

REQUEST FOR MAYORAL DECISION – MD1289

Title: RE:NEW Support Team

Executive Summary:

The Domestic Sector Retrofit programme RE:NEW has retrofitted over 99,000 homes to date, since it was created in 2009. However retrofit activity in London (at 6% of the UK total) is still lower than London's share of housing (12%) and a major scaling up is required to meet our targets as part of the Mayor's carbon plan.

In order to meet targets to 2015 and beyond, and to take on the challenge of delivery under the government's new Green Deal and Energy Company Obligation (ECO) schemes, the RE:NEW programme is aiming to significantly expand its activities. Over the next three years, the RE:NEW programme will aim to support the letting of contracts that will save approximately 186,000 tonnes CO₂ per annum through retrofitting approximately 232,000 homes.

This MD seeks approval to establish a RE:NEW Support Team to work with boroughs, social housing organisations, private landlords and other stakeholders to support and increase uptake of ECO and Green Deal in London. This will be a three-year match-funded programme with the EIB ELENA fund (application in progress).

Decision:

That the Mayor approves:

1. The extension of the interim RE:NEW Support Team contract by up to £200,000 until the end of March 2014.
2. The submission of a GLA-led bid to the European Commission's ELENA fund up to a value of £3.5million.
3. The allocation of GLA contribution of up to £376,000 over 2013-14 to 2016-17 subject to the budget process.
4. Entry into by the GLA of a Grant Agreement with the European Investment Bank (administrator of the fund) for the ELENA funding (subject to a successful funding application and GLA budget confirmation), or other funding bodies as required.
5. The commencement of an OJEU compliant procurement process (up to a maximum of £3.85million) to procure the full RE:NEW Support Team for three years.
6. The procurement, award of, entry into and execution of contracts to enable the delivery of the RE:NEW Support Team, subject to a successful funding application and confirmation of the budget.

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: 10 January 2014

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

Decision required – supporting report

1 Introduction and Background

- 1.1 The Mayor's Climate Change Mitigation and Energy Strategy (CCMES) sets out a plan to reduce London's emissions by 60% by 2025 compared to 1990 levels. Emissions from buildings account for 78% of London's emissions (workplaces 42%, homes 36%, and transport 22%).
- 1.2 Given that 80% of London's buildings will still be standing in 2050, a strong retrofit programme is essential to meeting the Mayor's targets.
- 1.3 To achieve this goal, the CCMES targets a reduction of 630,000 tonnes of CO₂ saved from the domestic sector by 2015.
- 1.4 To date the Mayor's award-winning RE:NEW programme has led retrofit activity in London, delivering approximately 20,000 tonnes of CO₂ savings across over 99,000 homes.
- 1.5 Despite this, London has still only received 6% of measures delivered under previous Government funding schemes, compared to a 12% share of population and 14% share of fuel poor areas.
- 1.6 Therefore a step change in the level of domestic retrofitting activity is required for London as a whole to meet the CCMES carbon reduction targets (see table below). The CCMES carbon reduction projections will be met through a combination of direct Mayoral action through RE:NEW, government action, externally-managed projects (including construction of new energy efficient homes as replacement for less efficient stock) and individuals incorporating retrofit measures into their properties as a matter of course. Details of non-GLA action are tracked by the Environment Team which is also reviewing the projections to 2015/16.

	2015	2020	2025
Domestic retrofitting targets (savings are Cumulative)	1.2m homes 630,000 tCO ₂ / annum	2.4m homes 1,499,000 tCO ₂ / annum	2.9m homes 1,809,000 tCO ₂ / annum

- 1.7 The new funding streams of Green Deal and Energy Company Obligation (ECO) funding are much more aligned to London's properties given the focus on solid wall insulation.
- 1.8 An interim Support Team is already in place. This team is testing the approach of an external RE:NEW Support Team, supporting organisations letting domestic retrofit programme contracts and also building the pipeline of projects that require further support in the future. This pipeline of projects will then be picked up by the full RE:NEW Support Team to support and develop further.
- 1.9 Capita Symonds was appointed as the interim Support Team and was procured using a Government Procurement Services (GPS) framework. The contract is for a period of 6 months (to run to the end of December), but it was procured with an option to extend should it be necessary.
- 1.10 Several of the organisations that the RE:NEW Support Team are supporting, are utilising the RE:NEW Framework. This is a panel of organisations capable of delivering domestic retrofit projects and programmes through bringing in additional funding such as ECO. This is a key resource for both the interim and full RE:NEW Support Teams.

- 1.11 To manage the scale of delivery needed to achieve the targets, significant resources (both human and capital) will be needed.
- 1.12 We are therefore proposing to create a RE:NEW Support Team to deliver the ECO pipeline, stimulate uptake of Green Deal and help boroughs and social housing organisations successfully deliver domestic retrofit programmes.
- 1.13 As it is not possible to procure the team until the funding is agreed, we are also proposing to extend the interim Support Team contract until end of March 2014 for an additional fee of up to £200,000. This will incorporate extended targets of 10,000 tonnes CO₂ in contract by end of March 2014 (in addition to the 6,000 tonnes to be achieved under the current interim Support Team contract).

1.14 RE:NEW Support Team: Scope of activities:

- 1.15 The function and structure of the RE:NEW Support Team is based both on lessons learned from RE:NEW programmes to date, and from the highly successful model developed by RE:FIT. It is expected to operate in a similar way to RE:FIT, providing support to London boroughs, social housing providers and private landlords to enable them to deliver domestic retrofitting activity across all tenures.
- 1.16 In summary the RE:NEW Support Team will offer support to large landlords and London boroughs through all stages of the retrofit process, including:
 - 1.16.1 initial strategy development;
 - 1.16.2 technical reviews and knowledge sharing of large-scale domestic retrofit;
 - 1.16.3 funding knowledge of different funding and financing options including the availability and likely terms of different energy suppliers' ECO funding;
 - 1.16.4 procurement support for retrofit solutions, including access to the RE:NEW framework where beneficial and ensuring boroughs and housing associations link different funding streams including Decent Homes backlog funding with regeneration budgets, planned maintenance budgets and ECO etc.;
 - 1.16.5 programme planning and tracking;
 - 1.16.6 trialling of new approaches to stimulate uptake in London;
 - 1.16.7 standardising approaches to retrofit delivery;
 - 1.16.8 establishing programme level economies of scale through aggregating and accelerating retrofit projects and funding pots, and
 - 1.16.9 general support for retrofit activity across all sectors as required.
- 1.17 The Support Team would also be tasked with re-procuring and managing the RE:NEW framework, tracking progress, reporting risk and managing ad-hoc communications.

2 Objectives and expected outcomes

- 2.1 The external RE:NEW Support Team will be tasked with delivering the following carbon reductions and secondary goals over the first three years¹, with further targets to be developed as the programme continues:

¹ These KPIs will be reviewed following delivery of the interim Support Team and prior to commencing the procurement for the full Support Team and may be revised.

Support Team KPIs ²	Y1	Y2	Y3	Total
No. of Support Plans signed ³	34	41	46	121
No. of retrofitted homes supported	65,072	79,016	88,312	232,400
Carbon saved (tCO ₂ /yr)	52,058	63,213	70,649	185,920
Capex procured (£m)	£521	£632	£706	£1,859

2.2 The RE:NEW Support Team will significantly increase delivery compared to previous years and will also significantly increase the carbon per home by focusing on hard to treat and deep retrofit measures.

2.3 The CCMES projects that carbon savings from London's homes will be approximately 628,000 tonnes CO₂ per annum by the end of December 2015 and 845,750 by the end March 2017. Therefore the savings from the RE:NEW Support Team, the savings from the previous phases of RE:NEW delivery, the remaining savings from RE:NEW Phase II and the savings from the interim RE:NEW Support Team taken together mean that by end of March 2017, RE:NEW will have enabled the saving of 226,690 tonnes CO₂ per annum. This is approximately 27% of the CCMES projections. The remainder are expected to be delivered through a combination of government action, externally-managed projects (including construction of new energy efficient homes as replacement for less efficient stock) and individuals incorporating retrofit measures into their properties as a matter of course. Details of non-GLA action are to be tracked by the Environment Team which is also reviewing the projections to 2015/16.

2.4 In addition to targets outlined above, the RE:NEW Support Team will also encourage net new supply of properties and stock upgrades where relevant (key opportunities for this will be through regeneration schemes and upgrading and bringing void properties back into use).

3 Planned approach

3.1 The full cost of delivering the RE:NEW Support Team over three years (from April 2014 to March 2017) is approximately £3,760,000⁴. This includes a Grade 10 project manager role for three years to manage the RE:NEW Support Team, to be funded through the ELENA funding.

3.2 The GLA is in the process of submitting a bid to the European Investment Board (EIB) for ELENA funding to cover 90% of the cost of delivering the RE:NEW Support Team (£3,384,000).

3.3 The GLA will need to provide a contribution of c.£370,000. This is included in the Housing and Land 2014/15 to 2016/17 base budget. See table 1 in the finance section of the breakdown of this funding over financial years.

3.4 It is expected that the EIB's ELENA funding will cover the costs of the Support Team and internal project manager post. Early indications from the EIB are positive, however we are also developing a back up option of utilising ERDF funding.

3.5 The GLA is proposing to run a procurement exercise against the Transport for London Engineering and Project Management framework (EPMF) to appoint an organisation (or consortium of

² Please note the savings identified in this table are the values that are expected to be included in any contracts let that the RE:NEW Support Team has supported. The works will be expected to be completed within 12 months following contracting and the Support Team will be tracking and reporting on implementation.

³ This per organisation signed up, but may also include the same organisation again at a later date should a new project be identified.

⁴ This is the modelled cost of delivery. The final cost will be determined through a competitive procurement exercise.

organisations) to delivery the RE:NEW Support Team requirements. See paragraphs 4.8 – 4.10 in the risks and issues section regarding the decision to outsource the Support Team.

3.6 The contract for the RE:NEW Support Team will be established to commence in April 2014 and run for three years through to March 2017 (this would cover the EU funding period) but would include options to extend beyond this.

3.7 As it is not possible to commence this procurement until funding from ELENA has been confirmed, it is unlikely that we will be able to have the full Support Team procured until April 2014. It is therefore necessary to extend the interim Support Team contract through to end of March 2014 to ensure ongoing support is provided to the Boroughs and housing associations, as well as to ensure the pipeline is continually developed to enable the full Support Team to meet the targets.

3.8 Timetable

Activity	Timeline
HIG decision to proceed	November 2013
Formal submission of bid	December 2013
EU funding confirmed in principle	December 2013
EU funding agreement signed	February 2014
Procure full Support Team	January – March 2014
Commence work	April 2014
Complete programme	March 2017 (with option to extend)

4 Other considerations

4.1 Links to Mayoral strategies and priorities

4.2 This programme will help London become a world leader in improving the environment: identifying and investing in projects that reduce green house gas emissions, reducing resource consumption and develops new green skills and services.

4.3 In terms of Mayoral Strategies and commitments, the projects will contribute towards the following policies in the Climate Change Mitigation and Energy Strategy:

4.3.1 The overall target of cutting carbon emissions by 60% by 2025

4.3.2 Policy 6 - Retrofitting existing homes with energy efficiency measures, water efficiency measures, and low and zero carbon microgeneration technologies (retrofitting of energy efficiency, energy supply, and water efficiency measures to 1.2 million existing homes in London by 2015, and all homes in London by 2030)

4.3.3 Policy 7 - Tackling fuel poverty in London

4.4 It will also contribute to objective 3 of the Mayor’s Economic Development Strategy to “make London one of the world’s leading low carbon capitals by 2025 and a global leader in carbon finance”.

4.5 Risks and issues

4.6 Timeframes for procurement: It is expected that the procurement will be completed within three months, however procurement delays can occur and we will manage the resources of the interim RE:NEW Support Team to ensure there is no drop-off in delivery.

- 4.7 EU funding: In the process of preparing the RE:NEW Support Team bid there have been numerous discussion with the EIB technical team to tailor and clarify the bid before it is formally submitted. Once the EIB technical team are content, the bid is formally submitted. The bid is then passed to the EU governance panel for formal sign off. This approach reduces the risk that the bid is deemed non compliant. However, we are exploring an alternative of using ERDF funding should the need arise.
- 4.8 Outsourcing: The proposal is to outsource the RE:NEW Support Team for a number of reasons. The skills required in the Support Team are varied and the balance of skills required will change over time as the programme evolves. To create such a multi-functional team internally would require a large number of short-term and part-time contracts. The management time involved would be large compared to outsourcing. In addition, the boroughs and social housing providers will not necessarily all need all elements of the support, leading to peaks and troughs in different areas. An external partner with all these skillsets in-house can call on resource as needed and therefore be more flexible in their approach. Longer-term, options to bring some or all of this resource in-house will be considered as part of the wider retrofit team strategy.
- 4.9 In addition to this, given the level of support required, it is estimated that the resource requirement year for the RE:NEW Support Team will be 8 Full Time Equivalents, plus an in-house Project Manager (Grade 10). This resource is not currently available in the GLA and the funding of the Project Manager position is contingent on it being a new post.
- 4.10 This approach is in line with the requirements of the ELENA funding, which is designed to cover the setup of energy efficiency programmes. This therefore gives us the best opportunity for success in our application.
- 4.11 Energy Company Obligation (ECO): This is a new scheme and the optimal delivery method and support approach is something the Support Team will test and develop through its work. In particular, ECO funding levels are subject to market forces, which can complicate the tender process for organisations wishing to deliver retrofit programmes. A key task of the RE:NEW Support Team will be to manage the pipeline of ECO funding to ensure that the utilities make London projects a priority and offer good levels of funding. British Gas has already committed to delivering 20% of their ECO funding in London, and we are working with the other suppliers to extract similar commitments.
- 4.12 Government is reviewing “green taxation” on energy bills, e.g. Government energy policies with delivery costs that are passed on, or shared, with energy suppliers and therefore paid via energy bills. Statements from DECC and Government politicians suggest that ECO and the Warm Homes Discount are most likely to be impacted by the review, and there has been some discussion regarding funding energy efficiency through general taxation as opposed to utility obligation. Changing the ECO model would require secondary legislation.
- 4.13 The current ECO must be allocated to projects by March 2015, hence the energy companies are unlikely to hold back their project investments as there are harsh penalties to failing to meet their obligation. The Environment Team is currently developing a proposed lobbying approach to help to address this risk, which may include lobbying for a regional target. If successful this could improve the follow of funding for projects.
- 4.14 If the ECO funding is terminated, and not replaced by an appropriate alternative, there would still be an option to terminate the RE:NEW Support Team if it was felt that the contractual terms set down in the GLA/EIB grant agreement could not be met. Appropriate break clauses will be built into the RE:NEW Support Team contract.
- 4.15 Green Deal: The Green Deal is a very new scheme and delivery rates are uncertain. The RE:NEW Support Team will support local authorities in reviewing and trialling different methods for engagement to identify the optimal delivery model for future years.

- 4.16 Targets: Targets are assumption driven and in some cases based on a lot of unknowns (particularly with regards to new funding streams). We are monitoring the progress of the interim RE:NEW Support Team and will review the targets after six months, prior to signing the contract for the full RE:NEW Support Team.
- 4.17 GLA resourcing: The set-up and management of the RE:NEW Support Team will require considerable GLA staff resource which could place pressures on the Services and Commissioning team. This will be kept under review. Support from the Area Teams will also be crucial to driving sufficient numbers of large landlords towards the RE:NEW Support Team.
- 4.18 The complexity of funding streams – Green Deal, ECO, Decent Homes, capital reserves and other funding e.g. from the EU – is a barrier to delivery. The RE:NEW Support Team will aim to simplify the funding process by advising organisations on how to achieve the best funding mix for their projects. The interim Support Team has already created a guide for boroughs and housing associations about the different funding streams and combining them and this has been distributed to our contacts.
- 4.19 ELENA contractual terms: While we have not received the detailed document as yet, we understand that the key success factor is that projects generated by the support team over the three-year period have a total capital value exceeding 25 times the value of the ELENA application. If this is not achieved, there is a risk of clawback.
- 4.20 This leverage factor equates to £77 million. Our modelling anticipates a pipeline in the region of £400 million. The current interim RE:NEW Support Team has generated projects to the value of £71 million over the last 6 months.
- 4.21 **Impact assessments and consultations**
- 4.22 A copy of the full business case and associated modelling has been reviewed by the Housing Investment Group on 23 May 2013. To develop this, we consulted with local authorities and housing associations.
- 4.23 Engagement with large landlords has thus far shown considerable appetite for support from the GLA in their retrofit activity. The proposed RE:NEW Support Team has been designed to meet this need and will be able to coordinate large-scale delivery across a significant number of large landlords in the Capital.
- 4.24 The targets have been established based on this existing pipeline of projects.

5 Financial comments

Table 1 – budget breakdown

	2014-15	2015-16	2016-17	Total
ELENA contribution	£1,121,000	£1,141,000	£1,122,000	£3,384,000
GLA contribution	£124,500	£126,800	£124,700	£376,000
TOTAL	£1,245,500	£1,267,800	£1,246,700	£3,760,000

- 5.1 The budget for 13-14 is available within retrofit budgets to cover the up to £200k costs of the interim support team extension. £17,000 of this amount will be funded from Olympic Development Authority grant and will be restricted by the terms set by the ODA.
- 5.2 This funding will be used to fund a support team that will enable domestic retrofit projects across London; the capital investment for all projects will be external to the GLA.

- 5.3 The £376,000 match funding required to proceed with the bid for ELENA funding in the years 2014-15 to 16-17 is within the draft programme budget these years and therefore any commitment for these years will need to await the conclusion of the budget process.
- 5.4 The GLA will also be at risk of clawback of the grant if certain conditions within the funding agreement are not met.
- 5.5 The Programme, Policy and Services unit within Housing and Land will be responsible for managing this programme.

6 Legal comments

- 6.1 Sections 1-4 of this report indicate that:
- 6.1.1 the decisions requested of the Mayor fall within the GLA's statutory powers to do such things as maybe considered facilitative of or conducive to the promotion of environmental improvement and economic improvement in Greater London; and
- 6.1.2 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.
- 6.2 TfL procurement should advise on the most appropriate form of contract for services and in relation to the variation (extension) of the current contract for services for the interim Support team.
- 6.3 TfL Legal shall be consulted in respect of any funding agreement between the European Investment Bank (or any other funder) and the GLA.

7 Housing Investment Group

- 7.1 These proposals were considered by the Housing Investment Group held on 23 May 2013 and again at the Housing Investment Group held on 20 November 2013 and endorsed in full (please note, the Programme Delivery Unit as described in the HIG papers on 23 May 2013 is now to be known as the RE:NEW Support Team).

Public access to information

Information in this form is subject to the Freedom of Information Act 2000 (FOI Act) and other legislation. Part 1 of this form will be made available on the GLA website within 1 working day of approval.

Part 1 deferral: any fact or information whose release before a specific date would compromise the implementation of the decision may be included in Part 1, with Part 1 being deferred until after that date. Deferral periods should be kept to the shortest length strictly necessary.

Is the publication of this approval to be deferred? YES

If YES, for what reason: The delivery of this programme is dependent upon the procurement of certain services. Disclosure of the programme budget may compromise the procurement process. Therefore, it is recommended to defer publication of this MD until completion of the procurement processed.

Until what date: The award of the RE:NEW Support Team contract, expected by 31 March 2014

Part 2 confidentiality: any fact and advice that should not be automatically made public should be in the separate Part 2 form, together with the rationale for confidentiality.

Is there a part 2 form – NO**ORIGINATING OFFICER DECLARATION:**

Tick to indicate approval (✓)

Drafting officer:

Rachael Hickman has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

✓

Assistant Director/Head of Service:

Jamie Ratcliff has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

Sponsoring Director:

David Lunts has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Mayoral Adviser:

Richard Blakeway has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

Date

CHIEF OF STAFF:

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

Signature

Date