



SCOTTISH EXECUTIVE

Enterprise, Transport & Lifelong Learning Department
Energy & Telecommunications Division

Meridian Court
5 Cadogan Street
Glasgow G2 6AT

Ms Marie Porteous
Aberdeen City Council
Infrastructure Policy
St Nicholas House
Broad Street
Aberdeen
AB10 1GY

Telephone: 0141-242 5486
Fax: 0141-242 5807
Richard.bellingham@scotland.gsi.gov.uk
<http://www.scotland.gov.uk>

Your ref: MP/HD/5207
Our ref:

16 September 2004

Dear Ms Porteous

CENTRAL ENERGY EFFICIENCY FUND: OFFER OF GRANT

I refer to the application to the Scottish Ministers submitted by Ms Marie Porteous on 13 August 2004 on behalf of Aberdeen City Council. I am now writing to formally offer your Council grant support for the financial years 2004/05 to 2005/2006. This grant is offered on the understanding that the application is for provision of funding from The Scottish Ministers for a Central Energy Efficiency Fund which is to be spent by the Council as prescribed in the attached terms and conditions.

Subject to your Council's compliance with the conditions of grant attached, Scottish Ministers propose to make payments of a grant not exceeding £565,370 for financial years 2004/2005 to 2005/2006, such funding to be held in a revolving fund to be used for the purposes of reducing the Council's carbon emissions related to its use of energy. 65% of the grant will be payable in the first instalment and 35% in the second instalment. Therefore the first payment the council will receive upon acceptance of the attached terms and conditions will be £367,490.00.

In order to confirm this grant award you are required to complete and return one copy of the attached grant conditions duly executed by an authorised officer.

Yours faithfully

Richard Bellingham

ENVIRONMENT AND INFRASTRUCTURE SERVICES	
FILE REF:	
DATE:	17 SEP 2004
ATTENTION:	
AUTHOR:	
COPIES:	

CENTRAL ENERGY EFFICIENCY FUND: CONDITIONS OF GRANT

By accepting the grant the Council confirms it will take the necessary steps to use the CEEF to improve its energy efficiency.

1 Introduction

1.1 The Scottish Ministers (acting through the Scottish Executive Enterprise Transport and Lifelong Learning Department and referred to in these conditions as "the Department"), in exercise of their powers under section 153(1) of the Environmental Protection Act 1990, offer to give Aberdeen City Council, a grant of up to FIVE HUNDRED AND SIXTY FIVE THOUSAND, THREE HUNDRED AND SEVENTY POUNDS STERLING, £565,370 for the financial years 2004/2005 to 2005/2006 as assistance in implementing the Project as more fully described in the application for grant to the Central Energy Efficiency Fund dated 13 August 2004.

1.2 This offer of grant is subject to the terms and conditions of this letter and the Annexes to it.

2 Definitions and Interpretation

2.1 In these Conditions:-

"Agreement" means the agreement constituted by the Grantee's acceptance of the offer made in the Award Letter;

"Award Letter" means the letter offering the Grant to the Grantee;

"CEEF" means the Central Energy Efficiency Fund – which is a revolving fund held by the grantee for the purposes set out in condition 5 below.

"Financial Year" means a period from 1 April in one year until 31 March in the next or any part thereof;

"Grant" means the grant offered by the Scottish Ministers to the Grantee as specified in the Award Letter, as varied from time to time in accordance with these Conditions;

"Grantee" means Aberdeen City Council;

"Scheme" refers to the establishment and ongoing management of a Central Energy Efficiency Fund by the Grantee for the purposes described in condition 5 of these below.

2.2 In these Conditions unless the context otherwise requires, words denoting the singular shall include the plural and vice versa and words denoting any gender shall include all genders.

2.3 The headings in these Conditions are for convenience only and shall not be read as forming part of the Conditions or taken into account in their interpretation.

3 Purposes of the Grant

3.1 The Grant is made under section 153(1) of the Environmental Protection Act 1990 to enable the Grantee to carry out the Scheme.

3.2 The Grant shall only be used for the purposes of the execution of the Scheme and for no other purpose whatsoever.

3.3 No part of the Grant shall be used to fund any activity by the Grantee that is party political in intention, use, or presentation.

3.4 The Central Energy Efficiency Fund Grant is ringfenced and as such can only be used for the purposes specified in condition 5 below

4 Amount and Payment of Grant

4.1 The maximum Grant payable for each financial year is that stated in the table as set out in the Award Letter attached hereto.

4.2 Subject to the provisions of this Condition 4, the actual amount of the Grant payable in each Financial Year shall be limited to 65% of the maximum sum allocated to the Grantee over the two year period of this grant award in year one and 35% in year 2.

4.3 The Grant shall be paid by the Scottish Ministers to the Grantee in two instalments, one in each of the two financial years 2004/05 and 2005/06. In Financial Year 2004/05 the Grant shall be paid within three months of the date of this offer. In financial year 2005/06, the Grant shall be paid within three months of the date that the Department receives, from the Grantee, satisfactory monitoring reports and evidence that at least 50% of the funding for financial year 2004/05 has been spent appropriately. The Grantee shall claim each such instalment in writing in such form as the Department may specify. These instalments may be claimed by the Grantee in advance of any expenditure being made on eligible projects.

4.4 At the end of each Financial Year, the Grantee shall prepare an account showing the expenses reasonably and properly incurred by it in executing the Scheme during that Financial Year, the amount of balance in the revolving loan fund and details of payments made from and to the fund. Such account shall be certified as true and accurate by a member of one of the following bodies:

- a) The Institute of Chartered Accountants in England and Wales;
- b) The Institute of Chartered Accountants in Ireland;
- c) The Institute of Chartered Accountants in Scotland;
- d) The Chartered Association of Certified Accountants;
- e) The Chartered Institute of Management Accountants;
- f) The Institute of Company Accountants;
- g) The Association of International Accountants; or
- h) The Chartered Institute of Public Finance and Accountancy.

4.5 In addition to the requirement to submit an internal audit as specified at clause 4.4 above, a copy of the annual external auditor's certificate on the financial statements of the

grantee shall be submitted to the Department no later than 30 November each year following the completion of the audit.

4.6 It is a condition of this grant that the grant fund shall be held centrally in a revolving account. Grants made to Council Departments from this fund must be used for the purposes of procuring equipment that it is proven to lead to improvements in energy efficiency and the consequent reduction of energy related carbon emissions. **A separate budget must be created so that at any point the grantee is able to identify clearly the amount of money in the fund at any one time. The loan repayments from grant funded projects along with any management fees should be placed in the revolving account and thereafter used to fund other eligible projects.**

4.7 The Grantee is responsible for controlling their local fund and for deciding which projects should receive funding in accordance with the guidance issued by the Department.

4.8 The Grantee must use to the computer software supplied by the Executive to help assess potential projects. In deciding which projects should receive funding the Grantee is expected to favour those projects that offer the shortest payback times, while maximising carbon savings. The criteria for acceptable payback times will be contained in guidance issued by the Department from time to time.

4.9 Decisions as to which projects should receive funding must be made in accordance with the procedures as set out in the Grantee's application for grant, and must also be in accordance with the Grantee's own energy management strategy.

5 Eligible expenditure

5.1 All expenditure is to be incurred on measures that will reduce energy consumption and carbon emissions (unless on certain support functions as set in condition 8 below).

5.2 Expenditure must be on the Grantee's property including property managed by Trusts where such Trusts are funded by the Grantee (e.g. leisure trusts).

5.3 Expenditure can only be incurred on technologies in the list of eligible technologies contained in the guidance issued by the Department.

5.4 All projects must have a Net Present Value of one or greater and a simple payback of five years or less.

5.5 The Grantee is expected to explore other potential sources of funding before the CEEF is used to fund any project.

5.6 The types of eligible project, list of eligible technologies, and payback periods may be varied at the Department's sole discretion. The list of ineligible expenditure given at paragraph 6 below can be similarly varied at the Department's sole discretion. Eligible and ineligible expenditure will be listed in the guidance issued by the Department from time to time.

5.7 The Grantee may approach the Department to request variations to the list of eligible and ineligible projects. Such approaches shall only take place where the Grantee believes

that such a requested variation will help improve energy efficiency or reduce carbon emissions, and will not jeopardise or diminish the effectiveness of the future operation of the scheme.

6 Ineligible expenditure

- 6.1 Any expenditure on projects not meeting the above conditions.
- 6.2 Expenditure on projects that do not reduce energy consumption, such as power factor correction.
- 6.3 Expenditure on feasibility studies.
- 6.4 Expenditure on transport measures or housing (unless the local authority directly pays the energy bills for that housing eg: certain types of sheltered housing).
- 6.5 Expenditure on projects which solely act to reduce the consumption of electricity from a "green electricity" tariff.
- 6.6 Renewable energy projects.
- 6.7 Projects where the expenditure in question has been incurred prior to the date of the Award Letter, or the expenditure has already been approved to be met from other sources.
- 6.8 If ineligible expenditure is incurred then the CEEF must immediately be refunded by the amount of ineligible expenditure from the relevant budget.

7 Payback mechanisms

- 7.1 It must be agreed in advance that any project receiving funds from the CEEF will reimburse that funding, including running costs and other charges as set out in condition 8.2, below within the agreed payback period.
- 7.2 The Grantee must reimburse the funding provided within the agreed period – regardless of the actual savings achieved on energy bills.
- 7.3 The period for each project repaying the fund should be set in accordance with the simple payback time for the type of technology selected for that project (indicative payback times will be set out in guidance provided by the Department and amended from time to time). Payback times may be rounded upwards by up to one year.
- 7.4 Repayments from each project must be in equal quarterly instalments starting 3 months from the date of the project receiving funds from the CEEF.
- 7.5 The Grantee may also choose to adjust repayments in line with any increase in the Retail Price Index so that the real value of the CEEF is not eroded by inflation over time.

8 Running costs

8.1 A total sum no greater than 10% of the fund's value at the start of each year may be spent annually on running costs where these are directly related to the running of the fund.

8.2 The types of running cost that may be funded from the CEEF are listed below. No other types of running costs may be funded from the CEEF. :

- a) Training;
- b) Promotional activities;
- c) Wage costs of new posts created to support the running of the fund;
- d) Improving energy management information;

8.3 The full cost of these running costs must be recovered in full through an additional charge made on projects receiving funding from the CEEF. This additional charge will be apportioned on a pro rata basis relating to the total amount of funding received by each project.

9 Interest earned

9.1 Any interest or other financial return made from the fund must be added to the fund to increase its total value. This should occur no later than three months after this interest or financial return has been earned.

10 Monitoring

10.1 The Grantee must supply information to the Department on individual projects, the savings achieved, total energy use and the performance of the fund to facilitate the overall monitoring of the Scheme. This will be in a specified format, details of which will be set out in guidance issued by the Department.

10.2 Monitoring information must be provided to the Department on a six monthly basis during the initial two year grant period. Thereafter monitoring reports will be required on an annual basis. Reports may be reasonably requested by the Department on an ad hoc basis, which the Grantee should supply as soon as reasonably practicable.

10.3 In addition the Grantee must conduct a post project evaluation of the impact and effectiveness of all projects costing more than £100,000 (as well as conducting evaluations of a representative sample of other projects). The evaluation report must be submitted to the Executive within 18 months of the project's energy efficiency measures being installed. The required format of the report will be specified in guidance to be supplied by the Executive.

10.4 All projects receiving funding will be subject to random sample audit by the Department or their representatives.

10.5 The Grantee shall, in relation to matters covered by the CEEF, afford the Department or their representatives, and the Auditor General for Scotland, Audit Scotland or their representatives, or any other such other persons as the Department may reasonably specify from time to time, such access to those records and books of account as may be required by them at any reasonable time. This will be in response to a written request for such access

from the person seeking it. The Grantee shall provide such oral or written explanations in connection with the inspection of such records or books of account, or any entry in them or any matter arising from them as may be required by the person carrying out the inspection.

10.6 The Grantee shall ensure that adequate internal expenditure controls are in place and that all resources are used economically, effectively and efficiently. In particular the Grantee shall ensure that procurement is undertaken in accordance with the Grantee's financial instructions, EC Directives, UK Procurement Regulations, and State Aid Rules, and demonstrates Best Value.

10.7 The Department may also request any other information they may reasonably require to satisfy themselves that progress in the implementation of the Scheme is consistent with the bid. The Grantee shall provide the Department with prompt access to any information they reasonably require to ensure that these conditions have been complied with.

11 Good Practice

11.1 The Grantee agrees the Department will have the right to share the Grantee's experience with other public bodies so as to disseminate good practice.

11.2 The Grantee agrees to participate in any such promotional activity related to this fund that the Department may conduct.

12 Use of Information

12.1 The Department may make available relevant information to the Scottish Parliament and such other third party as they think fit

12.2 The Department reserve the right to share information contained within the monitoring information and any other reports they may require from time to time with such persons and organisations as they deem appropriate.

13 Compliance with the Law

13.1 The Grantee shall ensure that in carrying out the Scheme, they and anyone acting on their behalf shall comply with the relevant law for the time being in force in Scotland including, but not limited to Health and Safety, State Aids, Procurement, Planning and Environmental law.

14 Assets and equipment

14.1 The Grantee may dispose of any assets or equipment purchased with the loan fund money. All monies received from the sale shall be deposited in the revolving account set up for CEEF and shall be used to assist in the funding of future eligible projects.

15 Default

15.1 The Department may re-assess, vary, make a deduction from, withhold, or require repayment of the Grant or any part of it in the event that:

- a) the Grantee fails to comply with any of these Conditions, the Guidance or breaches any of the relevant laws;
- b) the Department consider that any change or departure from the spirit of the Scheme for which the Grant was awarded warrants an alteration in the amount of the Grant;
- c) any written information given to the Department by or on behalf of the Grantee in connection with the application for or payment of the Grant or in terms of these Conditions, read as a whole, is false or misleading in any material respect, whether such information is provided before or after the payment of any Grant is made;
- d) the Grantee fails to implement the Scheme; in the Department's opinion, progress on the scheme is not satisfactory; or
- e) in the Department's opinion, the future of the scheme is in jeopardy.

15.2 In the event that the Grantee becomes bound to pay any sum to the Department in terms of the preceding paragraph 15.1, the Grantee shall pay the Department the appropriate sum within 28 days of a written demand for it being given by or on behalf of the Department to the Grantee. In the event that the Grantee fails to pay such sum within the said period of 28 days, the Department shall be entitled to interest on the said sum at the rate of two per cent per annum above the base lending rate or the equivalent of the Royal Bank of Scotland plc prevailing at the time of the written demand, from the date of the written demand until payment in full of the said sum and interest.

15.3 Notwithstanding the provisions of the foregoing paragraph 15.2 in the event that the Grantee is in breach of any of the conditions specified in these Conditions, the Department may, provided that the breach is capable of a remedy, postpone the exercise of his rights to recover any sum from the Grantee in terms of the said paragraph for such period as he sees fit, and may give written notice to the Grantee requiring it to remedy the breach within such period as may be specified in such notice, and in the event of the Grantee failing to remedy the said breach within the period specified, the Grantee shall be bound to pay the said sum to the Department in accordance with the provisions of the foregoing paragraphs.

15.4 Any failure or omission by the Department to exercise or delay by the Department in exercising any right or remedy to which he is entitled by virtue of the foregoing paragraphs 15.1 to 15.3 shall not be construed as a waiver of such right or remedy.

16 Prohibition on Dual Funding

16.1 It is a condition of any Grant award that the Grantee is not in receipt of other sources of funding specific to the Scheme and in the event that there is dual funding to any extent, the Department shall be entitled to require repayment of the grant to the extent of any dual funding.

17 Assignment

17.1 The Grantee shall not be entitled to assign, sub-contract or otherwise transfer its rights or obligations under the Agreement without the prior written consent of the Department.

18 Termination

18.1 The Agreement may be terminated by the Department giving not less than three months notice in writing.

19 Continuation of Conditions

19.1 These Conditions shall continue to apply for ten years after the end of the financial year in which the final instalment of the Grant was paid, or such other date as may be contained in any guidance issued by the Department as amended from time to time.

