GREATER**LONDON**AUTHORITY

REQUEST FOR MAYORAL DECISION – MD3045

Continued Support for Community Energy in London

Executive summary:

The GLA is helping community energy groups to transition their neighbourhoods to clean, local energy to help London meet its 2030 net-zero target. Since 2017, the Mayor's London Community Energy Fund (LCEF) has provided support to get community energy projects up and running.

Over that period, it has funded 139 community projects across 27 boroughs, with projects including solar photovoltaics (PV), low-carbon heating and energy-efficiency measures. To date this has enabled the installation of 2.3MWp of solar PV across the capital.

This Mayoral Decision seeks approval to continue to support community groups with a further round of funding through the LCEF in 2022-23 and 2023-24.

Decision:

That the Mayor approves revenue expenditure of up to £400,000 to support community energy projects in London, comprising up to:

i. £200,000 of grant funding for the development and delivery of community energy projects in London through the Mayor's London Community Energy Fund (phase 6) to be offered in financial year 2022-23

ii. £200,000 of grant funding for the same purposes in financial year 2023-24, subject to 2023-24 budget confirmation.

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: 5/12/22

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

Decision required – supporting report

1. Introduction and background

1.1. The Mayor, along with other leaders, has declared a climate emergency, setting out an ambition for London to be a zero-carbon city by 2030. For this to be achieved, London will need to be supplied by a range of low-carbon and efficiently utilised energy sources. Solar photovoltaics (PV), smart technologies, renewable heating, community renewable heating and energy-efficiency measures will all play a key part in London's zero-carbon energy system. Continued support for solar panels on schools, community centres and industrial estates can play an important role in this, as can support for community energy groups that are helping their neighbourhoods transition to clean, local energy.

1.2. In 2021 the GLA commissioned experts Element Energy to analyse pathways for London to meet net-zero by 2030. Their report, 'Analysis of a Net Zero 2030 Target for Greater London', set out four pathways for London to reach this target. The GLA's preferred 'Accelerated Green' pathway includes 1.5 GW of solar PV with increased action to support rooftop solar, which includes support for community energy projects.

1.3. Community energy groups are playing an important role in tackling the cost-of-living crisis affecting Londoners. Many community energy groups focus on tackling fuel poverty by using revenue generated through energy projects to fund face-to-face support to vulnerable members of the local community. They work through community networks based around community centres, schools, faith groups and other organisations to reach Londoners from diverse backgrounds.

1.4. Projects previously funded by the Mayor's London Community Energy Fund (LCEF) are helping to reduce energy costs in community buildings that are facing the challenges of energy price rises. For example, since 2017, grants awarded to Ealing Transition have supported 509 kWp of solar PV installations at 13 schools and two children's centres. The sites, which received these panels at no up-front cost, pay for the renewable electricity supplied at a lower rate than the average cost for grid electricity. If grid electricity averages 25 p/kWh over the next ten years, the sites would save on average £60,000 per year. Assuming that the 2.3 MWp of solar installed from previous LCEF support receive similar rates, these panels could be saving over £270,000 annually.

1.5. Buildings such as community centres, places of worship, school halls and libraries provide warm spaces for Londoners struggling to heat their homes. The managers of these buildings face challenges paying increased energy costs with limited support and access to funding for energy-saving measures. There is currently no funding support from national government to support community energy projects. Recognising the importance of these buildings, the LCEF has provided support to assess the feasibility and plan the installation of energy-saving and low-carbon heating measures, as well as for the installation of solar PV to help bring down the running costs for these sites.

1.6. Community energy also supports supply chain development in London's green economy. Community energy projects facilitate the sharing of knowledge and skills development, offering entry points into careers that are vital for a just transition to a zero-carbon economy. Community energy groups also focus on promoting energy efficiency and tackling fuel poverty, through financing or enabling the retrofit of measures that will reduce energy demand. These endeavours complement the objectives in the Mayor's London Environment Strategy and the Mayor's Solar Action Plan.

1.7. The LCEF was established in 2017 and has supported 139 community energy projects over five funding phases. Under cover of MD2137, DD2200, MD2331, DD2417, MD2708 and MD2862, a total allocation to the LCEF of £1,834,000 has been approved so far.

<u>Rationale for further phases of LCEF</u>

1.8. The removal of national feed-in-tariffs, the Urban Community Energy Fund and the Non-Domestic Renewable Heat Incentive makes the economic viability for community energy projects a significant challenge. But thanks to previous support offered through the LCEF, the capital has one of the most active networks of community energy groups across the UK.

1.9. London community energy groups, surveyed in June 2022, indicated that they would not be able to continue to deliver projects at their current scale without LCEF funding to support either delivery or development of community energy projects. To date, seven boroughs have launched, or announced the intention to launch, community energy funds that are helping to deliver the GLA's objectives. However, projects outside of these boroughs, and projects seeking development funding, are likely to require support.

1.10. In addition to the deployment of carbon-saving technologies, community energy groups have a valuable role to play in engaging Londoners to act against the climate and cost-of-living crises. LCEF support will help community groups to continue providing advice and assistance to community members to help them reduce their energy use and fuel bills.

1.11. To continue to increase the number of community energy projects within London, established community energy groups that are largely reliant on volunteers will benefit from support to expand their capacity to engage with new networks, and to partner with new community groups – including faith groups, schools, youth centres and other community hubs. Support for training, events and awareness-raising amongst volunteers, community groups and paid staff will help the benefits of community energy to reach a wider cross-section of London. In particular, we want to support projects which are led by and engage with Londoners from Black, Asian and minority ethnic groups.

2. Objectives and expected outcomes

2.1. To reach the net-zero target by 2030 under the preferred Accelerated Green pathway, 1.5 GW of solar PV needs to be fitted on rooftops. To support this, as set out in the Solar Action Plan, it is proposed that actions be undertaken by the GLA to increase the level of solar energy technologies installed in London. This includes funding and supporting community energy projects.

2.2. 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 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. Funding for the delivery of projects, including the installation of measures, will increase the deployment of renewable energy across the capital; and help community groups to continue their work of involving Londoners directly in the solutions to the climate crisis.

2.4. With the funding proposed, LCEF could realistically support the installation of 0.3 MWp of new solar PV capacity, including support for additional carbon-saving measures such as low-carbon heating, battery storage and thermal insulation. The proposed funding could also support feasibility studies for an estimated 1.2 MWp of solar PV.

2.5. By supporting community energy groups to engage more Londoners from diverse backgrounds, including vulnerable households, it is expected that LCEF funding will assist households in accessing resources to limit the impacts of the cost-of-living crisis.

2.6. The fund will offer:

- grants of up to £15,000 to develop feasibility studies and business cases, and to support community engagement and training activities

- grants of up to £50,000 to cover up to a third of the capital value to deliver community energy projects; these grants will be limited to cover one-fifth of the capital value on solar PV installations over 40kWp

- grants of up to £10,000 to support training, events and awareness-raising activities for community volunteers and staff.

2.7. The fund will also provide smaller grants to groups to undertake pre-feasibility studies and develop project proposals for future funding.

2.8. A prospectus will be produced for applicants setting out the criteria for funding. Applicants will be asked to set out how they plan to deliver their project(s) and will be scored based on how likely their projects will be successfully delivered, along with associated impacts relating to carbon savings, job creation, skills development and community engagement.

2.9. The grant process will be conducted in accordance with the GLA Contracts and Funding Code.

3. Equality comments

3.1. Under section 149 of the Equality Act 2010, the Mayor and GLA are subject to the public sector equality duty and must have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation

- advance equality of opportunity between people who share a relevant protected characteristic and those who do not

- foster good relations between people who share a relevant protected characteristic and those who do not.

3.2. The "protected characteristics" are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation and marriage/civil partnership status. The duty involves having appropriate regard to these matters as they apply in the circumstances, including having regard to the need to: remove or minimise any disadvantage suffered by those who share or is connected to a protected characteristic; take steps to meet the different needs of such people; and encourage them to participate in public life or in any other activity where their participation is disproportionately low. This can involve treating people with a protected characteristic more favourably than those without one.

3.3. Part of the LCEF application form will require the applicant organisation to:

- describe how their proposed actions would reflect the aims of the Equality Act 2010

- state how the project would be accessible to community members

- describe how they intend to use the funding openly and equitably, and how this would be monitored.

3.4. Projects that demonstrate how their projects will be accessible to all Londoners and make efforts to reach minority and disadvantaged groups will be scored favourably.

3.5. As with previous rounds, the fund will be advertised through key stakeholders, including Community Energy London (CEL), charities, non-governmental organisations and trade associations, and on relevant social media sites to ensure that it reaches a wide audience. In addition, all boroughs will continue to be informed of the 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.

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

- using profits generated by the solar panels to alleviate fuel poverty
- 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
- 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.

3.7. Community energy projects funded by the LCEF tend to be in the more deprived areas of London. Organisations accessing the LCEF such as community benefit societies, companies limited by guarantee and cooperatives ensure that a significant proportion of their profits are used to benefit the entire community, not just members and shareholders. LCEF funding is therefore likely to significantly benefit low-income Londoners and those from disadvantaged backgrounds.

3.8. The 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. These groups include: 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-sized solar panel installations in the UK, which so far have mainly been installed by relatively affluent owner-occupiers.

4. Other considerations

Key risks and issues

4.1. Key risks and issues are outlined in the table below.

Risk	Mitigation	Rating
Community groups are unable to complete projects	Drawing on experience from previous successful rounds, 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 CEL to enable the sharing of resources and experiences between the community groups supported by the LCEF. This could include mentoring and resources, such as the legal templates from Pure Leapfrog (which supports community energy groups) to reduce costs.	Green
GLA money is spent on developing projects that are not feasible	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 that shows that the roof is structurally sound to receive solar panels. That way we will minimise any money being spent on unsuitable projects. If any projects are deemed unfeasible after the initial technical feasibility assessment, or cannot make a viable business case, it is proposed that funding is not provided beyond this milestone. Instead funding for that project is	Amber

	rolled over to support projects in a further round of the LCEF funding programme.	
Measures are not installed	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 measures. The application form requires applicants to detail how they will access the necessary funds to install measures, which will be taken into consideration when assessing the applications received. Should any project encounter difficulty raising capital, the GLA could help publicise community share offers for the project.	Amber
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.	Green
Shortage of installers and supply of measures	Community energy groups have reported a recent increase in demand for solar PV panels, causing delays in procuring installers. The increased demand has reduced the availability of panels, leading to installers only honouring quotes for limited periods and focusing on larger solar PV installations. The Mayor is working to boost the London solar supply chain through Solar Skills London. Groups will be encouraged to factor in energy and technology price rises into their bids and feasibility studies and to factor in time for potential delays to installation. Funding agreements offered to projects will account for potential increases in project delivery times and costs to minimise the potential need to reclaim funding for incomplete projects.	Amber
A lack of suitable projects apply to the fund	GLA officials have surveyed community energy groups, including previous LCEF applicants, who have indicated there is good demand for support. The GLA will promote the LCEF through suitable channels, including CEL. The time window for applications will be sufficiently long to allow projects to develop suitable bids.	Green

Links to mayoral strategies and priorities

4.2. The LCEF directly supports the priorities of the London Recovery Board, and specifically its Green New Deal mission, which aims to double the size of London's green economy.

4.3. Increasing rooftop solar PV by supporting community energy is part of the 'Accelerated Green pathway', the Mayor's preferred pathway set out in response to Element Energy's report, 'Analysis of a Net Zero 2030 Target for Greater London'.

4.4. This increase also supports many of the Mayor's Strategies including: the London Environment Strategy, the Economic Development Strategy and the Solar Action Plan. The specific details of this support are set out at sections 4.5 to 4.7, below.

4.5. London Environment Strategy objectives are as follows:

- Objective 6.2: develop clean and smart, integrated energy systems utilising local and renewable energy resources. This includes:

- Policy 6.2.1 – delivering more decentralised energy in London
- Policy 6.2.2 – planning for London's new smart energy infrastructure.

- Objective 10.1: enable the transition to a low-carbon circular economy. This includes:
  - Policy 10.1.1 – to build on London's strengths and grow the low-carbon and environmental goods and services sector
  - Policy 10.1.2 – to build on London's strengths and enable London's businesses, academia and citizens to actively compete in and contribute to the low-carbon circular economy.

4.6. Economic Development Strategy policies are as follows:

- Policy 4.3 – Infrastructure: London's economy relies on a whole range of infrastructure, in addition to transport, to function effectively. This includes energy and water networks, sewerage and drainage systems, waste facilities and digital infrastructure. This will support: more localised and renewable energy; transition to a low-carbon circular economy; and protecting and enhancing London's environment and green infrastructure.
- Policy 5.5 – low-carbon and environmental goods and services: the Mayor wants London's economy to continue to grow, but he also wants to shape the direction of that growth and what it delivers for London and Londoners. He wants growth that is more inclusive, with less inequality, as well as being lower in carbon emissions and more circular in nature to make London a greener, cleaner and more sustainable city.

4.7. The Solar Action Plan Objective 3 is to help Londoners to retrofit solar energy technologies on their homes and workplaces through Mayoral programmes and funding. This includes:

- helping community solar energy projects get off the ground through grants from the LCEF
- supporting projects that promote energy storage.

<u>Consultations and impact assessments</u>

4.8. We have held monthly meetings with CEL throughout the first five phases of the LCEF, as well as seeking feedback with LCEF-funded community groups. We have surveyed community groups (including applicants to previous phases) to shape LCEF 6, focusing on:

- how to support equality, diversity and inclusion amongst the community energy sector
- scope of technologies and projects deemed to be suitable
- other support required by community energy groups to expand (for example, mapping, legal advice and local authority engagement).

5. Financial comments

5.2. Mayoral approval is being sought for expenditure of £400,000 to support the sixth round of the LCEF programme. This programme is a core part of delivering the Mayor's Energy for Londoners programme and the Green New Deal mission; and of helping to tackle the cost-of-living crisis.

5.2 This programme concerns the award and administration of grant funding, with project delivery and expenditure to be profiled equally over the 2022-23 and 2023-24 financial years (£200,000 each year). The grant expenditure of £200,000 scheduled for 2022-23 will be funded from the Environment Programme budget, specifically the allocation earmarked for the Solar and Community Grants programme, approved as part of the 2022-23 budget-setting process.

5.3 The £200,000 budget requirement for 2023-24 has been included in the GLA's 2023-24 budget plans; but it is currently indicative and not yet formally approved. This proposal would constitute a pre-existing commitment against the Environment Programme budget for 2023-24; and, to mitigate any risk of overcommitting GLA funds on the programme, no contractual agreements will be made via grant agreements beyond the 2022-23 financial year, unless budget has been confirmed to be available for 2023-24.

5.4 All grant awards will be subject to satisfactory financial due diligence to be undertaken by the GLA. All appropriate budget adjustments will be made.

6. Legal comments

6.1 The foregoing sections of this report indicate that the decisions requested of the Mayor fall within the statutory powers of the GLA to promote and/or to do anything that is facilitative of, or conducive or incidental to, the improvement of the environment within Greater London; and in formulating the proposals in respect of which a decision is sought, officers have complied with the Authority's related statutory duties to:

- pay due regard to the principle that there should be equality of opportunity for all people
- 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
- 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; to advance equality of opportunity between persons who share a relevant protected characteristic (race, disability, sex, age, sexual orientation, religion or belief, pregnancy and maternity, and gender reassignment) and persons who do not share it; and to foster good relations between persons who share a relevant protected characteristic 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 Officers have indicated that the expenditure proposed concerns the award of grant funding. They must ensure, therefore, that it is distributed fairly, transparently, in manner that affords value for money and in accordance with the requirements of the GLA's Contracts and Funding Code; and that grant-funding agreements are put in place between and executed by the GLA and the proposed recipient before any commitment to fund is made. In addition, as noted at section 5.3, as the GLA's 2023-24 budget remains subject to approval, no commitment to expenditure of the same should be made until that budget has been approved.

7. Planned delivery approach and next steps

Activity	Timeline
Announcement of LCEF phase 6	November 2022
Prospectus and application form for LCEF phase 5 launched	November 2022
Application window open – support provided to projects bidding for funding	Ongoing from November through to application deadline of December 2022
Funding scoring and moderation	December 2022
Recommendations for funding and due diligence	January 2023
Inform successful and unsuccessful applicants	January 2023

Draft and finalise funding agreement	February 2023
Funding agreements signed with successful applicants	February 2023
Project initiation phase completed and initial claims received from successful applicants	March 2023
Delivery phase	March – November 2023
All projects delivered and final claims received	December 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? NO

Part 2 – Sensitive information

Only the facts or advice that would be exempt from disclosure under the 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: Greg Shreeve 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 17 October 2022.	✓

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

D. Gore

Date

20/10/22

CHIEF OF STAFF:

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

Signature

D. Bellamy

Date

23/11/22