

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2380

Title: Warmer Homes – funding extension

Executive Summary:

The Mayor is taking concerted action to tackle fuel poverty in London through his £34m Energy for Londoners Programme, aiming to make London's homes warm, healthy and affordable. This Mayoral Decision seeks the approval of £1.925 million of additional capital funding to the Warmer Homes programme to enable continued support to fuel poor households in London through the winter of 2018/19, whilst plans are developed for future years.

This funding will be allocated to RetrofitWorks (a not-for-profit co-operative), which is overseeing delivery of the programme, through a funding increase to the existing £2.5 million grant agreement. At the same time, a further £38,000 revenue funding will be allocated to the Energy Saving Trust (EST) to allow them to continue to process applications, as scheme administrator. This will require an amendment to the EST's existing services contract. Legal and procurement have signed off extensions to both these agreements.

Increasing the funding of Warmer Homes will help alleviate fuel poverty and reduce cold-related ill health during the coming winter. Based on a grant of £4,000 per home, it will result in a minimum 481 additional households being retrofitted with energy efficiency improvements, resulting in annual savings of approximately 625 tonnes of carbon dioxide (tCO₂), and a reduction in average annual energy bills of around £225 per participating household, among other benefits such as reduced health impacts and improved air quality.

Decision:

That the Mayor approves:

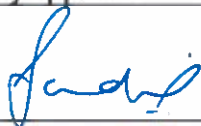
1. Expenditure of a further £1.925 million (capital), in the form of grant funding to RetrofitWorks, to enable continued support to fuel poor households in London through the winter of 2018/19. This will take total capital spending on the programme to £4.425m;
2. Expenditure of a further £38,000 (revenue), to be paid under an existing contract with the Energy Saving Trust, to cover the processing of additional applications. This will take the total revenue spending on the Warmer Homes programme to £183,000.

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:

17/11/18

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

Decision required – supporting report

1. Introduction and background

- 1.1 The London Environment Strategy (LES) sets out the Mayor's vision of making a zero carbon city by 2050, while at the same time protecting the most disadvantaged by tackling fuel poverty.
- 1.2 To achieve the Mayor's targets, a substantial increase in the volume, depth and quality of home energy retrofits is required. Therefore, in the absence of a comprehensive government programme, the Mayor is taking the lead to develop a framework of initiatives through his Energy for Londoners programme that will help address fuel poverty and reduce carbon emissions, including the wider roll out of home energy retrofits and renewable energy. Further context and information is provided in Mayoral Decision 2197.
- 1.3 In January 2018, the £2.5 million Warmer Homes fund was launched, which helps fuel poor households in London by providing up to £4,000 worth of energy efficiency improvements to qualifying homes. This programme was approved in November 2017 through Mayoral Decision 2197 as a one-year programme to test a new delivery approach. MD 2197 also approved the creation of the Fuel Poverty Support Fund, which provides grant funding to Local Authorities, to help them support fuel poor homes in their area and to generate referrals to Warmer Homes through engagement, advice and home visits.
- 1.4 The objectives of Warmer Homes are to reduce fuel poverty and carbon dioxide emissions, while at the same time building longer-term capacity of local authorities and other stakeholders in London to help address fuel poverty and improve the energy performance of London's homes. In October 2018, the scheme was opened to applicants in the private rented sector.
- 1.5 The eligibility criteria for participating homes are as follows:
 - **Properties** must be homes located in Greater London in need of at least one qualifying energy efficiency measure (as set out in MD2197)
 - **Applicants** must meet the following criteria
 - Owner occupier, private landlord or tenant;
 - Occupant is in receipt of qualifying benefits (as defined by the Affordable Warmth Group in the Energy Company Obligation (ECO))¹; or
 - Occupant is in receipt of a signed declaration from the London borough in which they reside confirming that they are eligible for ECO funding under the Flexible Eligibility scheme.
- 1.6 The programme is due to run until March 2019, by which time the aim is that it will have helped a minimum of 625 and as many as 1,000 fuel poor homes, generated approximately £150,000 energy bill savings and reduced London's carbon emissions by approximately 750 tCO₂.
- 1.7 As at 29 October 2018, Warmer Homes had received over 875 applications. Approximately 25 per cent of applications processed to date have been rejected as they did not meet the eligibility criteria

¹ <https://www.ofgem.gov.uk/ofgem-publications/91438/guidancenotetheaffordablewarmthgroup-pdf> Benefits would include: Income Support, Income-related Employment and Support Allowance under the Welfare Reform Act 2007, Guaranteed Pension Credit, Full Housing Benefit, Working Tax Credit, Council Tax Benefit (does not include single occupancy reduction), Child Tax Credit (household income less than £16,105), Disability Living Allowance, Attendance Allowance, Disablement Pension Credit (must include constant attendance allowance), Income based Jobseeker's Allowance, Universal Credit, War Disablement Pension (must include either a mobility supplement or constant attendance allowance).

for the scheme, but there have been over 500 successful applications to date. Over 200 qualifying London homes have been retrofitted with energy efficiency improvements, with installations in progress or pending for the remainder of the successful applicants. This means the programme is ahead of schedule in terms of the number of applications and number of successful applications, and on track in terms of the number of installations, with capital funding for the programme scheduled to be allocated well in advance of March 2019

1.8 Based on the homes improvements being undertaken, the average grant provided to date is approximately £3,500 per home, which means the £2.5 million approved for the programme is close to being fully allocated. It is expected that funding will be completely allocated in November 2018, so the programme will have to close ahead of March 2019 unless additional funding is allocated.

1.9 The principal delivery partners for Warmer Homes are:

- The Energy Saving Trust (EST), which is responsible for processing and managing applications. The GLA has a services contract in place with the EST, worth £125k, which was awarded in January 2018 through an exemption to the GLA's contracts and funding code, based on a complete absence of competition in the market
- The RetrofitWorks cooperative², which is responsible for managing the installation of energy efficiency measures, including surveying, design, procurement and quality assurance. RetrofitWorks is also responsible for securing additional funding for measures through the national government's Energy Company Obligation. The relationship between the GLA and RetrofitWorks is managed through a grant agreement currently worth £2.5m.

1.10 Full evaluation of the programme is due to commence in Quarter 4 2018/19 and will look at customer satisfaction, improvements to health and wellbeing and quality of processes as well as the quantitative outcomes from the fund. Interim evaluation of the programme has yielded several insights to date:

- **The range of installation of energy efficiency improvements in homes has increased compared with previous programmes.** The majority of measures installed to date (62 per cent) have been heating measures, but the overall range of measures is much wider and includes internal wall insulation, loft insulation, under-floor insulation, draught proofing, windows and doors.
- **Drop-outs from the programme have been very low (running at approximately seven per cent) in comparison to up to 20 per cent in previous programmes.** The reasons for this seem to be partly related to the flexible approach taken, enabling people's needs to be met more effectively, allied to the use of retrofit coordinators who act as a point of contact and help householders get the best outcomes in terms of maximising funding, addressing customer concerns and ensuring a high-quality install with minimal disruption. However, this flexibility does mean there are fewer straightforward jobs, and the overall installation process can take longer than, for example, a straightforward boiler replacement.
- **Application numbers have remained relatively consistent throughout the programme,** but the percentage of successful applications is higher than for previous programmes (over 75 per cent). The main reason for this is likely to be that the Fuel Poverty Support Fund support the GLA is providing to London boroughs has enabled them to identify fuel poor households and

² RetrofitWorks is a not-for-profit cooperative based in London that was set up in order to help increase the number and quality of home retrofits and is currently delivering a number of local energy efficiency schemes across London. Its members are SME installers, which are expected to comply with a rigorous code of practice, and local authorities and community groups that want to see increased retrofit activity in their area. Each job is assigned a retrofit coordinator, who can provide the required level of oversight to ensure installation proceeds smoothly, and is managed through an online portal, which ensures greater transparency for all parties and better management of documentation to create a clear audit trail.

provide high-quality referrals for the scheme, which has proven a highly effective means of reaching people in vulnerable positions.

- Data from the programme indicates that a **high proportion of householders are experiencing long-term health issues or disabilities which may be exacerbated by cold weather, or are in a vulnerable position. This suggests the programme is successfully managing to reach at-risk households.**

- 1.11 Evidence from the programme to date indicates that it is on-track to achieve its objectives (set out in paragraph 1.4) and will provide useful learning that can be incorporated into future fuel poverty and energy efficiency programmes.
- 1.12 This paper is seeking only to increase the available budget for the programme, and not to extend its duration. Given nearly 18 months from the original Mayoral Decision will have elapsed by the time the Warmer Homes ends, it is considered preferable to test the market through a procurement exercise rather than to seek to extend the programme, which will allow further development of scope and requirements of the programme and continue to ensure best value.
- 1.13 The Energy Efficiency and Delivery Team is currently preparing a further Mayoral Decision paper setting out how a successor programme to or an enhanced version of Warmer Homes could be procured to continue to provide support to London's fuel poor homes, while addressing a wider range of homes and seeking to increase the scale of delivery of home energy efficiency retrofits across the fuel poor and able to pay sectors.
- 1.14 This paper therefore seeks approval for the allocation of a further £1.925 million of capital funding to the programme to ensure that the Mayor can continue to provide support to fuel poor homes through the winter, while plans are developed for the next phase to Warmer Homes. A further MD will be brought to CIB shortly.
- 1.15 In addition, this paper seeks approval for the allocation of a further £38,000 of revenue funding to the programme to enable the Energy Saving Trust to continue to process applications. The Energy Saving Trust was originally appointed under an exemption to the GLA's Contracts and Funding Code due to a complete absence of competition in the market, which remains the case.
- 1.16 Current projections indicate that this funding will enable delivery of Warmer Homes to continue to support fuel poor homes in London until its scheduled close in March 2019.

2. Objectives and expected outcomes

- 2.1 Allocation of an additional £1.925 million capital funding to the existing Warmer Homes programme would enable the installation of energy efficiency improvements in a minimum of 481 additional fuel poor homes, based on a grant of £4,000 per home, increasing the overall outputs of the programme as follows:
 - The minimum number of fuel poor homes supported will increase from 625 to 1,106. These homes will benefit from behavioural advice as well as installation of energy efficiency measures, which will help to make their homes healthier and more comfortable, as well as reducing fuel bills.
 - The minimum expected annual fuel bill savings will rise from £150,000 to £266,000.
 - The minimum expected annual carbon emissions savings will rise from 750 tCO₂ to 1,328 tCO₂
 - The minimum expected NOx savings from the scheme will rise from 910 kg to 1,611 kg.

- 2.2 Arrangements for delivery of support for the additional homes would remain as they are for the current Warmer Homes programme. This will include the ability to lever in additional funding for energy efficiency improvements through the Energy Company Obligation and, where possible, London borough grant funding.

3. Equality comments

- 3.1 The GLA will take appropriate steps to ensure that there are no potential negative impacts expected on those with protected characteristics. Those with protected characteristics will gain from the positive benefits of this scheme in equal measure should their properties be selected, and there will be equality of access to participate in the delivery and benefit from the scheme, without discrimination. To date, over a third of successful applications have been from households where someone has one or more disabilities, with 20 per cent of successful applications coming from households where someone has a mobility disability. Further evaluation will be undertaken as the programme progresses.
- 3.2 It is expected that this scheme will have a positive impact on lower income and fuel poor households directly through the grant support they will receive, and by catalysing greater awareness of energy use and the opportunities to reduce their consumption.

4. Other considerations

Project costs

- 4.1 The existing grant agreement with RetrofitWorks would be amended to allocate an additional £1.925 million of capital funding for disbursement on energy efficiency improvements to fuel poor homes through the Warmer Homes programme. This will bring the total value of the grant agreement to £4.425 million.
- 4.2 In order to support delivery of this work, the approved spend for the service contract with the Energy Saving Trust will need to be increased by a maximum of £38,000 to cover the costs of processing the additional applications. This would increase the contract value to £163,000, which remains below the OJEU threshold for services of £181,302.
- 4.3 There would be no additional marketing cost for the programme.

Risks and issues

- 4.4 The key risks for this programme are set out below:

Risks	Likelihood (out of 4)	Impact (out of 4)	Rating	Treatment/mitigation
Misuse of funds for non-eligible spend	1	2	2	Treat. Ensure that marketing material and websites set out eligibility criteria clearly and provide information about each stage of the process. EST will undertake rigorous checks of all applications (including boiler and owner occupier status information), and the Department for Work and Pensions will verify benefits information to ensure that eligible

				applications are approved. RetrofitWorks will also check details of the applicant and measures when visiting the household. In addition, the GLA will audit a sample of applications.
High demand for the scheme leads to overspend.	1	4	4	Treat. The scheme will operate on a first come, first served basis. EST will administer the number of applications coming through the system and provide regular reporting of numbers to the GLA. This paper seeks to further mitigate this risk by allocating additional capital to the programme to allow delivery to continue.
Drop out due to not meeting eligibility criteria leads to underspend (and reduced number of installations and benefits)	2	2	4	Treat. By supporting London boroughs to provide good quality leads, the GLA is ensuring that drop outs through the process are very low in comparison with similar schemes.
Poor-quality installation - leading to householder complaints, increased demand on resources and reputational risk	1	3	3	Transfer. RetrofitWorks will assign a retrofit coordinator to each job, whose role will be to ensure that measures are appropriate, oversee the quality of installation, ensure that sufficient documentation is provided, check that the contractor adheres to the code of practice and resolve any complaints or disputes.
Data breach	2	4	8	Transfer. Ensure RetrofitWorks and EST maintain adequate procedures for processing, storing and managing data and that any breaches or potential breaches are flagged and dealt with early on. Ensure that data sharing agreements are in place as appropriate. There will remain some residual risk to the GLA as data controller
Underspend	2	2	4	Treat. This paper seeks approval for any remaining funds unallocated by the end of March 2019 to be transferred into the 2019/20 budget for the next phase of Warmer Homes

5. Financial comments

- 5.1 This decision is seeking to allocate £1.925m of the 2018/19 energy programme capital budget towards increasing the output of the Warmer Homes programme. This funding will be used to meet the cost of instating a range of energy efficiency measures in fuel-poor households.
- 5.2 MD2197 previously approved a capital budget of £2.5m, £0.5m of which was spent in 2017-18. The total capital funding for Warmer Homes will therefore be £3.925m in 2018-19.

- 5.3 In addition to the above, this MD is seeking approval to spend a further £38,000 of revenue funding to extend an existing contract with the Energy Saving Trust so as to cover the processing of additional applications. This will be met from the Environment Team's New Mechanisms 2018-19 budget and will take the total revenue spending on the programme to £183,000 (£145,000 revenue expenditure was approved for Warmer Homes under MD2197).

6. Legal comments

- 6.1 The legal comments in MD 2197 covered both the grant to RetrofitWorks and the direct award of the contract to the Energy Saving Trust ("EST").
- 6.2 As regards the increase of the funding to RetrofitWorks, the comments in MD 2197 continue to apply to this decision.
- 6.3 The officers are seeking the approval of a variation of EST's contract with the GLA to increase its value by £38,000. The legal comments in MD 2187 continue to apply to this decision in so far as the conditions in the market remain the same. To this end, the mayor may approve the increase in the value of the contract, if he be satisfied that there remain a complete absence of competition in the market.
- 6.4 The officers should ensure that appropriate documentation be put in place to formally record the parties' agreement to the variations of the GLA's grant with RetrofitWorks and the GLA's contract with EST.

7. Planned delivery approach and next steps

Activity	Timeline
Mayoral decision approved	w/c 5 November 2018
Programme close	31 March 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.md

Part 1 Deferral:

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

If YES, for what reason:

YES – the approval can be published but the numbers should be withheld until December 2018 so that the various procurements are not compromised (by advertising how much GLA is prepared to spend to potential suppliers).

Until what date: (a date is required if deferring) 1 December 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:

George Simms has drafted this report in accordance with GLA procedures and confirms the following:

✓

Sponsoring Director:

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 5 November 2018.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature



Date 05.11.18

TOM MIDDLETON ON BEHALF OF MARTIN CLARKE

CHIEF OF STAFF:

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

Signature



Date 5/11/2018.