly ventilated homes.

4 Other considerations

Key risks and issues

Risk No.	Risk	Likelihood (1-4)	Consequence (1-4)	Rating	Mitigation
Financial risks					
1	Further cuts in Government funding streams that fund the implementation of energy efficiency programmes (primarily Capital funding).	2	2	4	The project would seek to counter this risk, leveraging private sector finance and organisational funding on the back of strong business cases.
Delivery risks					
2	Failure to identify energy saving activity and accelerate programme delivery.	1	2	2	The RE:NEW Programme has an already established, healthy pipeline of projects worth over £50m which will be taken through to delivery, where feasible.
3	Poor quality of project management.	1	3	3	Continue to ensure effective project planning, weekly project monitoring, identification and reporting of progress against milestones. Weekly highlighting of issues and risks. GLA Programme Manager supported internally and subject to regular performance reviews.

Links to Mayoral strategies and priorities

- 4.1 In terms of Mayoral strategies and priorities, the extended programme will contribute towards the following objectives, policy and proposals in the London Environment Strategy:
- the overall target for London to become zero carbon by 2050
 - objective 6.1 - reduce emissions of London's homes and workplaces while protecting the most disadvantaged by tackling fuel poverty:
 - Policy 6.1.1 - improve the energy efficiency of London's homes and support the transition to low carbon heating and power through Energy for Londoners
 - Proposal 6.1.1a - contribute to helping Londoners improve the energy efficiency of their homes, where appropriate, by providing technical assistance, support and funding
 - Proposal 6.1.1b - pilot state of the art methods to implement the stronger energy retrofitting needed
 - Proposal 6.1.1d - improve the way energy is managed in London including through supporting the roll out of smart meters and advocating time of day tariffs
 - objective 6.2 - develop clean and smart, integrated energy systems utilising local and renewable energy resources
 - Policy 6.2.1 - delivering more decentralised energy in London
 - Proposal 6.2.1b - increase the amount of solar generation in London including through community energy projects and on GLA group buildings.
- 4.2 The programme will also assist the delivery of:
- The Fuel Poverty Action Plan by "increasing the energy efficiency of London's homes so they are better insulated and use less energy"
 - The Solar Action Plan by "helping Londoners to retrofit solar energy technologies on their homes and workplaces through Mayoral programmes and funding," and "...encourage public sector organisations and providers of social housing to retrofit solar energy technologies on buildings by promoting the use of technical assistance programmes such as the Mayor's RE:FIT programme and the introduction of a successor to the current RE:NEW programme."

5 Financial comments

- 5.1 This MD seeks approval for expenditure of up to £180,000 for the extension of the RE:NEW programme. The cost will be contained within the Retrofit line of the 2018/19 Development, Enterprise and Environment budget.

6 Legal comments

- 6.1 The foregoing sections of this report indicate that:
- 6.1.1 the activity in respect of which approval is sought may be considered to be facilitative of and conducive to the exercise of the GLA's powers:
- (a) under section 30 of the Greater London Authority Act 1999 to undertake such activity as may be considered to promote the improvement of the environment in Greater London and have complied with the Authority's related statutory duties to:

- (i) pay due regard to the principle that there should be equality of opportunity for all people;
- (ii) 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
- (iii) consult with appropriate bodies.

- 6.2 In taking the decisions requested, 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 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 mayor should have particular regard to section 3 (above) of this report.
- 6.3 Section 9 of the GLA Contracts and Funding Code (the 'Code') requires the GLA to call off the services required from an accessible framework or conduct a competitive procurement exercise for the same. The mayor may however, approve an exemption from this requirement under section 10 of the Code upon certain specified grounds. One of those grounds is that exemptions may be approved where the proposed contractor has had previous involvement in a specific current project or the work is continuation of existing work that cannot be separated from the new project/work. Officers have indicated at section 1 of this report that this ground applies. The Mayor may therefore, approve the exemption proposed if satisfied with the supporting content of this report.
- 6.4 Should approval of the proposals set out as decisions be granted officers must ensure that appropriate contract documentation is put in place and executed by the GLA and Capita the commencement of the services.

7. Planned delivery approach and next steps

Activity	Timeline
Enter into contract	14 September 2018
Delivery start date (following contract signature)	17 September 2018
Delivery end date and project closure	30 April 2019

Appendices and supporting papers:

None.

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) 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 approval or on the defer date.

Part 1 Deferral:

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

Until what date: The award of the technical assistance team contract, expected by 14 September 2018

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be 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:

James Hardy has drafted this report in accordance with GLA procedures and confirms the following:

✓

Sponsoring Director:

Juliemma McLoughlin (on the behalf of Lucy Owen) 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 the 3 September 2018.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

Date

03-09-18

CHIEF OF STAFF:

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

Signature

Date

3/9/2018.