

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD3245

Title: Energy team budget 2024-2025

Executive Summary:

The Mayor wants to make London a net zero-carbon city by 2030, while at the same time protecting the most disadvantaged by tackling fuel poverty.

The Mayor's Warmer Homes retrofit programme has operated since January 2018 and has provided £17.1m (and leveraged external funding) to provide heating and insulation improvements to fuel poor homes. By December 2023 it had improved 5,112 homes. The Warmer Homes Advice Service has operated since February 2018 and supported over 24,000 households by December 2023. This decision seeks approval of expenditure required to combine the funding streams for retrofit and advice to support a collective, London-wide programme led by the GLA and London Councils to accelerate and scale-up retrofit and decarbonisation activities across the capital.

Approval of expenditure of £5,315,000 is sought (on projects to be delivered in 2024-25) to: deliver a Retrofit London programme; develop local plans for net zero energy systems in collaboration with sub-regional partnerships and boroughs; to improve data and digital tools that can promote innovation and energy saving; to support progress on the Mayor's Solar Action Plan and to support GLA Group procurement of renewable energy, helping it transition to net zero; and support the growth of community energy in London and resources to help Functional Bodies to meet net zero ambitions.

The three budget lines (Retrofit for Net Zero, Electrification and Decarbonisation, Enablers and Accelerators) are critical areas in which ongoing work is needed to maintain and build on progress, meaning expenditure continues to be required whilst finalising strategic plans.

Decision:

That the Mayor:

1. approves expenditure of:
 - (a) £2,370,000 on a Retrofit for Net Zero London programme
 - (b) £500,000 to support the electrification and Decarbonisation Energy Systems
 - (c) £2,445,000 on Energy Enablers and Accelerators in the period 2024-2025
2. delegates authority to the Executive Director of Good Growth to approve, through subsequent Director Decision forms detailed expenditure plans in respect of decisions 1(a)-(c) above.

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:

27/2/24

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

Decision required – supporting report

1. Introduction and background

Background

- 1.1 The Mayor wants to make London a net zero-carbon city by 2030, whilst protecting the most disadvantaged Londoners by tackling fuel poverty. This is a stretching ambition given the scale of fuel poverty and the low take-up of energy-efficiency measures.
- 1.2 According to the latest data available, in 2023 there were an estimated 379,000 households living in fuel poverty in London, which equates to 10.2 per cent of all households. The Mayor has set out his programme of actions to address fuel poverty in London (consistent with his powers) in his Fuel Poverty Action Plan. Homes account for around 36 per cent of London's carbon emissions so there is also significant potential to reduce emissions through retrofit.
- 1.3 Low-income Londoners are facing a cost-of-living crisis, with the ongoing impacts of coronavirus exacerbated by rising energy prices, tax increases and rising inflation. Since October 2020, the price cap on energy bills has risen significantly, and even anticipated reductions this year will still leave energy prices well above their long-term average level.
- 1.4 London faces a variety of challenges to delivering retrofit, including having the oldest housing stock of any English region and attendant challenges in conservation areas, the highest proportion of private rented homes of any region and the highest proportion of residents living in flats, often in mixed ownership buildings. Due to these and other barriers London has long lost out on national funding programmes such as the Energy Company Obligation (ECO). Since the start of ECO in 2013, London has only received around 7 per cent of overall national funding, compared to its population share of 13 per cent. In the last full year where data is available (to September 2023), this fell to little more than 4 per cent. There is an urgent need to address this in order to meet the 2030 target.

Retrofit for Net Zero London

- 1.5 Retrofit can be defined as making the fabric of existing buildings more efficient and using demand controls to reduce heat demand. Since the vast majority of buildings that will exist in 2030 are already built this a critical area for decarbonisation. To reach the Mayor's Net Zero 2030 target, a 37 per cent reduction in total heat demand of domestic buildings is required. The Mayor's Accelerated Green Pathway commits London to retrofit around 210,000 homes each year by 2030, a significant increase on existing activity.
- 1.6 Previous Mayoral retrofit programmes have delivered significant benefits. Warmer Homes has been running since January 2018, with an overall investment from the Mayor to date of £17.1m, alongside match-funding of £65m from central government, energy suppliers and boroughs. By December 2023 it had improved the homes of 5,112 Londoners. The Warmer Homes Advice Service has operated since February 2018 and has supported over 24,000 households as of December 2023.
- 1.7 Most recently, the GLA has successfully bid to the Department for Energy Security and Net Zero for £12,006,000 from the Home Upgrade Grant 2 competition for use in London in 2023-25. Receipt of this funding was approved by the Mayor under MD3132.
- 1.8 Whilst these programmes have been run by the GLA with coordination with some boroughs and other public sector partners, this has limited the overall impact. In contrast, it is proposed that the future retrofit programme (the Retrofit for Net Zero London programme) will be a collective London-wide programme of coordinated work across all tiers of London government to accelerate and scale-up retrofit. This will be led by the GLA and London Councils and involve boroughs and Housing Associations as key asset owners and managers. The aim will be to address the fragmented landscape

across social housing retrofit in London and tackle issues of funding and knowledge-sharing that are holding back London's progress on retrofit.

- 1.9 The programme will help London step up its rate of social housing retrofit to accelerate progress towards the Mayor's net zero by 2030 targets, which indicates London will need to retrofit around 500,000 homes a year that are social housing or sited within social housing blocks. This is around one in seven of the capital's total housing stock and needs a fifteen-fold increase by 2030 in the current rate of retrofit delivery.
- 1.10 The programme will help address issues of pipeline, funding and knowledge sharing that are holding back London's progress. These include the following:
- The current system of bidding for funding from limited funds such as the Social Housing Decarbonisation Fund SHDF results in wasted bid costs, an unpredictable pipeline, and a pepper-pot of uncoordinated (often competing) projects. In turn, this is holding back supply chain growth and the speed of delivery. The programme will bring about coherence and increase the speed of delivery.
 - Procurement routes are uncoordinated and make use of different processes. At the same time, there are a range of funding and financing streams that have proved successful in proof-of-concept projects but are currently under-exploited and far from universal. The programme will review and refine procurement processes introducing efficiencies for housing stock owners, coordinate our bidding process across London and strengthen additional financing route to provide better pipeline signals to the market but also central government.
 - There are missed opportunities to learn from previous experience. Little data is shared between boroughs and housing associations. There is only a small amount of knowledge sharing on knotty issues such as resident engagement, tall buildings and planning. The programme will function as a centre of excellence for knowledge capturing and sharing, pulling and pushing information and knowledge to the right places to aid and increase the pace of retrofit delivery.
- 1.11 The programme will also put London in an improved position to secure a devolved funding settlement for retrofit, similar to those that areas such as Greater Manchester and West Midlands Combined Authorities have secured as part of the 'single settlement' in their Trailblazer deals.
- 1.12 The funding of £2,370,000 sought through this MD will support work in the following areas:
- commercial and project management for HUG2: £500,000
 - delivery coordination and retrofit programme management: £1,000,000
 - market development: £700,000
 - knowledge and best practice sharing, government engagement: £170,000.

Electrification and decarbonisation

- 1.13 The £500,000 funding sought through this MD will enable the continuation of work in 2024-25 across the four key areas as set out below.
- 1.14 **Local Area Energy Planning:** Through this programme the GLA Energy team will continue to work with the GLA Infrastructure Coordination Service team to develop Subregional Local Area Energy Plans (LAEPs) across four London subregions (North, South, West and East) and strengthen the Local Area Energy Planning Data Hub. Well-evidenced and supported LAEPs can play an important role in influencing infrastructure owners and regulators, in particular in making the case for early infrastructure investment to support decarbonisation, as well as helping to influence the Department for Energy Security and Net Zero (DESNZ) around future investment needs and supporting devolution discussions. LAEPs can also provide a forward plan of investment priorities which can inform the wider

pipeline of investible projects for the GLA's Green Finance Fund as well as other national government grants and financing opportunities.

- 1.15 **Energy data:** The GLA Energy team currently manages three energy-related datasets: the London Building Stock Model; the London Heat Map; and the London Solar Opportunity Map. In addition to ensuring that these datasets are up to date and feed into other GLA data initiatives (e.g. the LAEP Data Hub), the GLA Energy team will make the digital assets from this programme available to support innovators working on digital tools and commercial models related to energy efficiency and buildings decarbonisation. It will also engage with a wide range of stakeholders (boroughs, anchor institutions, private organisations and more) to support the uptake of these data sets and their use in the design and implementation of net zero plans.
- 1.16 **Support for commercial innovation in the able-to-pay market:** The GLA Energy team is responsible for several programmes which support able-to-pay households in accessing clean energy and to facilitate the roll out of renewable generation. This includes London Power, the Mayor's energy supply company run in partnership with Octopus Energy, which provides fairly priced green energy to more than 6,000 London households. It also includes the Solar Action Plan, the first of its kind for London, which sets out how the Mayor will seize the opportunity for solar energy in the capital and increase installations in the coming years. The Mayor has set an ambition for London to achieve one gigawatt of installed solar capacity by 2030 and two gigawatts by 2050. Further innovation and new commercial models are needed, however, to build on existing work and to accelerate the rollout of energy efficiency, domestic retrofit and renewables deployment in the able-to-pay sector, if the Mayor is to meet his net zero targets. Projects in this area will draw upon existing and new relationships with commercial and other partners to commission new digital tools and innovative commercial models and offers and/or to identify and support the development of market-led propositions in this area (including through access to improved energy data) in order to raise Londoners' awareness of and increase investment in retrofit and clean energy.
- 1.17 **GLA Group Renewable Energy Procurement:** The GLA Energy team coordinates the Mayor's GLA Group Renewable Energy Purchasing Strategy to ensure the GLA Group members involved (Greater London Authority, the Mayor's Office for Policing and Crime, Transport for London, London Legacy Development Corporation, London Fire Brigade and the Metropolitan Police Service (MPS)) are able to run their operations on 100 per cent renewable energy by 2030. This area of work covers the development of new Renewable Energy Purchasing Guidelines for the GLA Group and efforts to secure power purchase agreements to decarbonise the GLA Group's electricity supply at pace, while supporting the building of renewable energy assets in the UK. This work will create a scalable and repeatable renewable commercial model and strategy that can be used by other public bodies in London, to encourage faster decarbonisation across the capital.

Enablers and accelerators

- 1.18 **Cross-cutting enablers:** In addition to the main pillars of decarbonisation such as energy efficiency, renewables, low-emission fuels, and carbon capture technologies, cross-cutting enablers are essential, including skills, innovation, collaboration, and digitalisation. The £2,445,000 in funding sought through this MD will enable the continuation of work across a number of areas, as described below. These areas will complement the support offered by the Zero Carbon Accelerator (ZCA), approved under cover of MD3133. The ZCA will help organisations to develop their plans and capacity to decarbonise the built environment and develop a pipeline of investible decarbonisation projects across London.
- 1.19 Each functional body in the GLA Group has now developed a Net Zero Estate Strategy, setting out their approach and trajectory to achieving a net-zero estate and fleet, and TfL has set up a Net Zero Hub to channel the staffing capacity and capability needed for decarbonisation projects to proceed. The GLA Energy team is providing additional capacity and capability for the functional bodies in rolling out and implementing their net zero plans, including by addressing critical skills gaps, notably commissioning skills for retrofit, the lack of which is an issue across the wider public sector. Action by the GLA Group to tackle this skills gap will not only increase internal capacity but will also provide

learning for other public bodies and help to catalyse new skills provision in this area. The unit will work closely with London Councils to maximise these benefits, as well as with the GLA Employment and Skills Unit on wider policy and commercial strategies to increase retrofit skills provision and take-up, focused where GLA and national government support is driving demand. Expenditure of £750,000 is proposed.

- 1.20 To achieve net zero 2030 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 and using the revenue generated projects to fund face-to-face support to vulnerable members of the local community. Expenditure of £750,000 is proposed.
- 1.21 The GLA Energy team will support project development to help public and community sector organisations unlock national government grants and Mayoral and other financing to accelerate decarbonisation projects. Where this support cannot be provided through the ZCA due to scope or budget constraints in 2024-25, we intend to fund feasibility studies and business cases for public sector and community projects, adding to London's pipeline for public/private investment. This could include support akin to the mayor's current London Community Energy Fund. Expenditure of £945,000 is proposed.

2. Objectives and expected outcomes

Retrofit programme

- 2.1 The development and implementation of the Retrofit for London programme will help accelerate the delivery of London's social housing retrofit programme, such that good progress towards achieving the Mayor's Accelerated Green Pathway is made within two years.
- 2.2 The programme will:
- simplify delivery through addressing the fragmented landscape across social housing retrofit in London
 - lower the unit costs of the retrofit programme
 - support a just transition (through needs-based prioritisation)
 - bring forward innovative means of funding and financing, including from the GLA
 - increase pipeline certainty, supply chain capacity and capability
 - enable a better understanding of progress towards targets and priorities and begin to address challenges of co-located mixed ownership and enable area-based action
 - upskill boroughs and housing associations.

Electrification and decarbonisation

- 2.3 The delivery of the GLA's programme of work to support electrification of domestic and commercial energy demand and support buildings decarbonisation will:
- develop local plans for net zero energy systems in collaboration with sub-regional partnerships and boroughs
 - improve data and digital tools that can promote innovation and energy saving

- continue to offer fair, affordable and green energy through London Power
- support progress on the Mayor's Solar Action Plan
- use GLA expertise to support the wider GLA Group in procuring clean energy, helping it transition to net zero.

Enablers and accelerators

2.4 The work programme proposed in this area will:

- help maximise the impact of accelerator support for buildings decarbonisation projects
- tackle the gap in commissioning skills for net zero across the GLA Group
- support the community energy sector to grow, including tackling barriers to the delivery of community energy measures.

3. Equality comments

3.1 Under section 149 of the Equality Act 2010, as a public authority, the GLA is 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 Protected characteristics under section 4 of the Equality Act are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sex orientation, and marriage or civil partnership status (all except the last being "relevant" protected characteristics).

3.3 The GLA will take appropriate steps to ensure there are no potential negative impacts on those with protected characteristics in relation to the development, design, targeting, marketing, and delivery of the scheme. This will be done by ensuring compliance with the Mayor's Equality, Diversity and Inclusion Strategy and developing and testing in line with GLA guidance on equalities and diversity. Those with protected characteristics will gain from the positive benefits of this scheme in equal measure should their households be eligible, and there will be equality of access to participate in the delivery and benefit from the scheme, without discrimination.

3.4 Black, Asian and Minority Ethnic (BAME) communities are almost 60 per cent more likely to be fuel-poor than White households; those with disabilities or long-term illnesses are 50 per cent more likely to be fuel-poor. Polling for the GLA in 2023 showed that 51 per cent of social housing tenants and 40 per cent of private tenants in London said that they definitely or probably will struggle to meet their housing payments in the next six months. Londoners from a Black or other minority ethnicity background were both more likely to have struggled to meet housing payments in the last six months and to feel less confident about meeting them without a struggle in the next six. The Energy team will make particular efforts to reach these populations for retrofit programmes through engagement with partners, particularly those represented on the Fuel Poverty Partnership such as the NHS and Runnymede Trust.

4. Other considerations

Links to Mayoral strategies and priorities

- 4.1 The programmes funded through this MD will contribute to the achievement of a number of relevant London Environment Strategy policy proposals:
- Proposal 10.1.2.a: To support start-ups and business growth across the economy, including in the low carbon and environmental goods and services sector
 - Proposal 10.1.1.e: The Mayor will work with stakeholders from across the financial and environmental sectors to develop financing mechanisms
 - Proposal 6.1.2.a: The Mayor will work with partners to help alleviate fuel poverty in London through implementing the recommendations of the Fuel Poverty Action Plan
 - Proposal 6.1.1b: Pilot innovative methods to implement the stronger energy-efficiency retrofitting needed
 - Proposal 6.1.1a: Contribute to helping Londoners improve the energy-efficiency of their homes, where appropriate, by providing technical assistance, support, and funding.
- 4.2 The relevant Equality, Diversity & Inclusion Strategy objectives are Objective 4 – to lower the city’s carbon emissions; and Objective 6 – addressing financial hardship.
- 4.3 The relevant Health Inequalities Strategy objective is: through the Mayor’s London Food Strategy and Fuel Poverty Action plan, work with partners to tackle food poverty and fuel poverty and their impacts on vulnerable Londoners.

Key risks

- 4.4 The key risks to the delivery of this programme are set out in the table below:

Risk no.	Risk	Likelihood (1-4)	Consequence (1-4)	Rating	Mitigation
1	Not meeting programme timeframes	2	4	8	A delivery plan will be prepared, and marketing activity increased significantly.
2	Insufficient GLA staffing resources	2	3	6	Resources will be secured in line with Mayoral priorities.
3	Programme definition	2	3	6	Will be developed as programme progresses.

Conflicts of interest

- 4.5 There are no conflicts of interest to note for any of the officers involved in the drafting or clearance of this decision form.

5. Financial comments

- 5.1 Approval is requested for the following expenditure:
- £2,370,000 on a Retrofit for Net Zero London programme

- £500,000 to support the electrification and decarbonisation of energy systems
- expenditure of £2,445,000 on energy enablers and accelerators in the period 2024-2025.

5.2 This expenditure will be funded from the Environment and Energy Unit's budget for 2024-25 as included within the Mayor's draft budget. This is subject to final approval as part of the Mayor's budget setting process.

5.3 A summary of the planned expenditure by programme is set out below:

Item	Spend 2024-25
Retrofit for net zero London	£2,370,000
<i>Commercial and project management for HUG2</i>	<i>£500,000</i>
<i>Delivery coordination and retrofit programme management</i>	<i>£1,000,000</i>
<i>Market development</i>	<i>£700,000</i>
<i>Knowledge and best practice sharing, government engagement</i>	<i>£170,000</i>
Electrification and decarbonisation of energy systems	£500,000
Energy enablers and accelerators	£2,445,000
<i>Public sector net zero commissioning skills</i>	<i>£750,000</i>
<i>Community collaboration</i>	<i>£750,000</i>
<i>Public sector organisations capacity enhancement</i>	<i>£945,000</i>
Total	£5,315,000

5.4 All relevant budget adjustments will be made.

5.5 All expenditure will be incurred by 31 March 2025.

6. Legal comments

6.1 The foregoing sections of this report indicate that:

- the decisions requested of the Mayor concern the exercise of the GLA's general powers, falling within the GLA's statutory powers to do such things considered to further or that are facilitative of, or conducive or incidental to, the promotion of the improvement of the environment in Greater London in a manner which promotes the improvement of health of persons, and address health inequalities
- in formulating the proposals in respect of which a decision is sought, officers have complied with the GLA'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, addresses health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom
 - 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; and to advance equality of opportunity, and foster good relations, between persons who share a relevant protected characteristic and persons who do not (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 If the Mayor makes the decisions sought, officers must ensure that:

- no commitments are made in reliance of future GLA budgets which remain subject to approvals, until such budgets are confirmed and the Executive Director of Good Growth has approved the related proposals by way of a director decision
- they are content that the GLA can comply fully with all conditions applicable to the Department for Energy Security and Net Zero’s award of Home Upgrade Grant 2 funding
- to the extent that expenditure concerns:
 - the award of grant funding, 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 grant-funding agreements are put in place (or varied as applicable) between, and executed by, the GLA and recipients before any commitment to fund is made
 - the purchase of services, supplies or works, they are procured in accordance with the GLA’s Contracts and Funding Code and contracts are put in place between and executed by the GLA and contractors before commencement of such services
 - staffing matters, all applicable GLA HR protocols are followed and approvals obtained
- as the proposals in respect of which decisions are sought involve the making of commitments which extend beyond current approved budgets and the current Mayoral term, the terms of all agreements entered into in respect of the expenditure do not have the effect of fettering the discretion of the GLA to amend such future budgets and/or any successor administration, considering in particular the London elections taking place in May 2024. Accordingly, officers must ensure that all agreements which involve making such commitments include a GLA right to terminate at any point for convenience (at no cost to the GLA) and all such agreements are managed in such a manner, and any services, supplies, works deliverables, milestones and/or output requirements are structured so as to mitigate risks of the GLA incurring abortive expenditure (which might be reasonably be taken to fetter, practically, the exercise of such discretion).

7. Activity table

Milestone	Date
Director Decisions to come to CIB	June/July 2024

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:

John Kolm-Murray 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

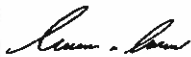
This decision was agreed by the Corporate Investment Board on 26 February 2024.

✓

INTERIM CHIEF FINANCE OFFICER:

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

Signature:



Date:

26/02/2024

CHIEF OF STAFF:

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

Signature:



Date:

26/02/2024