

Appendix 2 – Background – Why the Change from Clean Growth Fund to CADS

1. An informal agreement (via letter) in 2019 between the council and Salix Finance Ltd covered a financial support mechanism from Salix to help the council deliver its transition to net zero carbon for the council's corporate assets. The letter proposed a £20 million fund to help meet the council's Green City commitments, 50% of which would be matched by Salix Finance Ltd. This match funding proposed using the Salix recycling fund model covered by a conditional interest free loan.
2. The council agreed to set up a Clean Growth Fund (CGF) and meet the remaining 50% capital, subject to approval to spend for each phase, which was to be based on a satisfactory business case and Salix compliance criteria being met. This £20 million Clean Growth Fund was included in the capital programme as part of the Medium Term Finance Strategy approved at full council in February 2020.
3. The CGF was set up to deliver energy efficiency and renewable energy projects within the corporate assets that meet the Salix compliance criteria. These decarbonisation works would help SCC reduce its energy revenue costs and meet its zero carbon aspirations.
4. A [Clean Growth Fund \(CGF\) Phase 1 Business Case and summary paper](#) (item 25.) was presented at Cabinet 15th December 2020, and approval to spend was authorised for Phase 1 (£1.17 million) of the Clean Growth Fund. This paper did not include the streetlighting costs as at that time of agreement an updated business case hadn't been agreed.

However, on 16th March, Salix informed Southampton City Council (SCC) that the Salix conditional interest free loan, that SCC were planning to fund 50% of the £20 million capital, is no longer available. Salix stated that the conditional loans would now be replaced by a grant funded Public Sector Decarbonisation Scheme (PSDS).

Therefore, an alternative funding solution was needed to continue the delivery of the low carbon infrastructure to achieve the council's transition to net zero carbon. Option 1 below has been proposed to replace the Clean Growth Fund.

5. In the interim, SCC successfully applied for a full £1.6 million capital grant via the Salix Public Sector Decarbonisation Scheme (PSDS) that will deliver energy efficiency and renewable energy works in 7 Southampton City Council corporate assets. Streetlighting cannot be covered by the PSDS grant as the technology does not meet the grants conditions. Some of the works being delivered by this PSDS capital grant had been approved under the Clean Growth fund Phase 1 building related works within the cabinet paper linked within Paragraph 18 above.
6. It is the remaining approved Phase 1 CGF building related works and the streetlighting LED upgrade that now require approval to spend due to the changes in the funding mechanism, which amount to £3.78M. These are works

that did not meet the conditions set out by the PSDS grant, but still have a sound business case to borrow against.

7. The delivery of the PSDS grant funded works have now been procured utilising a framework with Npower, with delivery stage contracts signed August 12th, 2021. A project management resource (Faithful & Gould) has also been secured and is being funded via the PSDS management fee, which was included within the PSDS grant fund application. PSDS measures can be seen in Appendix 3.
8. Table 8 below provides an overview of the decarbonisation projects historical timeline and projected timelines to end of 2021-22.

Table 8 – 2020/21 Decarbonisation Project Activity Timeline

Timeline Activity	Date
Clean Growth Fund Phase 1 Cabinet Decision	15 th December 20
Salix PSDS Grant Application Submitted	11 th January 21
PSDS Grant Offer Letter Received from Salix	10 th February 21
PSDS Added to Capital Programme & Approval to Spend at Full Council	24 th February 21
PSDS SCC Grant Acceptance Letter Agreed, Signed, and sent to Salix	25 th February 21
Faithful & Gould PM Resource Secured to manage Decarbonisation Works	15 th March 21
Salix Notifies SCC of Closure of 50/50 Match Funded Recycling Scheme	16 th March 21
Place & Finance Director's Briefed on Alternative to Salix Match Fund Closure	26 th March 21
Decarbonisation Board Set Up & Commences 1 st Tuesday of Each Month	6 th April 21
Updated Business Case - Southampton Decarbonisation Scheme	7 th April 21
Npower PCSA Design Contract Agreed & Signed – Npower/Eon Lead Contractor	12 th April 21
On Site Design Work Commences	14 th April 21
Local Elections – Change of Administration	6 th May 21
Design Report & Requirements Structure Issued to Npower by F&G	May 21
1 st Draft Designs Submitted	May 21
Technical Review and Stakeholder Briefings Commence	May 21
SCC Internal Stakeholder PSDS Design Pack Review Meetings Commence	26 th July 21
Provisional JCT Delivery Contract Signing Date	2 nd August 21
JCT Delivery Contract Signed	12 th August 21
Purchase Orders Approved & Sent to Npower for PSDS works	23 rd August 21
Pre-Start Meetings Commence	31 st August 21
On Site Works Commence	27 th September 21
CADS Approval to Spend Phase 1	November 21
PSDS Phase 1 Contract Completion Date	31 st January
Proposed CADS Phase 1 Buildings Works Completion	31 st March 21
Proposed CADS Phase 1 Streetlighting Works Completion	31 st March 22

