

## **Housing Investment Group**

Date of meeting: **28 February 2013**

Title of paper: **RE:NEW Interim PDU funding**

To be presented by: **Jake Ronay**

Cleared by: (name Adviser & Director) **David Lunts, Director  
Ric Blakeway, Deputy Mayor Housing, Land and Property**

Classification: **Public**

### **1 Executive Summary**

- 1.1 This paper seeks approval to allocate up to £150,000 for interim support to deliver early Green Deal and Energy Company Obligation (ECO) projects through the existing RE:NEW framework.
- 1.2 Budget for early delivery and development of domestic retrofit under Green Deal work was approved as part of the RE:NEW budget for 12/13.
- 1.3 Due to the delays in introducing the Green Deal, there is a potential delay in support for RE:NEW while the new Programme Delivery Unit (PDU) is developed and procured.
- 1.4 To avoid a slowdown in delivery during this period, we intend to procure interim support to help manage the early pipeline of projects that have been developed through our work with social housing landlords.
- 1.5 As part of our work in developing a future pipeline of retrofit projects we have been working with social housing providers to identify eligible stock. In particular we have targeted housing stock where retrofit costs could be reduced by being coordinated alongside Decent Homes or other maintenance programmes.
- 1.6 Response to this project has been very positive and currently there are over £10m of potential projects currently being reviewed which could be ready to tender in the next 3-6 months, with a further £77m of identified projects under review. The total pipeline includes over £950m worth of potential projects and over 100,000 dwellings.
- 1.7 If approved, this funding would be used to procure project management, technical expertise and procurement teams to manage these first tenders of large social housing ECO projects through the RE:NEW framework.
- 1.8 This interim support will allow us to continue delivery of Green Deal and ECO while the OJEU procurement process is completed for the long-term PDU, and to further develop the large pipeline needed to meet our targets.

## **2 Recommendation**

- 2.1 Approve interim funding of £150,000 for interim support to develop and deliver early Green Deal and ECO projects through the RE:NEW framework.

## **3 Introduction and Background**

- 3.1 RE:NEW is the Mayor's programme for delivering domestic energy efficiency retrofit measures as part of the commitment to reduce carbon emissions in London by 60% by 2025.
- 3.2 To date RE:NEW has installed energy efficiency measure in over 80,000 homes and has shown that the GLA can play a lead role in stimulating retrofit activity in London.
- 3.3 However London has still only received c.5% of retrofit funding in the UK, compared to a 12% share of housing stock and 21% share of fuel poor areas.
- 3.4 The next stage of RE:NEW is designed to help stimulate uptake in London and to ensure we meet our target of delivering 1.2m homes by 2015, and 2.9m homes by 2025.
- 3.5 To do this we have undertaken several streams of work, including:
  - 3.5.1 An early delivery programme through DECC's award of over £5m funding for Green Deal and ECO projects in 18 boroughs.
  - 3.5.2 Removing barriers project to coordinate removal of planning, parking and other obstacles to delivery in London.
  - 3.5.3 Development of a social housing programme: working with all large social housing providers, boroughs, ALMOs and large private landlords to develop a pipeline of projects which can be contracted through the RE:NEW framework. This pipeline now has over £87m capital value of projects being reviewed.
  - 3.5.4 Development of a Programme Delivery Unit to manage the analysis, tendering, delivery and tracking of delivery in social housing, private rented sector, owner occupier sectors across London fro both Green Deal and ECO.

## **4 Issues for consideration**

- 4.1 While the development of the ECO social housing pipeline has been extremely successful, the resource will not be in place to deliver the projects through to the RE:NEW framework until the OJEU procurement process is complete, at the earliest in November this year.

## 5 Risks arising / mitigation

- 5.1 There is a risk that delivery in London will drop significantly and will take a long time to recover if the projects currently in the pipeline are not taken through to delivery. For this reason we intend to use the interim funding to continue working on the pipeline while the long-term PDU is procured.
- 5.2 Developing a strong pipeline of projects is designed to bring down costs and ensure scale economies make it more attractive to deliver in London than in the past. There is a risk that ECO delivery will still be cheaper to deliver outside London and that projects will still be hard to fund in the capital. We are working with the utilities to agree an MoU which will commit them to working with us to spend a 'fair share' of ECO money in London.

## 6 Financial comments of the Executive Director Resources

- 6.1 This proposal can be contained within the existing budget for 2013-14 while steps are taken to identify further sources of funding to enable the programme to continue.

## 7 Next steps

- 7.1 The next steps following approval by HIG are summarised below:

Activity	Timeline
Confirm procurement process ie single source or contract extension with existing supplier	March
Sign contracts and begin developing pipeline	March
Return to HIG with proposal for long-term PDU	April
Begin OJEU procurement	April
Complete procurement and set up PDU	November

### Appendices:

*Appendix A- RE:NEW project pipeline*

*Appendix B- Pipeline projects currently under review – status update*