
COMMITTEE	Finance, Policy & Resources
DATE	6 May 2014
DIRECTOR	Gordon McIntosh
TITLE OF REPORT	Salix Funding
REPORT NUMBER:	EPI/14/119
CHECKLIST RECEIVED	Yes

1. PURPOSE OF REPORT

To provide a background on the public sector Salix funding and to explain how the Salix Energy Efficiency Loans Scheme Scotland (SEELS) operates. This report also outlines the benefits of this scheme to the Council.

2. RECOMMENDATION(S)

It is recommended that the committee:

a) note that the Officers have commenced the process for the provision of interest free funds amounting to £608,406 to finance the energy savings from street lighting projects by way of the Salix Energy Efficiency Loans Scheme. The projects are as follows:-

- Upgrade Union Street to LED type lighting £149,578.00
- Upgrade Union Terrace to LED type lighting £ 8,828.00
- City wide upgrade to "Cosmo" light fitting £440,000.00
(in two locations)

b) approve that Officers enter into a loan agreement with Salix Finance Limited for the interest free funds and for the drawdown of the said funds within 20 days after the agreed completion date.

c) approve the expenditure of the funds towards the abovementioned projects.

d) delegate authority to the Director of Enterprise Planning and infrastructure in consultation with the convenor of the Finance, Policy & Resources Committee to bid for additional Salix Energy Efficiency Loans Scheme interest free funds when appropriate energy efficiency projects can be identified and where it can be demonstrated to be financially beneficial to the Council and to

inform the committee by way of the information bulletin when this power has been exercised.

3. FINANCIAL IMPLICATIONS

The Salix Energy Efficiency Loans Scheme Scotland (SEELS) allows eligible organisations to apply for an interest free loan to finance up to 100% of the costs of energy saving projects meeting the eligibility criteria.

Repayment of the loan is a minimum of 4 years but can be flexible up to 8 years, dependent on project payback period. The loans must be paid back to Salix by direct debit over the confirmed period.

By utilising the SEELS, the Council will be able to deliver more energy efficiency projects such as improved street lighting lanterns using LEDs and other energy efficiency projects that can be delivered which have a payback period of up to 8 years. SEELS can be used as part funding for the energy saving element of the project which means the Council can deliver more with the capital available.

The Council can utilise SEELS as a method to initially fund energy efficiency projects.

For the first SEELS bid in 2013/14, the Council has successfully secured a loan of £608,406 for upgrading street lighting to LED and installation of more energy efficient street lighting with payback of 7 years and 4 years respectively.

4. OTHER IMPLICATIONS

By accessing the Salix Energy Efficiency Loans Scheme Scotland (SEELS) to deliver energy saving projects, the Council is assisted in funding the reduction of carbon emissions which in turn contribute towards achieving the Council's Carbon Management Plan targets.

5. BACKGROUND

Salix was established in 2004 as an independent, publicly funded company, dedicated to providing the public sector with 100% interest free, capital finance funding for energy efficiency projects.

Salix 100% interest free conditional grants help clients across the public sector in England, Scotland and Wales, drive down their annual energy costs and carbon emissions. However, SEELS was only offered to Scottish public sector organisation in 2013. The Council has successfully secured a loan bid from this first year.

Salix has already helped over 700 local Authorities, Higher and Further Educational Establishments, NHS Hospital Trusts and Emergency Services to improve energy costs and raise green credentials.

The Salix Energy Efficiency Loans Scheme Scotland (SEELS) allows eligible organisations to apply for an interest free loan to finance up to 100% of the costs of energy saving projects meeting the eligibility criteria.

Eligible organisations are any public sector body which are subject to the Public Bodies Duties in the Climate Change (Scotland) Act 2009. This includes Scottish Government and its executive agencies (such as Transport Scotland and Scottish Enterprise) 32 local authorities, universities, colleges and bodies such as the National Health Service Trusts.

Applications are approved on a first come first served bases until all loan funding has been allocated. Once all funding has been allocated further applicants will be places in a pipeline for future funding rounds.

For this SEELS, the compliance criteria are as follows:

- Up to 8 years payback
- The cost of CO2 must be less than £200 per tonne over the lifetime of the project
- Salix project must be “additional” i.e. not a legislation requirement, projects that have already started or funding that has already been agreed
- Can be used as part funding of a project
- Cannot be used for renewable energy projects
- Projects where resultant energy savings, over the lifetime of the project, go directly back to the organisation and where the organisation gains a direct financial benefit are eligible

The minimum application and loan value is £5000. There is not a maximum loan value.

Repayment of the loan is a minimum of 4 years but can be flexible up to 8 years, dependent on project payback. The loans must be paid back to Salix by direct debit every March and September over the confirmed period.

Projects have to be completed within a 9 month timeframe from the commitment date. Where projects have to be tendered, after agreement to fund, allowance is made for this.

The application process is in 2 stages:

1. The application, project assessment and commitment to fund from Salix.
2. The completion of the project with the set up of the loan and payment of the money (unless Salix agree to fund on an interim payment basis).

Confirmation of the loan funding is done in writing from Salix by way of a commitment letter outlining exactly what has been agreed.

Once projects reach completion, applicants are asked to submit to Salix a signed and authorised completion certificate for the final costs of the works.

Salix is required to carry out an audit process for a selection of applications and this will take place once a project has been agreed and committed. This audit will either be through an onsite visit to check on project progress or by requesting certain papers which support the work in progress.

The operating principle of SEELS is similar to the already well established Central Energy Efficiency Fund (CEEF). Both schemes provide capital funding for energy efficiency projects that is repaid over the payback period from the energy savings generated. After the payback period, the Council benefits from the ongoing savings throughout the lifetime of the installed technology.

The key difference between CEEF and SEELS:

- Maximum payback period for CEEF is 7 years, SEELS 8 years.
- CEEF amount available to fund energy efficiency projects are limited to funds available at the time of project funding application, as it is a revolving fund. SEELS fund is theoretically unlimited but subject to monies made available from Government on a first come, first serve basis on a yearly basis.
- CEEF can be used to fund renewables project subject to payback period of 9 years. SEELS fund cannot be used to fund renewables project.

6. IMPACT

Energy efficiency projects have an impact on:

- Carbon Reduction Commitment
- Energy Efficiency Savings identified in PBB Report 2013/14 – 2017/18

7. MANAGEMENT OF RISK

Consideration has been given to the risk of not achieving the energy savings. These risks are removed by installing only energy efficient street lighting that have been proven to provide energy savings by other Local Authorities and recommended by independent government bodies such as Scottish Futures Trust.

There is an environmental, financial and reputational risk if the Council does not achieve the carbon reduction targets as set out in the Climate Change Act Scotland (2009) and deliver the efficiencies identified in the PBB Report. CMT have also made a commitment to reduce the Council's energy consumption profile, as reaffirmed during 2013's PBB process, including the £200k energy saving programme that will be implemented in 2014/15.

8. BACKGROUND PAPERS

Aberdeen City Council 5 Year Business Plan 2012-2017

PBB Report 2013/14 – 2017/18

Aberdeen City Council Carbon Management Plan 2010- 2015

9. REPORT AUTHOR DETAILS

Mai Muhammad
Energy Manager
mmuhammad@aberdeencity.gov.uk
01224 522383