GREATER**LONDON**AUTHORITY

**REQUEST FOR DIRECTOR DECISION – DD2200**

**Title: London Community Energy Fund**

**Executive Summary:**

The Mayor approved, under cover of MD2137 (as part of the 2017/18 Environment Team Work Programme) up to £75,000 grant funding towards supporting the development phase of community energy projects in 2017/18. The first phase of the Mayor's London Community Energy Fund launched in October 2017 and was oversubscribed with high quality applications. Following a competitive application and review process we therefore recommend funding more projects than originally forecast. This will help support community energy groups to deliver solar energy in London as soon as possible. We are proposing to support these projects to a total cost of up to £150,000. Therefore, this DD seeks approval to grant fund an additional £75,000 to support projects in 2018/19.

**Decision:**

That the Executive Director of Development, Enterprise and Environment approves additional expenditure of up to £75,000 in the form of grant funding as a contribution to the costs of up to 14 projects which have successfully applied for funding under the London Community Energy fund.

**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**: Fiona Fletcher-Smith

**Position:** Executive Director – Development, Enterprise & Environment

**Signature:**

**Date:** 17/01/18

## 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 technologies will be part of this energy mix. The Mayor's draft Solar Action Plan, the first of its kind for London, sets out how the Mayor will seize the opportunity for solar energy in the capital and increase deployment in the coming years.

1.2 Supporting community energy is a key action in the Mayor's draft Solar Action Plan, which outlines his aspiration to put London on track to achieve 2 gigawatts (GW) of installed solar capacity by 2050. Community energy groups have an important 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 photovoltaics (PV) on churches, social housing blocks and schools. This is often financed through the purchasing of shares by members of the local community. Some groups have also focused on promoting energy efficiency and tackling fuel poverty, through financing or enabling the retrofit of measures that will reduce energy demand.

1.3 Community energy groups face several challenges when delivering renewable energy schemes such as solar installations. Examples they have cited include 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 (which incentivises solar installations) reduced significantly and the Government's Urban Community Energy Fund (UCEF) closed, meaning that many community energy groups have been finding it challenging to get new projects off the ground and it is even harder and higher risk for smaller or new community groups to establish themselves.

1.4 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. This first phase of the Fund offers grants of up to £15,000 to support the development stages of community solar projects (solar photovoltaics and solar thermal). Funding could be used, for example, to carry out preliminary feasibility studies for solar energy or develop a financial business case. Funding was made available for 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.

1.5 The deadline for applications closed on 29th November 2017 and 18 applications were received from 13 different community groups across 11 London boroughs. Total funding requested was £223,604 for these projects which had a combined potential to deliver up to 1 MW (megawatt) of solar PV. All applications were reviewed by an advisory panel made up of independent experts from Pure Leapfrog, Community Energy England, Capita, BEIS (Department for Business, Energy & Industrial Strategy) and the GLA. The panel reviewed applications against the evaluation criteria set out in the funding prospectus and discussed recommendations with GLA officers responsible for funding decisions.

1.6 The standard of applications was high and the number received greater than anticipated. We would therefore like to support up to 14 projects up to a total value of £150,000. The funding for the development stage of these 14 projects would be claimed for by the end of Q1 in 2018/19.

## 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 2 GW of solar energy by 2050 and around 1 GW by 2030. In support of this within his draft 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 In support of this, in this first phase, the LCEF will help to support 14 applications for solar photovoltaic (PV) projects. These will have a combined estimated potential to deliver up to 895 kWp of solar PV which will be installed in a wide range of buildings in nine different London boroughs. It is expected that installations will be completed by December 2018.

2.3 Project development funded through the LCEF will 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 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.

2.4 By working with Community Energy London (a collaboration of community energy groups), and facilitating joint-working between community groups, we are also aiming to ensure community groups learn from each other, share experiences and resources and ultimately that new community groups get the support they need to establish themselves and go onto delivering more projects in the future without the need for GLA support.

2.5 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 Equalities Comments

3.1 Part of the LCEF application form required the applicant organisation to:

(a) Describe how their proposed actions would reflect their duties under the Equality Act 2010;
(b) State how the project would be accessible to community members;
(c) Describe how they intended to use the funding openly and equitable, and how this would be monitored.

3.2 This fund was advertised through several 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 and providing grant funding, as opposed to loans, the fund appeals to a diverse range of groups who might otherwise be excluded by having insufficient funds to initiate a project.

3.3 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:

(a) Using profits generated by the solar panels to alleviate fuel poverty
(b) 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.

(c) 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.

3.4 LCEF will enable community groups to bring awareness of renewable energy and energy bill savings to groups who would not normally have had access to such technology: pupils in schools, 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 solar projects is much wider than it would normally be for small to medium solar panel installations in the UK (so far mainly installed by relatively affluent owner-occupiers).

## 4 Other Considerations

(a) key risks and issues

| Risk description | Mitigation actions |
|---|---|
| Community groups are unable to complete projects | The first phase of the LCEF supports the development of community solar 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. This could include mentoring and resources, such as the Legal templates from Pure Leapfrog (who supports community energy groups) to reduce costs. |
| GLA money is spent on developing projects which are not feasible | Instead of allocating funds in just one or two tranches, we will 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.<br>If some projects are deemed unfeasible after the initial technical feasibility assessment or the business case doesn't stack up, it is proposed that the remainder of the funding for that given project is rolled over to support projects in a further round of the LCEF funding programme. |
| Solar panels are not installed | This fund only 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 installing solar panels. The application form required applicants to detail how they would access the necessary funds to install the solar panels and this was taken into consideration when assessing the applications received. Should any project encounter difficulty raising capital, the GLA could help publicise the community share offer. |
| Costs are unrealistic | Steps have been taken to minimise this risk, through the appraisal process assessing project development and costs to ensure they are realistic, including clarification questions to the applicants when we felt not enough detail had been provided. |

(b) links to Mayoral strategies and priorities

4.1 The London Community Energy Fund has been developed to help meet objectives in the Solar Action Plan. These in turn support London Plan policies and the Draft Environment Strategy. In particular:

- Helping London to become a more efficient and resilient city by seeking to improve energy efficiency and support the move towards a low carbon circular economy, contributing towards London becoming a zero-carbon city by 2050.
- Encouraging existing buildings to maximise opportunities for on-site electricity and heat production from solar technologies (photovoltaic and thermal). This approach will reduce carbon emissions, reduce energy costs to occupants, improve London's energy resilience and support the growth of green jobs.
- Promoting decentralised energy which will become an increasingly important element of London's energy supply and will help London become more self-sufficient in relation to its energy needs.
- Contributing to 1 GW of solar energy by 2030 and 2 GW by 2050.
- Meeting the Mayor's Manifesto commitment under his Energy for Londoners programme supporting local and community energy enterprises.

(c) impact assessments and consultations.

4.2 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.

4.3 A report by Community Energy London, along with informal interviews and phone calls from GLA officers with London community energy representatives over the summer of 2017, found that there were specific challenges that these groups faced. This first phase of the LCEF is designed to help community energy groups overcome these challenges and establish (or strengthen) themselves in an increasingly challenging environment (i.e. cuts in Feed-in-Tariff (FiT) for solar PV and removal of national grant scheme – UCEF).

4.4 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.

4.5 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.

## 5 Financial comments

5.1 Approval is sought for additional expenditure of up to £75,000 in the form of grant funding as a contribution to the costs of up to 14 projects successfully applying for funding under the London Community Energy fund. This will take the total value of the first phase of the London Community Energy Fund the project to up to £150,000. The £75,000 of grant funding to be paid out in 2018/19 is to be funded from Environment's 2018/19 programme budget. MD2137 (as part of the 2017/18 Environment Team Work Programme) approved up to £75,000 grant funding towards supporting the development phase of community energy projects in 2017/18.

## 6 Legal comments

6.1 The foregoing sections of this report indicate that:

6.2 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 promotion of wealth creation and economic development in Greater London; and

6.3 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.

6.4 The GLA must, in the exercise of its functions, have due regard to the need to:
(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010 ("the Act");
(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

6.5 Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
(a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
(b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it; and
(c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

6.6 The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

6.7 Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to: tackle prejudice; and promote understanding.

6.8 Compliance with the above duties may involve treating some persons more favourably than others, but that is not to be taken as permitting conduct that would otherwise be prohibited by or under the Act.

6.9 The relevant protected characteristics are: age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation.

6.10 A reference to conduct that is prohibited by or under the Act includes a reference to a breach of: an equality clause or rule; or a non-discrimination rule.

6.11 To this end the Director should have particular regard to section 3 (above) of this report.

6.12 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 provide funding is made.

## 7 Planned delivery approach and next steps

| Activity | Timeline |
|---|---|
| Funding agreements issued [for externally delivered projects] | By end of Jan 2018 |
| Announcement [if applicable] | By end of Jan 2018 |
| Delivery Start Date [for project proposals] | From 1st Feb 2018 |
| Final evaluation start and finish (self) | By December 2018 |
| Delivery End Date [for project proposals] | 1st May 2018 |
| Project Closure: [for project proposals] | 2019 |

**Appendices and supporting papers:**

Appendix 1. MD2137: 2017/2018 Environment Team Work Programme

Appendix 2. London Community Energy Fund Prospectus

**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**
If YES, for what reason: Disclosure of the proposed awards before entry into an execution of funding agreements with the 14 Community Energy Projects may impede the GLA's ability to ensure that funding is granted on optimal terms.

Until what date: 31st Jan 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:**<br>Sylvia Baron has drafted this report in accordance with GLA procedures and confirms that: | ✓ |
| **Assistant Director/Head of Service:**<br>Patrick Feehily has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval. | ✓ |
| **Financial and Legal advice:**<br>The Finance and Legal teams have commented on this proposal, and this decision reflects their comments. | ✓ |
| **Corporate Investment Board:**<br>The Corporate Investment Board reviewed this proposal on 15 January 2018. | |

**EXECUTIVE DIRECTOR, RESOURCES:**

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

**Signature** [signature] **Date** 17.01.18

TOM MIDDLETON ON BEHALF OF MARTIN CLARKE