Carbon Offset Funds: Monitoring Report 2020

MARCH 2021

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Summary

Policy SI 2 of the London Plan requires Local Planning Authorities (LPAs) to monitor and report annually on the operation of their carbon offset funds. The Greater London Authority (GLA) facilitates this by issuing an annual survey to LPAs to monitor the value of these funds and how they are being spent.

Between August-October 2020, London's 35 LPAs (the 32 boroughs, the City of London Corporation, the London Legacy Development Corporation and the Old Oak & Park Royal Development Corporation) responded to the GLA's carbon offset fund survey. This report summarises the findings, including the value of funds, expenditure, the types of projects being selected for funding, the governance and monitoring arrangements that are in place and concludes with recommendations for LPAs.

The table opposite summarises the key findings from the 2020 survey. Overall, there has been a significant scaling up since 2019 in the size of offset funding secured and collected and also in the amount of funding that has been spent on carbon saving projects. This is great progress and a positive response to the Mayor's 2019 recommendations to LPAs to consistently collect offset payments for applicable developments and to turn attention to spending funds as a priority.

We expect to see this good progress continue into 2021 and to see an ongoing alignment of offset fund expenditure with LPA responses to the climate emergency and in supporting a green recovery from the COVID-19 pandemic. We also encourage LPAs to consider opportunities to pool funds with other LPAs to meet London-wide green recovery objectives in line with the London Recovery Board's Green New Deal Mission.

Key findings

- The Mayor's carbon offsetting policy has, since 2016, realised almost £90m London-wide to support the climate and ecological emergencies.
- An additional £39.8 million has been collected or secured for collection since the 2019 carbon offset survey.
- 90 per cent of LPAs reported an increase in the amount either collected, or secured for collection, since 2019.
- Fifteen LPAs have begun spending carbon offset payments, compared to seven in 2019.
- Carbon offset fund expenditure has increased to £13,836,429. That is almost £11 million more compared to 2019; nearly five times higher.
- Projects on LPAs' corporate estates and in schools were the most popular and mainly included energy efficiency improvements and renewable energy installations e.g. solar PV.
- Three LPAs reported that no funds had been collected so far, but were able to either show progress in securing payments by legal agreement or provide a valid reason. This is an improvement from 2019 when six LPAs reported that no funds had been collected.
- Seven LPAs reported that they had combined offset payments with other sources of funding to maximise their impact; a key recommendation from the 2019 report.
- There has been a notable improvement in the completeness of the data being collected by LPAs, in line with the Mayor's 2019 recommendation for LPAs to improve reporting.

Introduction

The role of the planning system in the climate emergency

The Mayor of London has declared a climate emergency and has an ambition for London to be a net zero carbon city by 2030.

His 1.5°C Climate Action Plan looks at the different scenarios London can take to reach net zero carbon. It is compatible with the highest ambition of the Paris Agreement to limit the global average temperature rise to 1.5C above pre-industrial levels.

The planning system has an important role to play in our response to the climate and ecological emergencies and improving air quality by ensuring that all new development is not only net zero carbon but also aspires to the highest sustainability standards. If we don't do this now, then we are only adding to the number of buildings that will need to be retrofitted later on at greater cost and disruption.

The Mayor's London Plan includes a net zero carbon target for major residential development which has been in place since 2016. The London Plan 2021 extends the net zero target to all major non-residential developments whilst also increasing the carbon offset price to incentivise greater on-site carbon reductions.

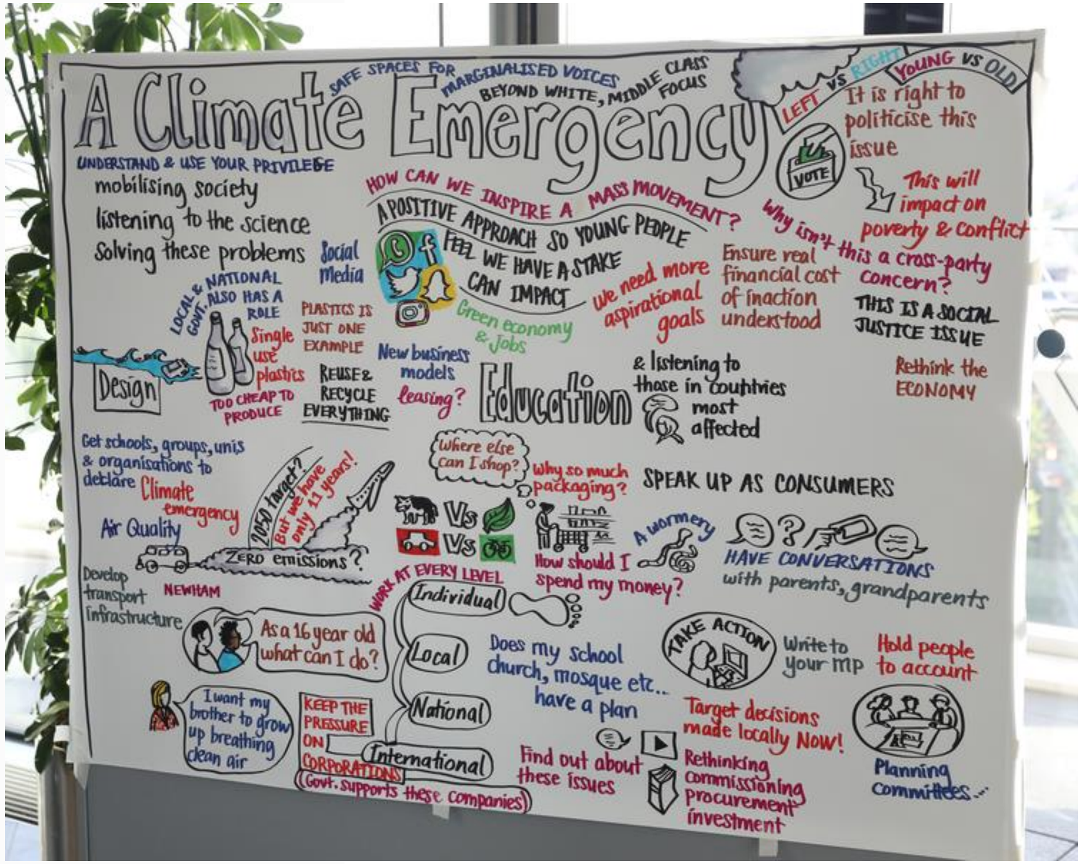

Figure 1: London Climate Action Week – London Sustainable Development Commission event "Listening to the Future" - a youth response to London's climate challenge

Meeting the net zero carbon target

The London Plan requires all major developments to achieve net zero carbon. A minimum of a 35 per cent on-site carbon improvement on national Building Regulations must be met and the shortfall to zero carbon is offset by making a cash-in-lieu contribution into the relevant LPA's carbon offset fund. Planning applicants are expected to maximise savings on-site before offsetting.

To achieve the target, planning applicants are expected to follow the energy hierarchy (see Figure 2):

- **'be lean'** use less energy
- **'be clean'** supply energy efficiently
- **'be green'** use renewable energy

Major residential developments have been required to meet the net zero carbon homes target since 2016 and major non-residential developments are required to do so under London Plan 2021. The findings presented in this report capture results prior to the extension of the net zero carbon target to major non-residential developments.

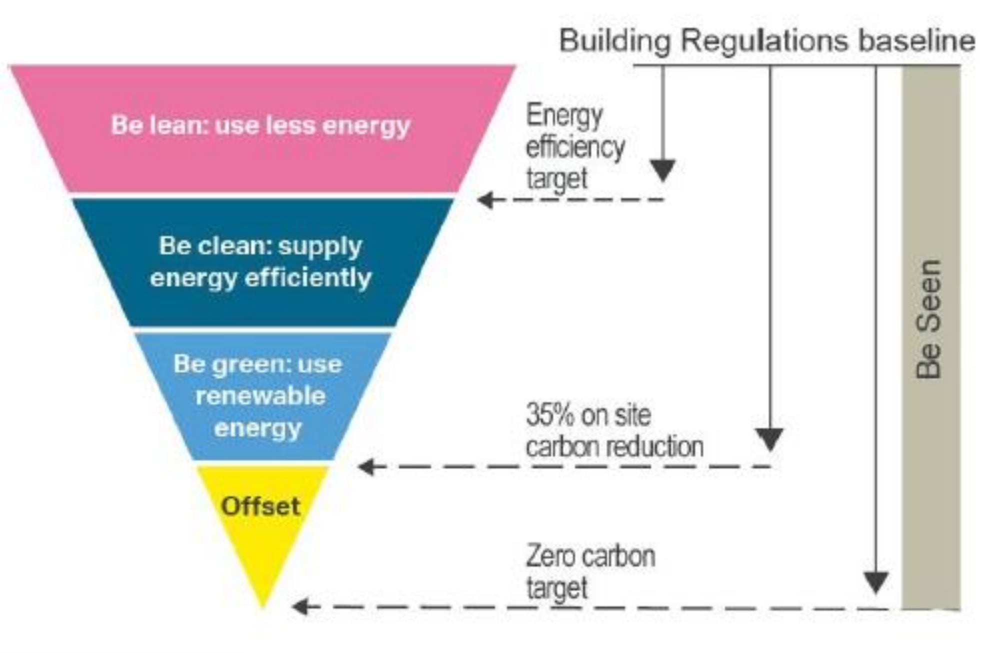

Figure 2: The London Plan energy hierarchy and associated targets

Carbon offset funds

Carbon offsetting is a last resort measure that is only utilised when on-site carbon savings have been maximised.

However, until approaches and technologies improve to allow further on-site reductions, carbon offset funds allow flexibility to meet the London Plan targets. They provide a source of funding which is secured through section 106 agreements. Funds are collected by LPAs and are ring-fenced for carbon reduction projects in their respective borough. They have an important role in funding carbon reductions from existing buildings where achieving carbon savings can be more challenging compared to new buildings. It is important that these funds are utilised effectively as part of an LPA's response to the climate emergency.

The Mayor has set a recommended carbon offset price of £95/tonne/CO_2 in the London Plan 2021; an increase from the previous price of £60/tonne. Alternatively, boroughs can apply their own locally-set cost of carbon. The findings presented in this report capture results prior to the adoption of the £95/tonne offset price.

Carbon offsetting is a last resort measure but gives flexibility in meeting London Plan targets

LPA requirements

All LPAs are required to:

- collect carbon offset payments for any major development with a carbon shortfall
- set up a carbon offset fund, including developing a pipeline of projects to invest in
- establish a carbon offset price or use the GLA's recommended price.

Further details are available in the GLA's Carbon Offset Fund Guidance (referred to as 'the guidance' for the remainder of this document) which can be found here: https://www.london.gov.uk/what-we-do/planning/planning-applications-and-decisions/pre-planning-application-meeting-service-0

Results

Total value of carbon offset funds

The total value of an LPA's carbon offset fund is dependent on: the number of planning applications the LPA has received, the carbon offset price used, the difference between on-site carbon improvement and zero carbon for each qualifying major development, and the point at which payments are collected which could take several years depending on when the LPA has elected to collect payments i.e. at planning approval, commencement on-site or post-construction. This will vary by LPA and a lower volume or value of payments collected is therefore not indicative of a failure to collect funds.

Table 1 presents the total value of offset payments actually collected, along with the payments secured by legal agreement but not yet collected, since 1 October 2016 when the zero carbon homes policy came into effect. This also includes payments made by developers of non-residential developments where they have not been able to meet the 35 per cent on-site target required of them and have had to offset the shortfall. As of 2021, non-residential developments will also be expected to meet the net-zero target and will make offset payments accordingly.

Table 2 on the following page compares the cumulative value of offset funds in 2019 and 2020.

Table 1: Total value of carbon offset payments collected and secured since 2016

Total value of carbon offset payments		
Total amount collected	**Total amount secured by legal agreement (but not collected)**	**TOTAL**
£32,437,763	£57,538,560	**£89,976,323**

Total value of carbon offset funds

An additional £39.8 million approximately has been collected or secured for collection since the last carbon offset survey was undertaken in March 2019. This is very encouraging progress and provides a clear indication that LPAs are successfully applying the offsetting requirement and developers are responding positively to the requirement.

Table 3 on the following page provides a breakdown of these payments by LPA.

Table 2: Total value of carbon offset payments collected and secured since 2016 as reported in 2019, 2020 and the difference between the two reporting years

	Cumulative totals reported in 2019	Cumulative totals reported in 2020	Difference between 2019-2020
Total amount collected	£11,219,000	£32,437,763	£21,218,763
Total amount secured by legal agreement (but not collected)	£38,970,000	£57,538,560	£18,568,560
TOTAL	**£50,190,000**	**£89,976,323**	**£39,786,323**

An additional £39.8 million of carbon offset payments since 2019

Breakdown of carbon offset payments by LPA

Table 3: Breakdown of carbon offset payments collected and secured since 1 October 2016 by LPA

Carbon offset payments by LPA		
LPA	**Total amount collected**	**Total amount secured by legal agreement (but not collected)**
Barking & Dagenham	£18,370	0
Barnet	£51,297	£2,158,942
Bexley	£68,000	£517,508
Brent	£531,246	£382,980
Bromley	£259,226	£1,102,380
Camden	£2,143,955	£3,316,295
City of London Corporation	£345,160	£3,422,643
Croydon	£1,424,000	£3,684,000
Ealing	£225,540	Information not available
Enfield	£321,998	£94,900
Greenwich	£600,874	£1,355,378
Hackney	£1,305,690	£1,330,663
Hammersmith & Fulham	£252,667	£3,100,000
Haringey	£755,060	£2,866,594
Harrow	£268,222	£1,593,704
Havering	£383,000	Information not available
Hillingdon	£900,000	Information not available
Hounslow	£747,941	£2,037,945
Islington	£7,231,489	£3,176,127
Kensington & Chelsea	£110,285	£59,435

Carbon offset payments by LPA cont.		
LPA	**Total amount collected**	**Total amount secured by legal agreement (but not collected)**
Kingston	£319,819	£353,166
Lambeth	£186,224	£4,019,201
Lewisham	£236,196	£833,264
London Legacy Development Corporation (LLDC)	£130,000	£130,000
Merton	£139,259	£282,817
Newham	£684,061	£3,012,836
Old Oak and Park Royal Development Corporation (OPDC)	0	Information not available
Redbridge	0	£240,762
Richmond on Thames	£14,267	£470,613
Southwark	£1,933,249	£4,868,915
Sutton	0	£44,037
Tower Hamlets	£3,900,000	£7,700,000
Waltham Forest	£1,845,319	£15,840
Wandsworth	£405,348	£2,897,615
Westminster	£4,700,000	£2,600,000
TOTAL	**£32,437,763**	**£57,538,560**

LPA progress in collecting carbon offset payments

The vast majority of LPAs reported an increase in the amount either collected and/or secured for collection, since the 2019 survey. This indicates positive progress with LPA's embedding the offsetting requirement for applicable developments across London.

Thirty two LPAs are now actively collecting carbon offset payments. The remaining three reported that no funds have been collected so far: OPDC, Redbridge and Sutton. This is an improvement from 2019 when six LPAs reported that no funds had been collected.

As in 2019, OPDC reported that total payments are calculated and collected only when a development is complete and this is why no information is yet available. Encouragingly, and in contrast to 2019, Redbridge and Sutton both reported that some funds have now been secured for collection.

Four LPAs have reported on the total amount of funds they have collected, but information on the amount of funding that they have secured for collection was not available at the time of the survey. Ealing and OPDC stated that this is because calculations and payments are revisited at the point of completion as this gives the applicant the opportunity to improve the carbon performance of their development before the offset payment is secured.

Havering and Hillingdon reported that information on the amount of offset payments secured was not available at the time of the survey.

Table 1 shows that the amount that has been collected and is available for spending is 36 per cent of the overall total that has been collected and/or secured for collection. This is an increase from 2019 when this proportion was 22 per cent, but will fluctuate year on year for a variety of reasons. For example:

- Collection of funds through the planning system means that there will be a time lag between funds being secured for collection and actually collected. It may also decrease over time if LPAs choose to revisit offset payment calculations later on prior to construction, as reported by Ealing and OPDC.

- Developers have a period of up to three years in which to commence construction on-site following planning approval, meaning there can be up to a three year wait between payments being secured and payments being made.

Provision of data from LPAs compared to 2019
There has been a notable improvement in the completeness of the data being provided for the 2020 survey, with far fewer LPAs reporting that information is not available. It is important that the LPAs that could not provide the required information work to rectify this as soon as possible. We will expect all LPAs to be able to access and provide this information for the 2021 survey in line with the requirement to report progress annually (London Plan policy SI2 part D).

Carbon offset fund expenditure

Table 4 lists the amount of offset funds spent or committed to a specific project since 1 October 2016.

Fifteen LPAs reported they had begun spending their carbon offset funds with one (Enfield) reporting that the funds were committed but had not been spent yet. This is more than double the number of LPAs who reported that they were spending offset funds in 2019, when seven reported having done so. This is an encouraging sign of the progress being made by LPAs.

The amount of funding spent has increased to £13,836,429. This is almost £11 million more than was reported in 2019; nearly five times higher. This is a huge scaling up and illustrates great progress on implementing the policy which is making an important contribution to these LPAs' response to the climate emergency.

It is important that LPAs continue to identify projects for funding and to begin funding them. As the amount of payments being secured and then collected grows, this will enable more LPAs to fund more projects and will help to deliver the carbon reductions we need to see across London. LPAs should also consider opportunities to pool funds with other LPAs to meet London-wide green recovery objectives.

We expect to see the good progress shown between the 2019 and 2020 surveys to continue into 2021; aligning expenditure with LPA priorities set out in climate action plans and in supporting a green recovery from the COVID-19 pandemic. The following page provides further background on the challenges LPAs are experiencing with spending their carbon offset funds.

An additional £10 million+ of offset spend since 2019

Table 4: Total carbon offset fund committed expenditure

Total carbon offset fund committed expenditure	
LPA	**Expenditure**
Camden	£313,222
City of London	£14,382
Croydon	£843,000
Enfield	£200,000
Greenwich	£9,960
Hackney	£775,020
Hammersmith & Fulham	£125,296
Hillingdon	£250,000
Hounslow	£364,415
Islington	£6,335,439
Kingston	£175,152
Lewisham	£30,000
Merton	£56,449
Tower Hamlets	£3,100,000
Waltham Forest	£849,387
Westminster	£394,707
TOTAL	**£13,836,429**

Challenges for LPAs in spending funds

The 2020 survey has shown that there has been an enormous amount of activity in LPAs to collect and spend funds resulting in a large increase in the amount of funding available. Six LPAs which hadn't spent funds yet stated that they were in the process of developing a pipeline of projects. However, there are a number of challenges LPAs are facing in spending funds:

- Ten LPAs reported a lack of staff resource.
- Nine LPAs reported that they were waiting for a sufficient level of funding to be collected to deliver a project of significant scale to justify the staff time allocated to it. However, a number also made the point that this was changing now that a greater level of funds had begun to accumulate.
- Four LPAs specifically cited the COVID-19 pandemic as slowing down their carbon offset fund activity.

We encourage LPAs to learn from those LPAs who are already spending, to find opportunities to co-fund from other funding sources (see page 23 for further details) and to use the guidance which includes information on how to identify projects, including investigating GLA programmes such as the Retrofit Accelerators for project development support: https://www.london.gov.uk/what-we-do/environment/energy/low-carbon-accelerators.

It is notable that no LPA indicated that these challenges were insurmountable and in fact a number reported the type of activities they were undertaking to ensure funds are spent this year. For example, Brent's spending policy is currently being approved before funds are spent, LLDC reported that the pandemic delayed the planned bidding round which is now scheduled for 2021 and Bromley stated that it intends to spend its entire offset pot in the next 6-12 months.

Non-payments and returns

Thirty three LPAs responded to the questions about whether they had ever returned an offset payment to a developer, or whether a developer had ever refused to make a payment. All 33 confirmed they had not returned an offset payment to a developer.

Thirty one confirmed that no developers have refused to make an offset payment; with two confirming that a developer had refused. Bexley cited affordable housing provision due to viability as the reason and Haringey reported that this had occurred on six or seven occasions for various reasons depending on the development's circumstances and viability.

Offsetting payments should be collected from all relevant developments and LPAs have an important role in ensuring this is complied with.

Carbon offset price

All LPAs reported using a GLA-recommended carbon offset price, with the exception of two (see the box opposite).

The majority of LPAs reported using the £60/tonne/per annum carbon offset price, however eight LPAs reported that they had begun to use the new £95/tonne carbon offset price introduced in the London Plan 2021.

Now that the London Plan 2021 has been published the GLA expects all LPAs to apply the new price, unless they have developed and published their own price based on the cost of offsetting carbon emissions locally.

See the guidance for further information and for a case study of how Lewisham set its own price.

All LPAs are expected to adopt the London Plan 2021 £95/tonne carbon offset price if they do not have a locally set price

Locally-set carbon offset prices

LPAs can develop, publish and keep under review their own carbon offset price based on the cost of offsetting carbon emissions locally, instead of using the GLA-recommended price. In 2020, two LPAs reported having done so:

Islington
£920/tonne CO_2 (a one off payment equivalent to £30/year assuming a 30 year life time. It applies to both regulated and unregulated emissions, whereas the GLA offset price applies to regulated emissions only).

Lewisham
£104/tonne/per annum (over a 30 year period).

Types of project

LPAs were asked to report on the types of projects that have been, or will be funded, through their carbon offset funds. Figure 3 shows the main project categories which LPAs are targeting, according to how many LPAs said they were funding each project type.

Projects on the corporate estate and in schools were the most popular and included energy efficiency improvements and renewable energy installations e.g. solar PV. Behaviour change & education projects and greening projects were also a popular focus for funding. Three LPAs have chosen to fund transport-related projects e.g. the installation of electric vehicle charging points.

LPAs provided some case studies of the projects being funded which are available on the following pages.

Recommended project-types
We recommend that funds are targeted towards energy efficiency projects where solutions are readily available and commonly undertaken and which will support a green recovery for London in line with the London Recovery Board's Green New Deal mission. Project types with less tangible carbon savings e.g. behaviour change programmes, or less immediate carbon savings, e.g. tree planting, can be funded but should not benefit from the majority of an LPA's fund. See the guidance for further details.

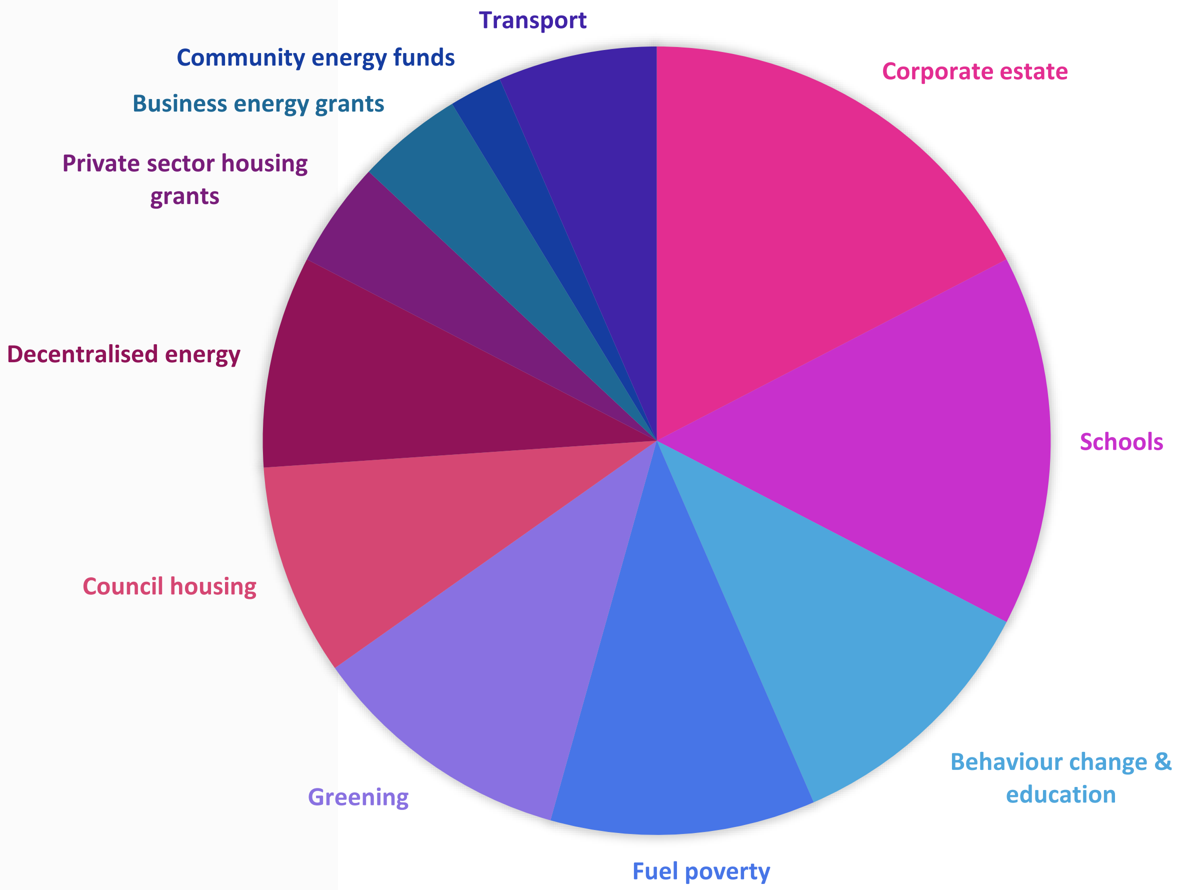

Figure 3: Type of carbon offset project LPAs are funding

Case studies 1

Community solar in Lambeth

Offset funding has been allocated to part finance the installation costs of a solar photovoltaic (PV) system at Norwood School. The 83kW system will save an average of 18 tonnes CO_2e a year, which contributes towards Lambeth's ambition to be carbon neutral by 2030. The total cost for this project is £80,665 (exc. VAT). Lambeth is being asked to contribute £15,000. The remaining costs are being met by a community share offer.

Schools project in Camden

Solar PV is to be installed on the roofs of six of Kentish Town CE Primary School's buildings. The project has been awarded £18,776 from the Camden Climate Fund which will be matched by money raised through the school.

Energy Gardens in Camden

Repowering London – Energy Gardens Proposal. This project would add off-grid solar PV systems to the gardens. Feedback from stakeholders and a feasibility study will determine how this is used: to power lights, water features, charging points for commuters or a combination of these. This, combined with events, will encourage commuters to think about how they consume energy. As part of the project, they will also run solar panel making workshops and other energy-saving engagement activities at community centres and schools, many of which are in high areas of fuel poverty. Cost of the project: £29,655.

LEDs in Hammersmith & Fulham

Installation of LED street lighting; £77,000 funded; carbon savings predicted and will be confirmed at project completion.

Solar PV in Bromley

Solar PV rooftop installation at Civic Centre using £100,000 of offset funds, helping the council to achieve energy and cost savings and reduce the organisation's emissions.

Case studies 2

Heat networks in Lewisham

Lewisham recently submitted a bid for carbon offset funds of £33,000 to cover the match funding required on a BEIS Heat Network Delivery Unit (HNDU) funded heat network feasibility project. The projected lifetime carbon savings derived once this network is installed is 326,380 tonnes CO_2e. Whilst this project is not a delivery project it is a necessary step towards a creating a finance ready project.

Lighting improvements in Hillingdon

New LED lighting in the Civic Centre to replace out dated lighting at a cost of approximately £80,000.

Electric Vehicle charging in Merton

The Council had secured £40,000 from the Go Ultra Low City Scheme to deliver 20 lamp column chargers. The Council applied for £14,956 of carbon offset funding to help provide match funding towards overall project delivery costs.

The funding was anticipated to provide an average 2 vehicles' charges per week per column charger.

The installation of these charge points will help meet on-going requests from residents for Electric Vehicle (EV) charging infrastructure and help accelerate the uptake of EVs and in doing so will support actions in the Council's emerging Climate Strategy & Action Plan, as well as air quality and health co-benefits.

Solar PV and battery storage in Waltham Forest

Solar PV with battery storage on sheltered housing accommodation: These sites have some on-site housing support during office hours, with communal facilities available for residents' use. There is high energy consumption due to the lighting, lifts and other electrical equipment being in constant use. £198,788 of offset funding, alongside £101,829 match funding from Salix energy efficiency fund and capital budgets will enable 3 sites to be installed with 193 kWp solar panels with battery storage producing 169,731kWh. The project will save 39.7 tonnes of carbon per year, and a total saving of 868.46 tonnes of carbon will be attributed to the offset fund over the lifetime of the project (savings attributed to Salix have been separately deducted).

Primary school retrofit in Westminster

Feasibility assessment for low carbon retrofit of a local primary school. Bid value £24,918. This will help identify opportunities to improve school facilities and reduce running costs.

Case studies 3

Decentralised energy in Greenwich

The borough is commissioning a detailed techno-economic feasibility study into the establishment of a decentralised energy (DE) network covering the development sites located in Charlton Opportunity Area (OA) and Thamesmead and Abbey Wood OA via Woolwich Town Centre OA; and the wider strategy of a transmission line to the area extending from Bexley to Greenwich Peninsula and potentially to Greenwich Town Centre towards Lewisham.

The study will explore a number of secondary heat sources available in the area including energy from waste and waste industrial heat. The Council has committed £39,600 and this has been match-funded by BEIS HNDU. Indicative carbon savings over a 40 year period are expected to be 600,000 t/CO_2 emissions.

Fuel poverty programme in Haringey

Haringey will be spending £520,000 of its collected offset money on fuel poverty projects, as part of the Affordable Energy Strategy: https://www.haringey.gov.uk/housing/housing-strategies-policies-and-plans/affordable-warmth-strategy

Retrofits in Enfield

£200,000 has been allocated towards retrofitting existing homes in Ponders End, converting the properties from existing gas boilers to a water system and connecting them to the Energetik network. This is the first project requesting to utilise carbon fund monies and is expected to significantly reduce energy costs for Enfield's local residents allowing them to efficiently manage their utility bills.

Solar PV on 50% of Hackney's roofs

Hackney's climate emergency declaration makes a strong commitment to promote local renewable energy generation and to install PV panels on 50% of Hackney's own roofs. The first allocation of funds was to support a pilot project to install solar PV panels on the West Reservoir Leisure Centre under the supported Solar Pilot Project. https://hackney.gov.uk/solar-power

The project aimed to promote the Council's actions towards meeting its net zero carbon emissions by 2040 target. Lessons learned from the first installation show that renewable energy installation is quick and efficient. This project raised the profile of the Council as an employer delivering a green recovery plan, providing jobs and engaging with communities.

The initial quotation was reduced to £117,326 and the surplus was agreed, via a new bid, to be used for a borough wide techno-economic feasibility study for solar PV installation, including on corporate stock.

The estimated savings are: 40.2 tonnes CO_2/year. Data gathered will be analysed and submitted as part of the section 106 monitoring and reporting commitment.

Off-site arrangements

Most LPAs for the vast majority of their planning applications require a developer to make a payment into an offset fund. However, some are making use of the alternative offsetting approach, which allows LPAs to agree that a developer may undertake a carbon saving project off-site to meet a shortfall in emissions instead of making a payment into an offset fund.

Five LPAs reported that they had agreed such an approach with a developer which are reported here. As with projects funded directly from the carbon offset fund, any projects that are funded directly by a developer must be agreed with the LPA first, should deliver carbon savings and should demonstrate additionality in line with the guidance.

Brent
Early on in the LPA's offset fund programme an applicant replaced lamps in a nearby building to offset their carbon.

Bexley
The developer funded carbon reduction projects on Orbit Housing Association's existing building stock, directly benefiting local residents.

Hackney
The applicant installed solar PV panels at an off-site school.

Harrow
A local Registered Provider offset its emissions via improvements to its other properties within the LPA to reduce carbon and which provided other benefits including affordable warmth.

Sutton
The applicant for a new scientific research laboratory offset its emissions through funding carbon reduction measures at a number of other Institute for Cancer Research sites.

Governance arrangements

Thirty three LPAs responded to the question asking them to confirm the governance arrangements for their offset fund.

Twenty two reported that governance arrangements are in place, and four reported that they are in the process of establishing them. This is a significant increase on the previous survey when only 13 were able to confirm that arrangements had been set up. The remaining seven LPAs reported that governance arrangements had not yet been set up as they had not started spending funds yet.

Similarly to 2019, most LPAs are making use of existing processes rather than setting up new ones to manage their offset funds e.g. section 106 monitoring and reporting processes. Others have set up separate Boards e.g. Kingston present a business case to the operational Climate Emergency Programme Board to agree which projects will be funded. Some further examples are presented opposite.

Since the 2019 survey LPAs have made considerable progress in ensuring that arrangements are in place to determine how offset funds will be managed. Using existing processes is an efficient way to manage the operation and decision-making associated with an offset fund and this is recommended by the GLA, particularly for those LPAs who have yet to set up their arrangements. This should now be a priority for the remaining LPAs to prevent any delays to carbon offset projects being approved and implemented.

Hammersmith & Fulham's allocation of carbon offset funds is made through its section 106 allocation process, which requires service areas to make a formal bid that is scrutinised by a section 106 Officer Board with the recommendation of the officers being put to the section 106 Member Board for final decision. Once funding is approved, the relevant service area is responsible for delivering the project and submitting all relevant evidence (e.g. invoices of actual costs, completion certificates, carbon reduction calculations) to enable funding drawdown at year end.

Islington's Affordable Energy Board (AEB) meets quarterly and agrees the carbon offset payments which are allocated to proposals. Further approvals are then obtained from the Borough Investment Panel, which meets every two months to approve new allocations and review the progress of the projects that are funded through developer obligation funds. These boards are chaired by Executive members.

In **Waltham Forest** applications are made by officers for relevant projects. This is assessed by an Assessment Panel (officers from Sustainability, Energy Management, Planning, Finance) using a scoresheet (scores against carbon cost effectiveness, wider benefits and deliverability). Eligible projects are then referred to the Strategic Board (2 x member representatives and 2 x senior officers) for final sign off. Four rounds have been held so far.

Kensington & Chelsea holds quarterly spend manager meetings to let service areas know how much section 106 money is available to spend, including for carbon offsetting measures. (A prioritisation matrix is being developed which will be used to discuss and agree which projects will be put forward). These are checked and reviewed by the Green Task Force and then put forward for approval to the quarterly Environmental Sustainability Strategic Board chaired by the Lead Member for Environment.

Project auditing

Thirty one LPAs provided a response to the question concerning how projects are audited to ensure that carbon savings have occurred. Twelve LPAs confirmed that carbon savings are verified post-installation and one LPA reported that carbon is assessed as part of the evaluation of the project before it is funded.

Ten LPAs reported that, as they had not begun spending, there had not been a need to set up an auditing process. A further eight reported that they were in the process of establishing an approach to auditing, with a further one LPA reporting that they did not have the skills in-house to scrutinise the achievement of forecasted carbon savings.

All carbon offset projects must be able to demonstrate that they will save carbon before they are funded and this should form part of the evaluation process for each project. Projects should also be required to confirm the carbon savings that have been achieved post-installation. A few examples of the approaches LPAs are taking to audit projects are presented opposite.

Some LPAs also reported that KPIs for each project are set to measure performance, for example they take into account EPC data before and after the project, as well as including mechanisms for carbon reporting within section 106 agreements. By gathering this data, LPAs can then undertake focussed audits of a sample of projects to verify the data submitted. Random sampling will ease the burden for LPAs for whom resourcing is an issue.

Hackney
Smart meters and monitoring displays are requested to be installed as part of the bid and can be used for data gathering. After a representative period (e.g. one year), quarterly or biannual reports are to be submitted. This may include: pre and post Display Energy Certificate reports, half-hourly data comparison before and after the project is complete or use of environmental data loggers.

Hammersmith & Fulham
The use of any section 106 monies requires the submission of an audit trail upon completion of the project. For those using carbon offset funds, the requirement also includes a calculation of carbon reduction delivered. Discussion is ongoing about the use of a preferred carbon calculator.

Waltham Forest
Applicants are required to sign a declaration in their application form stating that they are willing to provide up to 5 years of monitoring data. In their application form they are required to outline how the project will be monitored and what data will be collected. This is then included in their Funding Agreement. Usually data collected is annual, however some data already provided (e.g. from electric vehicle charging point projects) is quarterly to fit in with other reporting arrangements. As more projects are funded and delivered sample audits will be undertaken.

Combining sources of funding

To maximise the impact of offset funds the guidance encourages all LPAs to utilise other sources of funding alongside their offset funds. It is important that additionality can be demonstrated and the guidance gives more information on this.

Seven LPAs reported that they had combined offset payments with other sources of funding. See Figure 4 for the funding sources which were reported. Six LPAs reported that as funds had not been spent yet there has not been a need to explore this.

Twenty LPAs reported that they would or are considering co-funding. For example, a number were considering the potential to match funds with new funding sources including the Green Homes Grant, the Public Sector Decarbonisation Fund and the Social Housing Decarbonisation Fund. Kingston reported that it had combined offset funds with public health and private sector housing contributions via the council's Warmer Homes Better Health programme. This enabled the energy efficiency of the homes of the most vulnerable to be targeted to meet health outcomes as well as save carbon.

Many LPAs are exploring the multitude of opportunities that currently exist to ensure their offset funds are maximised whether that is through using council capital funding or external funds such as the GLA's programmes. We encourage the remaining LPAs who have not yet spent funds to begin investigating co-funding as a priority.

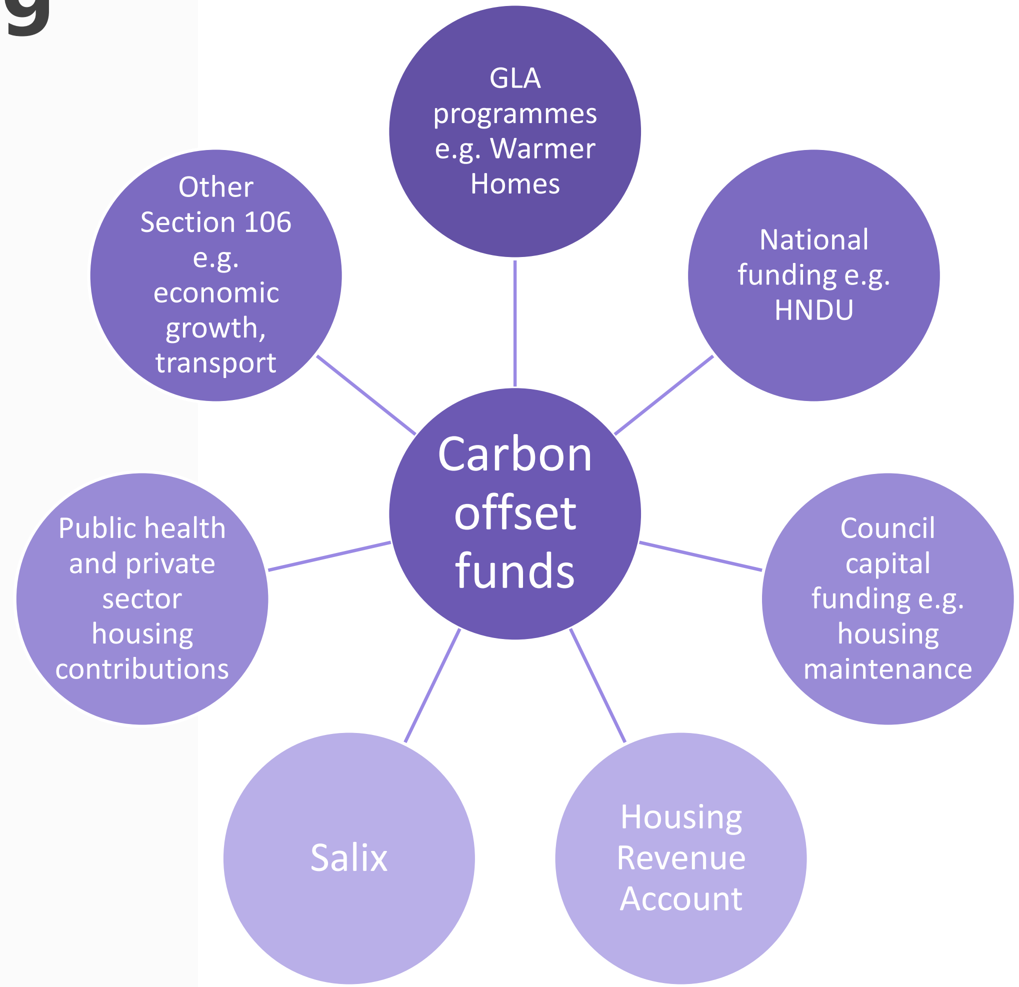

Figure 4: Funding sources which LPAs are combining with offset payments

Conclusions and recommendations

Conclusions

- **2020 saw a rapid scaling up in the size of offset funding secured and collected, and in the amount of funding that has been spent on carbon saving projects**, despite the challenges 2020 has presented. This is great progress and is making an important contribution to London's response to the climate emergency.

- **90 per cent of LPAs reported an increase in the amount either collected, or secured for collection, since the 2019 survey.** This provides a clear indication that LPAs are applying the offsetting requirement and developers are responding positively. LPAs will need to apply the same consistency with the extension of the offsetting requirement to non-residential development where there is a shortfall to zero as part of the London Plan 2021.

- **More than twice the number of LPAs are now spending offset funds than in 2019.** The remaining LPAs have reported encouraging signs that they will begin spending shortly and should utilise the experiences of the LPAs which are further ahead, using the case studies presented in this report. We expect to see further progress on this in the next survey.

- **Now that more LPAs are spending their funds they were able to provide additional information on how carbon savings are being verified.** All carbon offset projects must be able to demonstrate that they will save carbon before they are funded and this should form part of the evaluation process for each project. Project owners should also be required to confirm the carbon savings that have been achieved post-installation.

- **Co-funding is now either being used or being explored by many LPAs.** We would like to see this trend continue using available funding, such as Mayoral programme funding, in conjunction with offset funds to maximise their impact. Additionality must continue to be a core principle for offset funding. We encourage the remaining LPAs who have not yet spent funds to begin doing so and to investigate co-funding as a priority.

- **Considerable progress has been made in ensuring that arrangements are in place to determine how offset funds will be managed.** This should now be a priority for the remaining LPAs to prevent any delays to carbon offset projects being approved and implemented.

- **There has been a notable improvement in the completeness of the data being provided** for the 2020 survey. All LPAs should be able to provide this information for the 2021 survey in line with the London Plan.

- **LPAs should align offset fund expenditure with priorities set out in their climate actions plans and help support a green recovery** from the COVID-19 pandemic. As the amount of payments which are secured and then collected grows, LPAs will have greater quantities of funding available to fund carbon saving projects and help tackle the climate emergency.

Recommendations

The planning system is a key lever in driving carbon reductions. It is important that LPAs continue to apply the net zero carbon and offsetting policy consistently to all relevant planning applications. This now includes all major non-domestic developments, in addition to major domestic developments, under the London Plan 2021.

LPAs are expected to:

- **Continue to seek a minimum 35 per cent carbon reduction beyond Building Regulations** from planning applicants and encourage further on-site reductions, where possible, before the offset payment is calculated.

- **Consistently collect offset payments** for all relevant planning applications

- **Adopt the higher carbon offset price of £95/tonne** which has been introduced in the London Plan 2021, unless they have developed and published their own price based on the cost of offsetting carbon emissions locally. Local prices should be kept under review and updated as necessary.

- **Consider opportunities to pool funds with other LPAs** to meet London-wide green recovery objectives in line with the London Recovery Board's Green New Deal mission and identify co-funding opportunities, such as with Mayoral programmes.

- **Evaluate projects to ensure they will save carbon** before funding them and require carbon savings to be verified post-installation.

- **Continue to accurate and comprehensively monitor the operation of offset funds** and report annually to the GLA. The small number of LPAs which reported that information was not available at the time of the survey will be expected to rectify this for 2021.

- **Put in place suitable governance arrangements** to manage their funds where this has not already been done.