

# GREATER LONDON AUTHORITY

## REQUEST FOR MAYORAL DECISION – MD1446

**Title: Funding for retrofitting of schools through RE:FIT**

### Executive Summary:

In June 2011, the Mayor approved a project to retrofit twelve schools within the Olympic host boroughs of Hackney, Newham, Tower Hamlets and Waltham Forest with energy conservation measures to achieve CO2 savings via the RE:FIT Framework. This was part of a £1.7m project delivering carbon savings in homes and schools on behalf of the Olympic Delivery Authority (ODA). EDF Energy successfully bid for the delivery of retrofit works to schools and the works were delivered in 2012. Although the overall project delivering carbon savings in homes and schools exceeded its carbon saving targets, the level of savings achieved under the RE:FIT element did not meet the level guaranteed by EDF Energy. As a result, under the terms of the RE:FIT Framework the GLA is eligible for monies to be paid by EDF Energy to the GLA.

This paper seeks approval for the GLA to receive monies from EDF Energy and allocate the monies received to deliver further energy and carbon savings in schools via the RE:FIT programme, in line with the terms of the RE:FIT Framework.

### Decision:

The Mayor approves:

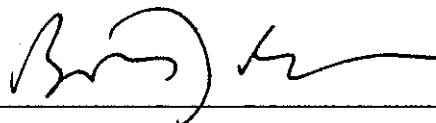
1. The GLA receiving monies from EDF Energy under the terms of the RE:FIT Framework;
2. The GLA using the monies received to achieve further energy and carbon savings in selected schools in the Olympic host boroughs and other boroughs where appropriate via the RE:FIT programme.

### 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:**

9.2.15

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

### **Decision required – supporting report**

#### **1. Introduction and background**

- 1.1. The RE:FIT programme provides a commercial model for public organisations to achieve energy and financial savings and reduce their carbon emissions. EDF Energy was one of several contractors appointed to under the Shared Services Framework Agreement for the Buildings Energy Efficiency Programme Panel dated 18 November 2010 ('the RE:FIT Framework Agreement') to deliver services through the RE:FIT programme.
- 1.2. In June 2011, the Mayor gave approval for the GLA to deliver the ODA Retrofit Project, comprising energy saving retrofit works to schools through RE:FIT and homes through RE:NEW (the Mayor's domestic retrofit programme) (MD839). The project was funded by a grant of £1.7 million from the ODA.
- 1.3. The RE:FIT element of the project was funded using £550,000 of the £1.7 million, and sought to retrofit twelve schools within the Olympic host boroughs of Hackney, Newham, Tower Hamlets and Waltham Forest. The objective was to improve the energy efficiency of the twelve schools' buildings and deliver 500 tonnes of CO2 savings per annum through energy conservation measures, each of those measures having a lifetime of ten years.
- 1.4. EDF Energy successfully bid for the RE:FIT Energy Service Company (ESCo) delivery role for the schools element of the ODA Retrofit Project.
- 1.5. Under RE:FIT, ESCOs are required to guarantee contractually the energy saving performance. They are required to submit an Investment Grade Proposal (IGP) that includes the guaranteed savings and forms part of their contractual obligations under the RE:FIT Framework. If the measures do not deliver the guaranteed savings, the ESCo must provide further works or financial payment that is calculated according to the difference between the actual savings achieved and the level of savings guaranteed in the RE:FIT IGP.
- 1.6. The level of savings achieved under this RE:FIT element has not met the level guaranteed by EDF Energy. Under the terms of the RE:FIT Framework the GLA is eligible for monies to be paid by EDF Energy to the GLA, and EDF Energy will make three payments to the GLA in 2015 and 2016 in line with the Framework. The GLA and EDF will enter into an agreement confirming the terms of this entitlement.
- 1.7. It is proposed that the GLA will use the monies received to deliver targeted investigation and improvements in schools who have taken part in the RE:FIT programme where the RE:FIT Programme Delivery Unit (PDU) advise it would be of benefit, and to deliver grant funding to enable other schools who have not yet benefitted from energy and carbon saving works through the RE:FIT programme. This would initially focus on other schools in the five Olympic boroughs, but would be opened up to schools in other London boroughs if necessary. It is anticipated this could lead to between 15 and 20 additional RE:FIT school projects going ahead.
- 1.8. The investigation and possible improvement works in a small number of schools that took part in the ODA RE:FIT project is proposed to take place between February and April 2015. These original schools would be prioritised, with the inclusion of other schools commencing in April 2015, first of those in the Olympic boroughs and then, should funding remain, of schools in other parts of London.
- 1.9. There has been strong interest in RE:FIT from schools across London. To date, 81 schools have entered into contracts under RE:FIT (against a Mayoral target of 200 by 2016). There is a potential pipeline of 228 schools, of which around 50 are at an advanced stage of the RE:FIT process. It is proposed that schools that have not yet achieved savings through RE:FIT and that wish to access this new funding will need to have engaged with RE:FIT prior to April 2015, have demonstrated a firm interest in achieving savings and additionality from receiving grant funding and be able to confirm that works could be delivered within the required timescales.

1.10. It is estimated that this funding would be awarded to between five and ten schools during 2015, five in 2016, and five in 2017. The success of this process will be reviewed in November 2015 and again in November 2016 and any improvements and/or amendments made to the process adopted.

1.11. This is the preferred option for the following reasons:

- It will enable resources arising from funding originally designated for this purpose to be used in a number of the 12 schools involved in the original project;
- It will drive further carbon savings at no additional cost to the GLA;
- It will directly contribute to the Mayor's carbon reduction targets as well as specific RE:FIT KPIs for the number of schools, the number of buildings overall, the tonnes of CO2 saved and the total investment made through the RE:FIT programme (see Part 1 Section 4);
- The GLA has a specific RE:FIT schools programme, a pre-procured delivery agent and a dedicated RE:FIT schools project manager who is directly engaging with and delivering retrofit works to schools across the capital;
- It will enable the efficient use of a sum to be paid in three instalments over two years, and for the purposes for which the GLA's grant agreement with the ODA and RE:FIT contract with EDF Energy was intended.

1.12. The following alternative options were considered but rejected.

#### *Use of the funding for domestic retrofit*

1.13. This has been considered but rejected because:

- The domestic retrofit targets were exceeded for the ODA Retrofit Project (whereas as outlined in this paper the targets for schools have not been achieved);
- Although retrofitting homes is also a Mayoral target it would be to the detriment of the Mayor's target to retrofit 200 schools by 2016.
- The delivery model for domestic retrofit has changed since 2012, and it is now a model providing support for the delivery of domestic retrofit rather than a programme that directly provides capital funding and would therefore require further work to develop a delivery model;

#### *Use of the funding for other GLA projects:*

1.14. This has been considered but rejected because:

- It would involve allocating the funds to projects that are unconnected to retrofit and carbon savings - the specific purpose of the ODA's funding - and leave the Mayor open to challenge for not delivering those targets.
- No other projects currently exist that could deliver equivalent carbon savings in schools.
- There is a reputational risk in diverting resources away from environmental retrofit in schools, key and high profile priorities for the Mayor.

## **2. Objectives and expected outcomes**

2.1. The proposals outlined above will drive further savings in carbon and energy within the capital, contributing to the achievement of the Mayor's target to reduce carbon emissions in the capital by 60% by 2025, the achievement of the Mayor's target to retrofit 200 schools through RE:FIT programme by 2016, and the achievement of the Mayor's wider RE:FIT programme targets to retrofit 600 buildings and generate savings of 45,000 tonnes of CO2 by 2015.

## **3. Equality comments**

3.1. The GLA has taken and 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 these projects in equal measure should their properties be selected, and there will be equality of access to participate in the delivery and benefit from the programme, without discrimination.

#### 4. Other considerations

##### Links to Mayoral strategies and priorities

- 4.1. The RE:FIT programme contributes to London becoming a world leader in improving the environment: identifying and investing in projects that reduce greenhouse gas emissions, reducing resource consumption and develops new green skills and services.
- 4.2. The use of the funding as proposed projects will contribute towards the achievement of the following aims and objectives of the Climate Change Mitigation and Energy Strategy:
  - The overall target of cutting carbon emissions by 60% by 2025;
  - Policy 8 - Retrofitting London's existing workplaces with energy efficiency measures and low and zero carbon microgeneration technologies - The Mayor, working with partners, will use public funds to develop commercial models that catalyse markets to retrofit workplaces with energy efficiency measures and low and zero carbon microgeneration technologies.
- 4.3. It will 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".
- 4.4. It will contribute to RE:FIT programme targets of retrofitting 600 buildings by 2016, and of retrofitting 200 schools by 2016.

##### Risks and issues

- 4.5. The key risks and issues for delivery of these projects are set out in the table below:

Risk	Likelihood (out of 5)	Impact (out of 5)	Rating	Mitigation
Works not delivered on time	2	3	6	Reduce. All the projects will be subject to rigorous project and delivery planning by the RE:FIT Schools delivery agent. Continue systematic approach set up through RE:FIT Schools programme, which includes resource to monitor progress against agreed milestones and deliverables.
Works do not result in planned savings	2	3	6	Avoid. Project scope will be developed by experts delivering RE:FIT Schools programme, with expert knowledge on energy saving and energy saving in schools. Gateway reviews and reviews by the RE:FIT PDU as standard practice will ensure projects that go ahead will be realistic, of the required standard and achievable.
Lack of interest in schools taking up the offer leading to unallocated funds	1	4	4	Avoid. The programme has been designed from identified need, lessons learned and the views of stakeholders. Work with RE:FIT Schools delivery team and local stakeholders as needed to ensure the offer reaches schools who will be interested.
Overprovision of the funds leads to schools not being able to receive agreed level of funding	1	3	3	Avoid. GLA will use normal RE:FIT management practices to ensure schools' expectations are managed. Projects will only move forwards where there is sufficient funding for the GLA to provide the agreed level of support.

## Impact assessments and consultations

- 4.6. A copy of this business case was reviewed and approved to proceed to Mayoral Decision by Housing and Land Senior Management Team on 10 November 2014.

## 5. Financial comments

- 5.1. EDF Energy will make three payments to the GLA, two in 2015 and one in 2016, under the terms of the RE:FIT Framework and as agreed. Those payments will be available to be spent on RE:FIT projects as discussed above.
- 5.2. The Programme, Policy and Services Unit in Housing and Land will be responsible for managing this spend.

## 6. Legal comments

- 6.1. Sections 1-4 of this report indicate that:

6.1.1 Section 34 of the GLA Act 1999 provides that the GLA may do anything which is calculated to facilitate, or is conducive or incidental to, the exercise of any of its functions. The funding proposed may be viewed as calculated to facilitate the GLA's exercising of its function to promote the improvement of the environment.

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 health of persons, health inequalities between persons and to contribute towards achievement of sustainable development in the United Kingdom; and
- (c) consult with the appropriate bodies

6.1.3 Section 1 above indicates that the contribution of certain amounts to be paid to the GLA by EDF under the Settlement Agreement will be provided to various schools as funding and not payment for works, supplies or services. Officers must ensure that:

- (a) the funding is distributed fairly, transparently, and in manner which affords value for money in accordance with the Contracts and Funding Code; and
- (b) an appropriate funding agreement is put in place between and executed by the GLA and the recipient of the funding before any commitment to fund is made; and
- (c) Certain legal advice is subject to legal professional privilege and therefore is contained in Part 2.

6.1.4 The terms of the agreement to be entered into between the GLA and EDF are commercially sensitive and confidential as between the GLA and EDF Energy plc within the meaning of section 43 of FOI Act.

6.1.5 All other Legal comments are incorporated into this paper.

## 7. Investment and Performance Board

- 7.1. The proposal was approved to proceed to Mayoral Decision by Investment and Performance Board on 15 January 2015.

## 8. Planned delivery approach and next steps

Activity	Timeline
Mayoral Decision	30 January 2015
First payment received	1 February 2015

Start investigation work at identified existing RE:FIT schools	15 February 2015
Agree works scope and delivery timetable at existing RE:FIT schools	31 March 2015
Engage new schools with funding offer	1 April 2015
Works to schools using first payment completed; second payment received	1 December 2015
Finalise schools to receive funding from second payment	31 March 2016
Third payment received	30 November 2016
Finalise schools to receive funding from third payment	31 March 2017

**Appendices and supporting papers:**

None

**Public access to information**

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 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.

**Part 1 Deferral:**

**Is the publication of Part 1 of this approval to be deferred? YES** - Part 1 includes information that is commercially sensitive and should not be disclosed until the first payment between the GLA and EDF Energy has been made. It is anticipated this will be made in February 2015.

**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 – Yes.** Legal rationale for non-publication: Part 2 contains commercially sensitive and confidential information as between the GLA and EDF Energy plc within the meaning of section 43 of FOI Act.

**ORIGINATING OFFICER DECLARATION:**

Drafting officer to confirm the following (✓)

**Drafting officer:**

Robert Spender 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.

✓

PP

**EXECUTIVE DIRECTOR, RESOURCES:**

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

Signature

Date

3 February 2015

**CHIEF OF STAFF:**

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

Signature

Date

04:02:2015

