

RECORD OF EXECUTIVE DECISION

Tuesday, 15 December 2020

Decision No: (CAB 20/21 29462)

DECISION-MAKER:	CABINET
PORTFOLIO AREA:	Cabinet Member for Green City and Place
SUBJECT:	Clean Growth Fund
AUTHOR:	Jason Taylor

THE DECISION

- (i) To approve capital expenditure of £1.17 million from the existing Clean Growth fund capital scheme to be funded £0.59M from Contributions, £0.39M from Council Resources and £0.20M from Grants.
- (ii) To delegate approval to Executive Director of Finance and Commercialisation in consultation with Executive Director of Place to approve the terms and conditions agreement with Salix Finance to enable the drawdown of money in phase 1.
- (iii) To delegate approval to the Executive Director of Finance and Commercialisation, following consultation with the Executive Director of Place to secure additional grant funding or to approve changes to the delivery of phase 1 if required.

REASONS FOR THE DECISION

Southampton City Council (SCC) electricity prices have risen by almost 100% in 8 years. Industry forecasts suggest a similar rise in the coming years due to wholesale energy price rises and additional increases to the fixed costs included in the price of energy.

Annual spend on electricity and gas in SCC commercial buildings in 2019-20 was £4.2 million (£3.5 million on electricity and £0.7 million on gas).

This project is an opportunity for SCC to increase the energy performance of its corporate buildings as well as invest in and improve the value of its stock.

In 2019-20 SCC emitted 9,400 tonnes of CO₂ from its non-domestic buildings' gas and electricity use. The council's Green City Charter, adopted in June 2019, states that SCC non-domestic buildings will be net zero carbon by 2030. The proposed fund will assist the council with minimising its impact on the Climate Emergency, declared by council September 2019.

DETAILS OF ANY ALTERNATIVE OPTIONS

The option to deliver the Clean Growth Fund (CGF) without involving Salix Finance Ltd) was considered. The Council could fund these measures through capital borrowing without contributions from Salix. Under this option the net saving generated is higher in the early years of the project as the financial arrangement benefits from not having to repay the initial capital outlay into the CGF.

However, this option has been rejected because in the long-term it will be more beneficial to the council to recycle the savings generated into future projects, these can then be funded without the need for additional financing. This option also increases the overall borrowing liability for the authority.

The proposed option; where the CGF will be matched 50/50 between Southampton City Council and Salix Finance Ltd. ensures that the match funding provided by Salix is interest free which reduces annual financing costs. This has a positive benefit once the repayments to the fund have been made i.e. over the return on investment period. The repayments can then be used to fund additional energy and carbon saving projects generating further financial and carbon savings. It is estimated under the CGF model that the net saving to the general fund is higher from year 8 onwards.

Further detail on the recommended 100% borrowing option against the Salix Financed model can be found in Section 10 Finance and Funding, Option 1 appraisal in the attached Business Case report.

Carbon offsetting to reduce the council's impact on the climate emergency. The council could pay other organisations or develop projects that would offset the council's carbon emissions generated from its own building's gas and electricity usage. However, the council believes that first it should reduce carbon emissions from its own buildings and streetlighting, then only use cost effective proven carbon offsetting as a last resort to offset those emissions it's unable to mitigate with onsite energy reduction or renewable generation.

Do nothing. The Climate Emergency, declared by council September 2019, clearly states that the council must act now to reduce its impact on the ongoing climate emergency. In addition, energy costs continue to rise and by reducing annual grid based energy consumption the impact of future price rises can be mitigated.

OTHER RELEVANT MATTERS CONCERNING THE DECISION

None.

CONFLICTS OF INTEREST

None.

CONFIRMED AS A TRUE RECORD

We certify that the decision this document records was made in accordance with the Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000 and is a true and accurate record of that decision.

Date: 15th December,
2020

Decision Maker:
The Cabinet

Proper Officer:
Claire Heather

SCRUTINY

Note: This decision will come in to force at the expiry of 5 working days from the date of publication subject to any review under the Council's Scrutiny "Call-In" provisions.

Call-In Period expires on

Date of Call-in *(if applicable) (this suspends implementation)*

Call-in Procedure completed *(if applicable)*

Call-in heard by *(if applicable)*

Results of Call-in *(if applicable)*