

Appendix Two

FUNDING STREAMS

Internal

Salix is an internal loan fund available to pay for energy saving measures to be installed in the Council's operational estate that have a payback of five years or less. The fund is repaid from energy bill savings. The fund was created in 2010 with £200K external contribution from Salix Finance (a Government backed organisation) and £200K match funding provided by the Council.

External

RE:FIT is a London Development Agency (LDA) mechanism to retrofit London's public sector buildings. With this the client (e.g. Fusion) would engage a contractor to identify, finance and install a set of measures into a set of buildings (e.g. the leisure centres) to deliver a predetermined energy saving (e.g. 20%) for a predetermined payback (e.g. five years). Since the contractor bears the risk of any shortfall (and would have to rectify this by installing more measures), the arrangement provides enough security for the client to borrow the upfront capital if required. This mechanism was set up by the LDA who have established a framework contract of contractors able to deliver the work and a £100 million fund (The London Green Fund) where not for profit bodies can access funding (at rates similar to the Public Works Loan Fund). The GLA pilot of RE:FIT on 42 buildings cut energy by 28% per site and delivered £1 million bill savings pa (for a £7 million investment – a 7 year payback).

London Green Fund is a £100 million fund set up to invest in schemes that will cut London's carbon emissions. Support will include loans to organisations wanting to use the RE:FIT mechanism and investment/ other support for medium to large scale decentralised energy systems.

RE:NEW is a LDA mechanism to retrofit London's homes with energy efficiency measures that Southwark was involved in piloting. In 2010, the London Development Agency (LDA) awarded the South East London Housing Partnership (SELHP) £503,594 in 2010-11 and £412,031 in 2011-12 to roll out the RE:NEW programme across the sub-region. SELHP consists of the London Boroughs of Bexley, Bromley, Greenwich, Lewisham and Southwark.

Nunhead and Dulwich wards were selected for roll-out of the RE:NEW scheme in Southwark. These wards were selected on the basis of their high potential for loft and cavity wall insulation and the fact that they are appropriately sized to deliver the target number of visits required by the LDA.

Southwark is the lead borough for finance and procurement under SELHP. In 2010, Southwark commenced a procurement exercise to select a contractor to deliver RE:NEW across the sub-region. The procurement exercise consisted of a mini-tender to select a contractor from an LDA framework.

In November 2010, the LDA announced that funding would no longer be available to deliver the scheme hence the procurement exercise came to a halt. In March 2011 it was announced that funding had been reinstated, although at a lower level than originally planned. £707,500 is now available to deliver RE:NEW across the London Boroughs of Bexley, Bromley, Greenwich and Southwark which works out at £176,875 per borough (Lewisham are procuring a separate scheme). The scheme must be completed by March 2012.

Approximately 6,000 home energy advice visits will take place across the SELHP sub-region. 1,500 of these visits will be delivered in Dulwich and Nunhead wards, resulting in savings for Southwark of approximately 750 tonnes CO₂ per annum. The CO₂ savings are based on an average of 0.5 tonnes CO₂ per household

Green Deal: from 2012, the Government is proposing that householders will be able to take out a loan of up to £6,500 to have energy efficiency measures installed in their home. This loan will be attached to the property and will be repaid through the energy bill savings. Measures installed will be based on an independent audit and the scheme is likely to bring lots of new providers into the market. A similar scheme will be available to businesses. This scheme is not yet in place and so subject to change.

CERTS/ CESP/ Eco: these are all legal obligations on energy suppliers to reduce CO₂ from homes by funding measures. CERT funds free loft and cavity wall insulation for those over 70 or in receipt of certain benefits. CESP was an attempt to encourage suppliers to fund a 'whole house' package of measures for homes in deprived areas such as the Peckham Low Carbon Zone. Eco will replace CERT in 2012 and will provide additional support for solid wall insulation.

Feed in Tariff (FiT) and Renewable Heat Incentive (RHI) are new financial incentives to install electricity generating (FiT) and heat generating (RHI) renewable energy systems. Systems receive a guaranteed income per unit of energy generated for the lifetime of the system. For example, a typical (2.2kW) domestic photovoltaic (PV – solar electric) installation costing £12,000, would earn around £920pa providing the householder an 8% return on his/her investment.