

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2900

Title: Sustainable Warmth grant funding and Warmer Homes 3 programme

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 missions to deliver a Green New Deal and a Robust Safety Net are central to London's recovery programme.

The Mayor's Warmer Homes programme has operated since January 2018 and provides heating and insulation improvements to homes in or at risk of fuel poverty. By Winter 2021 it is expected to have improved over 2,000 homes and has so far secured over £8m in match funding from the Green Homes Grant Local Authority Delivery programme and the Energy Company Obligation.

The GLA has successfully bid for £40,237,555 from the Sustainable Warmth grant competition for use in London. This competition was aimed at supporting low income households in England, living in energy inefficient homes by installing energy efficiency and low carbon heating upgrades.

The Mayor approved the procurement of a framework of suppliers for the delivery of Warmer Homes 3 whilst stating any acceptance and expenditure would be subject to a further Decision. The framework procurement is in its final stages and when awarded the framework will provide a structure for the efficient competitive procurement of Warmer Homes 3 services.

Now the Sustainable Warmth grant value and requirements are known, we will be able, once the procurement has been completed and the framework agreements entered into with successful bidders, to run mini-competition exercises through the framework to identify service providers and commence the Warmer Homes 3 programme.

Decision:

That the Mayor approves:

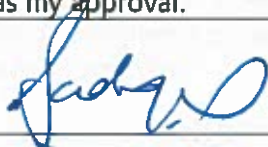
1. receipt and expenditure of £40,237,555 of Sustainable Warmth grant funding from the Department for Business, Energy and Industrial Strategy
2. undertaking a procurement process to award one or more contracts for the delivery of Warmer Homes 3 (the charges payable thereunder to be met using the above mentioned Sustainable Warmth grant). The funding is comprised of up to £34,183,255 capital and up to £6,054,300 administration and ancillary costs and aims to deliver improvements to a further 3,205 homes by the end of March 2023.

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:

18/11/21

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 London Recovery Programme also incorporates two relevant missions: A Green New Deal and A Robust Safety Net.
- 1.2 In 2019 there were 531,000 households living in fuel poverty in London, which equates to over 15 per cent of all households. The Mayor has set out his programme of actions to address fuel poverty in London (consistent with his powers) in his Fuel Poverty Action Plan.
- 1.3 Low income Londoners are facing an exceptionally challenging period, with the initial and ongoing impacts of coronavirus exacerbated by rising energy prices. From 1 October the price cap on energy bills was raised by the regulator Ofgem by £139, an increase of around 12%. A further increase in the price cap in April is a near-certainty given the recent surge in wholesale costs. Alongside the ending of the uplift on Universal Credit, the next few months will likely see many tens of thousands of households fall into fuel poverty.

The Warmer Homes programme

- 1.4 The focus of the current Warmer Homes scheme has been to target energy efficiency support to fuel poor households. The current, second phase of Warmer Homes was approved by the Mayor under cover of MD2412 and commenced in March 2020. This third phase of Warmer Homes is due to commence in March 2022. An extension to Warmer Homes 2 was approved by the Mayor under cover of MD2886 in November 2021.
- 1.5 The Warmer Homes 3 contract will encourage the selected provider(s) to seek other relevant funding that may become available during the contract to improve the energy efficiency of homes.
- 1.6 The contract provides the potential to quickly incorporate government funding schemes without the need for full re-tendering as we will have a framework in place. This will enable support to be deployed faster to help Londoners. It can also be used to develop an offer for householders who can afford energy efficiency improvements ("Able to Pay"), although such a scheme is likely to be dependent upon Government incentives to encourage take-up.
- 1.7 This Mayoral Decision therefore seeks approval to receive the £40.24m Sustainable Warmth grant, undertake a procurement process to award a contract for the delivery of Warmer Homes 3, and expend the grant on the charges levied for the provision of services being procured which are designed to provide support to households in fuel poverty.

Sustainable Warmth grant

- 1.8 Sustainable Warmth is a competition launched to bring together two fuel poverty schemes (Local Authority Delivery Phase 3 and Home Upgrade Grant Phase 1) into a single funding opportunity for local authorities. Both schemes aim to support low income households in England living in energy inefficient homes by installing energy efficiency and low carbon heating upgrades.
- 1.9 Applications closed in August 2021 and BEIS made a grant offer on 29 October 2021, pending signature of a Memorandum of Understanding. The grant will be issued under Section 31 of the Local Government Act 2003.

1.10 Delivery of all projects funded through the grant must be completed by 31 March 2023.

Warmer Homes 3 programme procurement and set-up

- 1.11 It is proposed that the GLA will procure a service provider for up to five years to deliver the programme of energy efficiency offers to fuel poor households, including Sustainable Warmth and any further GLA Warmer Homes programme funding. The duration seeks to optimise the efficiency of the process and effectiveness of drawing-in additional funding to help fund improvements to London homes. It also provides the potential to develop an 'Able to Pay' offer, subject to achieving a suitable environment (including government support) and demand.
- 1.12 This Mayoral Decision commits to the expenditure of the £40.24m Sustainable Warmth grant, but the total value allowed under the procurement is set at £600m to reflect the potential for the programme to lever in additional funding through ECO, national government grant funding, carbon offset funding, contributions from any customers using Able to Pay, boroughs accessing the framework, plus future related grant funding over the potential five-year contract duration. Any further funding from the GLA would be subject to future decision forms.
- 1.13 The procurement strategy has already been approved through the TfL Commercial process, as per the GLA Contracts and Funding Code, as part of the work to create the procurement framework and how it would be used over time. The contract structure and specific terms have been developed by TfL Legal working closely with the Warmer Homes team.
- 1.14 The contract award would be subject to the TfL Commercial approval process and approval for the GLA by a senior member of staff (Assistant Director or above).
- 1.15 The flexible contract approach will allow benefits in terms of procurement efficiency and will also put the GLA and boroughs in a stronger position to bid for future third-party grant funding, where funding timescales are often short and competition calls require the applicant to have a service provider available.
- 1.16 The third phase of Warmer Homes will begin in early Spring 2022. This will allow a long run-in before the winter months when fuel poor households are in most need, whilst also being in place for the likely further increase of the energy price cap in April 2022.

Eligibility criteria: measures

- 1.17 Energy efficiency and renewable energy measures eligible for grant funding under Warmer Homes 3 will include any measures that will improve the Energy Performance Certificate rating of the dwelling and reduce fuel costs (subject to the terms of any external funding). Repair and replacements for faulty gas boilers will only be permitted for fuel poor households, in urgent cases or where low carbon alternative heat sources cannot be provided with the funding available.
- 1.18 Even though London is transitioning away from gas as a heating fuel, many households currently applying to Warmer Homes are in urgent need of gas boiler repairs or replacements. There is at present no other national funding available for this, with Sustainable Warmth funding specifically excluding gas boilers. Funding for gas boiler repairs and replacements in 2022/23 and beyond will be the subject of further Decision requests.

Budget and resources

- 1.19 The GLA budget allocation from the Sustainable Warmth grant is as follows:

Item		Value (£)
Capital	Energy efficiency measures	34,183,255
Ancillary and administration	Contractor costs, compliance, project team, marketing, enabling works (e.g. scaffolding, loft clearance)	6,054,300
Total		£40,237,555

2. Objectives and expected outcomes

Sustainable Warmth

- 2.1 A condition of the Sustainable Warmth grant is that the project is completed by the end of March 2023. Given this condition, the contract will include milestones and deliverables for 2022-23 specific to the Sustainable Warmth grant.
- 2.2 The ability to meet the target within the timescales will be closely monitored, particularly if current issues around availability of materials, goods, and labour continue. We will call for an extension to the deadline, if required, though this will be at the discretion of the Secretary of State. The procurement scope and contract structure have been created to allow such a change to be made without needing re-procurement.
- 2.3 The key outputs from the Sustainable Warmth grant programme are expected to be as follows:
 - 3,205 low income households supported – these households will benefit from a range of energy efficiency measures such as solid wall insulation, heat pumps, flat roof insulation, underfloor insulation, triple glazing, and solar photovoltaics
 - minimum annual fuel bill savings for Londoners of £903,000
 - minimum annual CO₂ savings of 3,493 tCO₂
 - minimum annual energy savings of 11,940,000kWh.

Warmer Homes 3

- 2.4 Warmer Homes 3 will be focused upon addressing fuel poverty whilst also providing the scope to extend into the Able to Pay sector. Based on analysis undertaken by the Environment and Energy Team and the policy proposals set out in the London Environment Strategy, there are several key principles to ensure the programme achieves the best possible outcomes and paves the way for increased uptake of home energy efficiency packages to:
 - support the most disadvantaged in society through grants to fuel poor households
 - provide a flexible approach to delivery to build on the success of Warmer Homes and meet residents' needs, regardless of tenure
 - ensure high quality outcomes by implementing best-practice standards and build a trusted, London based supply chain
 - work with other programmes including London Power and the Retrofit Accelerator - Homes to maximise impact and share best practice
 - work with partners, including London boroughs, to increase local delivery capacity
 - contribute to the development of a strong evidence base to help lobby government.

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 not. 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 BAME communities are almost 60% more likely to be fuel poor than White households and those with disabilities or long-term illnesses are 50% more likely to be fuel poor. The project team will therefore engage with BAME communities and people with disabilities or long-term illness in particular, and they are currently working with the NHS to develop London-wide pathways for the latter.

4. Other considerations

Links to Mayoral strategies

- 4.1 Alongside its central role in delivering the Fuel Poverty Action Plan this proposal also aligns with relevant actions in the London Environment Strategy, Equality, Diversity & Inclusion Strategy and Health Inequalities Strategy.
- 4.2 Relevant recovery missions are:
- A Robust Safety Net – the pandemic has impacted on Londoners’ incomes and household bills and support from the Warmer Homes Advice Service will help to relieve hardship
 - Green New Deal – Londoners living in fuel poverty are more likely to experience cold, damp homes and the Warmer Homes Advice Service supports them to use energy more efficiently and supports access to funding for heating and insulation improvements.

Governance

- 4.3 The delivery of the Sustainable Warmth funding will be led by the GLA’s Energy team, with staffing resource taken on to deliver this. A project board will also be established with representation from the London sub-regions, GLA and London Councils.
- 4.4 The service provider(s) for Warmer Homes 3 will report to the Energy team on performance against KPIs on a monthly basis, as well as current and forecast activities for each work stream and programme-wide and project-specific risks and issues. The Energy team will in turn report to BEIS on a monthly basis.

Key risks and issues

- 4.5 Table of risks and issues:

Risk no.	Risk	Likelihood (1-4)	Consequence (1-4)	Rating	Mitigation
1	Procurement – lack of interest from market to respond to the tender	2	4	8	Early market work in creation of framework to enable quicker tendering is easier for bidders to provide quality responses against.
2	Low uptake of fuel poverty grants scheme, including finding suitable properties	2	3	6	The programme will be data-driven and will heavily involve the boroughs. The Warmer Homes Advice Service will also generate referrals.
3	Covid-19 related issues limit access to homes for assessment and installation, thereby reducing the number of properties improved	3	4	12	Work with service provider to help manage challenges and undertake work in a safe environment for workers and occupants. Request extension to grant if delivery is impacted.
4	Materials availability issues reduces the number of homes that can be improved within the grant timescales	3	4	12	Work with service provider to help manage materials challenges, including potential for alternative measures. Request extension to grant if delivery is impacted.
5	Labour availability issues in supply chain reduces the number of homes that can be improved within the grant timescales	3	4	12	Work with service provider to help encourage additional implementation capacity and manage supply chain challenges. Request extension to grant if delivery is impacted.

6	KPI underachievement - for the fuel poverty grant scheme, the GLA has little control over the type and condition of applicants' property meaning there is no certainty over measures installed and therefore energy and CO ₂ savings	3	2	6	KPIs are based on experience from the Warmer Homes programme, but ongoing preference for gas boilers needs addressing. KPI performance will be regularly reviewed and may be re-assessed based upon the nature of properties and measures agreed by applicants.
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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 form.

5. Financial comments

- 5.1 Approval is being sought for receipt of £40,237,555 Sustainable Warmth Capital grant funding from the Department for Business, Energy and Industrial Strategy (BEIS) and associated expenditure to deliver the third phase of the Warmer Homes Programme.
- 5.2 Expenditure of the funding from BEIS is to support delivery against the targets set out in the London Environment Strategy and Fuel Poverty Action Plan, making London's homes warm, healthy and affordable through the installation of a range of energy efficiency measures. Also, to undertake a procurement process to award a contract for the delivery of the Warmer Homes 3 programme.
- 5.3 Although this is capital funding, the MOU states "Where the Grant includes capital funding, accounting standards permit, in certain circumstances, the capitalisation of costs incurred when delivering the capital assets for the Proposal (for example, administrative and ancillary). The Authority will keep such costs incurred in delivering the Proposal below 15% of the HUG total Grant and 15% of the LAD total Grant independently provided by the Secretary of State. In all other cases capital funding must not be spent on revenue". Under this clause, some of the funding will be used to fund revenue expenditure.
- 5.4 The funding from BEIS will be accounted for within the GLA's 2021-22 and 2022-23 capital and revenue programme budgets, within the Environment unit and as part of the conditions of the grant award will have to spent in full by 31 March 2023.
- 5.5 GLA capital budget allocation for the Sustainable Warmth grant:

Budget Allocation	2021/22 £'m	2022/23 £'m	Total £'m
Capital - energy efficiency measures	0.77	33.41	34.18
Revenue - ancillary and administration	0.34	5.71	6.05
Total	1.11	39.12	40.23

- 5.6 One of the conditions of the grant is that programme expenditure must be completed by 31 March 2023. In order to mitigate any risk of project slippage beyond this deadline the contract with the service provider will include milestones and deliverables for 2022-23 specific to the Sustainable Warmth grant. It should be noted however, that the terms and conditions of the BEIS grant include the provision to allow for a programme extension to be granted and project underspends to be utilised beyond the 31st March 2023 programme completion date 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

- 6.1 The foregoing sections of this report indicate that:

- 6.1.1 decisions requested of the Mayor concern the exercise of the GLA's general powers, falling within the GLA's statutory powers to do such things considered to further or which are facilitative of, conducive or incidental to the promotion of the improvement of the environment in Greater London
- 6.1.2 in formulating the proposals in respect of which a decision is sought, officers have complied with the Authority's related statutory duties to:
- o pay due regard to the principle that there should be equality of opportunity for all people
 - o 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
 - o 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) and persons who do not (section 149 of the Equality Act 2010). To this end, the Mayor should have particular regard to section 3 (above) of this report.

- 6.2 If the Mayor is minded to make the decisions sought, officers must ensure that:

- 6.3.1 they are content with and can comply with the conditions of the Sustainable Warmth Grant and enter into a binding agreement with BEIS for the same before placing any reliance upon the funding
- 6.3.2 the decision to award places of the framework mentioned is made solely by reference to the published evaluation criteria, weightings and scoring scales and framework agreements are entered into and executed by the GLA and successful bidders
- 6.3.3 the Warmer Homes 3 services are procured in liaison with TfL Procurement fully in accordance for the same as set out in the above mentioned framework and a call-off contract is put in place between and executed by the GLA and successful framework supplier before the commencement of those services.

7. Planned delivery approach and next steps

Milestone	Date
Acceptance of Sustainable Warmth grant	November 2021

Finalisation of Warmer Homes 3 requirements, including grant requirements and contract terms	Mid-December 2021
Launch mini-competition for Warmer Homes 3	Mid-December 2021
Award of Warmer Homes 3 contract	End January 2022
Start of Warmer Homes 3 mobilisation	February 2022
Start of Warmer Homes 3 service	March 2022
Sustainable Warmth grant funding ends	End March 2023

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, to 29/11/2021. This should allow for a proper announcement.

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 15 November 2021

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

Date



18 November 2021

CHIEF OF STAFF:

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

Signature

Date



15 November 2021