

SUBJECT: WG SALIX LOAN FUNDING BID FOR ENERGY RETROFIT WORKS

MEETING: COUNCIL

DATE: 25th JUNE 2026

1. PURPOSE:

- 1.1 To seek financial approval to undertaken decarbonisation and energy efficiency works in Monmouthshire County Council (MCC) buildings using Welsh Government (WG) loan funding through the Salix Wales Funding Programme (WFP).

2. RECOMMENDATIONS:

- 2.1 To approve the installation of a second phase of energy conservation measures (ECMs) with a combined simple payback of 8 years across multiple MCC buildings at a budget cost of up to £1M, generating net savings to the Council and reducing operational carbon emissions.
- 2.2 To fund the installation of the ECMs via a low-interest Salix loan from the WG Wales Funding Programme (WFP) repayable over 10 years from the energy savings generated.
- 2.3 To allocate a capital budget of up to £100,000 to provide a contingency within the total budget cost of the project.
- 2.4 To agree a delegated approval process for future Salix WFP eligible projects as part of the capital programme.

3. KEY ISSUES

- 3.1 MCC has made a commitment to make significant reductions in carbon emissions from our operations by 2030. To continue and accelerate progress towards these commitments, investment in building retrofit projects is required beyond the limited scope of existing capital decarbonisation and property budgets.
 - 3.1.1 Our Corporate and Community Plan and Climate and Nature Emergency Strategy states our commitment to reducing carbon emissions from our properties in line with WG ambition for a net zero public sector by 2030.
 - 3.1.2 Although some progress has been made to date, developing and securing funding for specific carbon reduction projects is required to make further significant reductions.
- 3.2 The Wales Funding Programme (WFP) is funded by WG, administered by Salix, and offers low-interest loans to Welsh public sector organisations for eligible energy efficiency and decarbonisation projects.
 - 3.2.1 To be eligible for funding, projects must be on the Salix approved list, have a maximum payback of 10 years, and a lifetime cost per tonne of carbon saved of £350.
 - 3.2.2 Matched funding may be provided by an organisation to top-up projects and meet eligibility criteria and is required to cover contingencies.
 - 3.2.3 MCC has previously used Salix funding to deliver solar PV, boiler and ventilation upgrades, and LED lighting upgrades for both buildings and street lighting.
- 3.3 A group of potential solar PV and LED lighting projects have been identified across 15 buildings and assessed for compliance against Salix eligibility criteria. (The list of buildings and projects can be found in Appendix A.)
 - 3.3.1 Projects have been selected in consultation with officers from Decarbonisation, Property, Education, and MonLife and prioritised based on decarbonisation surveys, maintenance programmes, and service requirements.

- 3.3.2 It is intended that if this application is approved further phases will be developed across the rest of the estate through a similar process, likely expanded to align with and take advantage of arising opportunities and wider decarbonisation ambitions.
- 3.4 The project has a total indicative cost is £877,473 and is forecast to generate carbon savings of 115.79 tCO₂e p.a. and energy savings of £112,422 p.a. with a simple payback of 7.8 years. The indicative eligible Salix loan funding contribution is £799,435 , representing a payback of 7.11 years and lifetime cost of carbon of £281.37 tCO₂e LT. Repayments on the Salix loan at an interest rate of 2.45% would be approximately £91,107 p.a. over 10 years covered by the energy savings.
- 3.5 The indicative Salix funding contribution is based on the eligible project costs including material, labour, and project management costs. The final figure may vary depending on the results of a mini-competition exercise for large LED lighting installations or any changes in the scope to accommodate arising opportunities.
- 3.5.1 A contingency cost of £78,038 has been included in the total project cost but may vary or not even be required. Contingency costs cannot be included in Salix funding application but could be met from existing capital budgets.
- 3.5.2 Although the Salix loan will be repaid over 10 years, the payback on the Salix eligible funding is 7.11 years and the predicted lifetime of the measures and the savings they will generate is over 20 years.
- 3.5.3 See Section 8 Resource Implications and Appendix B for further business case details.
- 3.6 A conditional application, pending Council approval, has been submitted to Salix early in May 2026 for technical assessment. It is expected that a decision would be confirmed by June 2026 with funding made available to draw down in the 2026/27 financial year. Works will commence from July 2026 onwards with an intended completion date in February 2027.
- 3.6.1 Salix and Welsh Government Energy Services (WGES) have been consulted throughout to advise on the application process and receive updates on timing of the submission. Responses have been positive with Salix and WGES keen to support projects.
- 3.6.2 An indicative programme has been developed with contractors to work around lead in times, available capacity, and holiday periods where works are being undertaken in school buildings. Although Salix allows two years to spend funding, it is intended to complete works in February 2027, although delays in approval processes may delay completion until summer 2027.

3.6.3 Assuming completion by February 2027, this will allow over a year's worth of energy savings to be accrued before loan repayments commence in February 2028. See Appendix B for business case modelling.

3.7 Key risks affecting the business case and delivery are summarised as follows: (See Appendix C for risk assessment drafted for Salix application.)

Risk	Likelihood	Impact	Mitigation
Failure to secure Salix funding approval, or for WG to allocate funding following elections.	Low	Low	<ul style="list-style-type: none"> • Salix engaged throughout project development with support from WGES and application submitted for technical assessment early May 2026. • Decarbonisation key UK and Welsh Government policy and loan funding fully expected to continue to aid delivery.
Delays in approvals for Salix application (internal and external) impact delivery and completion dates or equipment and delivery costs.	Medium	Low	<ul style="list-style-type: none"> • Early engagement with MCC Finance, Chief Officer, and Salix / WGES to identify and reduce causes for further approval delays. • If delays due to further processes or application queries are encountered, sufficient flexibility within programme and two years to complete works. • Costs have been confirmed against delayed programme and will be monitored through the approval and delivery phases. Flexibility in the approval limit for the Salix funding bid would allow significant increase to be absorbed within the funding approval and eligibility criteria.

Risk	Likelihood	Impact	Mitigation
Identification of asbestos, structural, or other maintenance issues during works add costs and delays.	Medum	High	<ul style="list-style-type: none"> • Sites selected in consultation with MCC Property. • Sufficient flexibility within programme to accommodate delays. • Provisional contingency costs and backlog / arising maintenance items to be covered from existing capital budgets. (See Section 8 Resource Implications.)
Volatility of energy prices or performance of measures leads to variation/reduction in energy rates and actual savings achieved by energy reductions.	High	Medium	<ul style="list-style-type: none"> • Salix eligibility criteria has been assessed based on 95% of predicated energy savings and 2026/27 energy prices. Latest forecasts estimate a 5% increase on electricity costs in April 2027. • M&V reporting will confirm actual energy consumption savings that can be applied to latest contract rates as they change and built into energy budget forecasts. • As with Re:fit Phase 1, energy savings recovered will be ring-fenced to create a sinking fund so that increased savings when rates are higher offset lower savings when rates are lower.

Table 1. Key risks and mitigations

3.8 Success will be completion by February 2027 within budget followed by demonstrable reduction in energy costs, expenditure, and carbon emissions and an increase in renewable energy capacity and generation.

3.8.1 Forecast carbon emissions reductions are 115.79 tCO₂e, equivalent to approximately 7% of the site emissions or 2% of emissions from MCC buildings. Emissions savings will be monitored through annual Net Zero Reporting submitted to WG and reviewed internally.

3.8.2 Forecast energy savings are £112,422, equivalent to approximately 12% of the site energy costs, or 2.7% of MCC energy budgets. Energy savings will be monitored through quarterly recharges to recover savings and budget monitoring.

3.8.3 Forecast solar PV generation is 120,949 kWh p.a. from an additional 133.2 kWp of installed capacity.

3.9 It is intended that further phases of Salix WFP eligible projects are identified, and applications are submitted in parallel with delivery of this project. Agreeing a delegated process for approval of Salix funding projects will allow applications to be submitted rapidly to avoid delays that can impact costs, delivery, and external funding availability.

3.9.1 This process could involve delegated authority to the Cabinet Member for Resources for loan funding applications and contingencies within specified funding eligibility criteria and a maximum value as part of the capital programme, while allowing flexibility in the sites, technologies, and inclusion of arising opportunities together with any procurement process.

3.9.2 A similar approach could be taken to wider decarbonisation projects and other funding streams, allowing more complex projects to be developed in advance with some certainty and approved quickly to secure arising funding and value for money following appropriate procurement processes.

4. EQUALITY AND FUTURE GENERATIONS EVALUATION (INCLUDES SOCIAL JUSTICE, SAFEGUARDING AND CORPORATE PARENTING):

4.1 The proposal does not have any negative Protected Characteristic, Socio-economic Duty, or Welsh Language implications.

4.2 The proposal contributes to the delivery of five of the seven well-being goals including:

- A prosperous Wales
- A resilient Wales
- A healthier Wales
- A Wales of cohesive communities
- A globally responsible Wales

4.3 The proposal demonstrates embedding and prioritising all five of the sustainable governance principles in its development.

4.4 The main positive impacts of the proposal are the reduction of energy costs and resulting carbon emissions, delivered through investment with local contractors to improve our built environment,

4.5 See Appendix D for the detailed Future Generations Evaluation.

5. OPTIONS APPRAISAL

5.1 See Sections 3 and 7 for risks and resource implications respectively.

Option	Benefits	Risks
Do nothing	<ul style="list-style-type: none">• None	<ul style="list-style-type: none">• Will not actively deliver targeted reductions in carbon emissions or increases in renewable energy capacity and generation.• Reputational damage of failing to deliver on decarbonisation commitments.• Added pressures on limited existing Property maintenance capital and revenue budgets to replace and upgrade lighting as it reaches end of life.
Use capital and grant funding to deliver projects.	<ul style="list-style-type: none">• Retain 100% of revenue savings from projects.• Supplements existing Property maintenance budgets.	<ul style="list-style-type: none">• Grant funding uncertain and covers more complicated projects that require speculative funding and external expertise to develop.• Additional capital likely to come from PWLB or similar funding requiring repayment at a higher interest rate (currently around 5.58%) than Salix funding (currently 2.45%).

Option	Benefits	Risks
<p>Deliver via external service provider and private funding, e.g. via Re:fit service provider.</p>	<ul style="list-style-type: none"> • Additional expertise and capacity to deliver. • Potential to identify and develop more complex projects with greater carbon savings potential. • Options for alternative funding approaches, e.g. long-term power purchase agreements from renewables. 	<ul style="list-style-type: none"> • Delivery costs for a similar Re:fit Phase 2 proposal were far greater making a smaller scope of works unviable, and additional expertise not required for simple scope of measures proposed. • Cost of borrowing higher through private third-party funding. • Re:fit approach may be viable for larger more complex projects outside internal delivery capacity and expertise, but will likely require new appointment under latest LP framework.
<p>Apply for Salix funding to deliver projects. (Proposed.)</p>	<ul style="list-style-type: none"> • Accelerated delivery of decarbonisation measures. • Reduction in future MCC Property maintenance capital expenditure for maintaining and replacing end of life lighting. • Lower delivery costs using existing capacity and in-house expertise. 	<ul style="list-style-type: none"> • Dependent on securing external funding with strict eligibility criteria and timescales. • Identification of asbestos, structural, or other maintenance issues during works add costs and delays. • Failure to deliver anticipated savings required for loan repayment due to performance or energy price issues. <p>(See Table 1 in Section 3 for key risks and mitigations.)</p>

Table 2. Options appraisal

6. EVALUATION CRITERIA

- 6.1 Forecast reductions in carbon emissions of 115 tCO₂e p.a. will be monitored through annual Net Zero Reporting submitted to WG and reviewed internally.

- 6.1.1 Emissions are reported at an organisational level but include individual site level emissions.
- 6.2 Forecast energy savings of £112,422 p.a. will be monitored through quarterly recharges to recover savings and budget monitoring.
 - 6.2.1 Recovery of savings for the proposed project will be added to existing recharges undertaken to monitor and recover savings from previous Salix and solar PV projects as agreed with CYP, MonLife and other impacted directorates.
 - 6.2.2 Where any subsequent phase includes occupiers with more direct control over energy budgets, e.g. voluntary controlled schools, a formal agreement to recover savings throughout the repayment period will be put in place.
- 6.3 Final figures for absolute carbon reduction and energy savings may differ from forecasts for several reasons. Monitoring and verification (M&V) using data analysis techniques is required by Salix and allows evaluation of the quantifiable benefit delivered by individual interventions.
 - 6.3.1 Changes in occupation and operation of buildings, weather, energy rates, and emissions factors may all impact savings or cause increases against baseline emissions or expenditure.
 - 6.3.2 Analysis of metered energy consumption and solar PV generation is already undertaken by the Decarbonisation team to quantify savings and cost avoidance achieved by previous projects. This will be extended to the proposed project and provide evidence for recovery of savings from energy budgets.
- 6.4 Evaluation of approval for future Salix WFP phases would be made against the Salix WPF eligibility criteria and a business case that indicates a net revenue saving can be achieved throughout the lifetime of the project.
 - 6.4.1 Similar criteria could be established for approval of wider decarbonisation projects, although due to the increased complexity and costs these would need to be assessed against broader criteria such as alternative funding stream eligibility criteria or whole life and carbon costs.

7. REASONS:

- 7.1 MCC has made a commitment to make significant reductions in carbon emissions from our operations, including from our buildings, by 2030.
 - 7.1.1 In 2019 Monmouthshire County Council (MCC) declared a climate emergency and made a commitment to strive to reduce our own carbon emissions in line with WG ambition for a net zero public sector by 2030.
 - 7.1.2 The Green Place objective in our Corporate and Community Plan states that we will reduce carbon emissions from our properties and increase renewable energy generation capacity.
- 7.2 Although some progress has been made to reduce carbon emissions from buildings, investment in building retrofit projects is required to continue and accelerate progress in line with our decarbonisation commitments.
 - 7.2.1 Carbon emissions from MCC buildings reduced by 10% between 2019/20 and 2024/25, due in part to a previous Salix project of approximately £2M delivered between 2021 and 2023.
 - 7.2.2 Reductions in emissions from buildings between 2023/24 and 2024/25 were minimal, reflecting internal capacity and capability limitations and the need to consider allocating additional project development, matched funding, and building maintenance budgets to support decarbonisation projects.
- 7.3 Wider decarbonisation of MCC buildings will require development of complex whole building projects with significant capital and revenue implications beyond the scale of Salix funding criteria. The proposed project allows progress to be made towards decarbonisation targets while a wider investment plan is considered and larger projects are developed.
 - 7.3.1 Surveys undertaken to date indicate that 2,958 tCO₂e p.a. of carbon savings could be achieved from a full scope of measures across all of our buildings but would cost approximately £85M and would not provide payback on investment.
 - 7.3.2 Grant funding is uncertain, limited in amounts and timescales, and often applies to more complex projects that require development to advanced stages and a significant commitment of matched capital investment.
 - 7.3.3 Approval of the proposed project will deliver 115.79 tCO₂e of carbon savings for a project with a simple payback of 7.8 years.

7.3.4 WGES have offered support to review and further develop feasibilities for wider decarbonisation at 5 key sites. Assuming WG continue to make funding available, this is expected to be completed early in 2026/27 and provide details to apply for matched development funding in the same year, potentially leading to capital funding bids for delivery of projects in 2027/28.

8. RESOURCE IMPLICATIONS:

8.1 The total indicative cost for the project is £877,473 based on quotations obtained from contractors, management fees and a contingency.

8.1.1 Quotations have been received from MCC Property framework contractors and equipment suppliers for equipment, materials, and labour costs totalling £695,161. A mini-competition has been undertaken for the larger lighting installations and the winning contractor has been notified resulting in savings on original budget quotes. Approval for an application up to £1M has been requested to allow for any cost increases due to approval delays or to take advantage of additional arising opportunities.

8.1.2 Project management costs have been estimated at 15% of the contractor costs, a figure of £104,274 to cover MCC officer time for project management, clerk of works, and health and safety (H&S) activities. Agreement will be made with Decarbonisation and Property teams to cap and share fees within this figure.

8.1.3 A contingency figure of £78,038 has been included based on 10% of the project costs.

8.2 The indicative eligible Salix funding contribution would be £799,435 at 2.45% interest repayable over 10 years at approximately £91,107 p.a.

8.2.1 The eligible Salix costs include materials, labour, and project management costs, but exclude any contingency costs.

8.2.2 The maximum Salix funding available for eligible costs based on the forecasted energy and carbon savings would be £994,430 with an 8.85 year payback, £350 tCO₂e, and repayments of approximately £107,631 p.a. over 10 years.

8.3 An indicative contingency figure of £78,038 will need to be allocated to cover any arising costs that have not been identified to date.

8.3.1 The contingency is based on 10% of the project costs and would cover arising issues such as unidentified asbestos removal, structural issues, or similar costs outside the scope of the Salix funding. The final contingency expenditure will vary or may not be

required at all depending on issues arising during delivery. Any backlog maintenance issues identified during the works will be met from existing Property maintenance budgets.

8.3.2 Approval for a capital budget for contingency costs of up to £100,000 has been requested to allow for any increase in the final project costs and Salix application amount as per item 8.1.1.

8.3.3 Capital budget of £292,047 remains to support Re:fit programme delivery including covering retentions and M&V fees from Phase 1 totalling approximately £103,036 and capitalised forecast maintenance costs. However, it may be preferable to allocate a separate contingency budget for this phase.

8.3.4 It is suggested that the ability to allocate capital for a contingency fee of up to £100,000 in future financial years is included within any agreed delegated approval process for future Salix WFP phases.

8.4 Forecast energy savings of £112,422 p.a. would be used to cover loan repayments of approximately £91,107 p.a. over 10 years commencing in February 2028 based on a £799,435 loan.

8.4.1 Forecast energy savings are based on 95% of calculated kWh energy savings at 2026/27 contract rates. Savings for LED lighting upgrades have been calculated on a room-by-room basis from hours of use and kW ratings of light fitting. Savings for solar PV systems have been calculated from generation modelled against building energy demand.

8.4.2 Salix repayments are taken annually in February of each year following completion of the full project scope of works, although interest charges apply from when funding is drawn down. By programming completion for February 2027, this will allow over 12 months of savings to be accrued before making a repayment, thereby avoiding a revenue pressure in the first year. The final annual repayment figure will vary according to the final loan amount, draw down schedule, and resulting interest charges.

8.4.3 Recovered savings will be ring fenced into a sinking fund to avoid revenue pressures and account for variations in savings due to energy contract price changes or delays in completion. This will also allow any additional maintenance costs to be covered by the savings and potentially early repayment of the loan to reduce interest costs.

8.4.4 Although the loan will be repaid over 10 years, the predicted lifetime of the measures and the savings they will generate is over 20 years creating a net long-term revenue benefit.

- 8.5 Maintenance costs are assumed to be cost-neutral, with energy and lighting maintenance savings outweighing any additional solar PV maintenance costs.
- 8.5.1 Annual solar PV maintenance inspections have been quoted at £300 per site (£1,200 for the 4 installations planned) and existing installations have proved to be relatively low maintenance. Inverters may need to be replaced some time after 10 years, but could be funded from the long-term net revenue savings.
- 8.5.2 Additional maintenance savings are expected from not having to replace lamps due to longer life of LED lighting and transferring the cost of replacing end of life lighting from a future capital budget pressure an energy revenue saving.
- 8.6 Delivery of the project will be undertaken from existing MCC officer and Property maintenance framework resources.
- 8.6.1 MCC Decarbonisation team will provide project management, Salix funding administration, and M&V services, with one of the Decarbonisation Project Officers taking the lead as Project Manager. The appointment of the Energy Officer in January 2026 will provide additional capacity for identifying, delivering, and monitoring decarbonisation projects.
- 8.6.2 MCC Property officers will provide technical advice where needed, including clerk of works services and H&S support.
- 8.6.3 Contractors have been appointed through the existing Property maintenance framework, either via direct call-off for smaller schemes or following mini-competition for the sites over £50k.
- 8.7 See Appendix B for business case budget modelling

9. **CONSULTEES:**

- Chief Officer Infrastructure
- Landlord Services (Estates and Property)
- Education
- MonLife
- Procurement (Ardal)
- Finance
- Salix Finance

- Welsh Government Energy Services (WGES)

10. BACKGROUND PAPERS:

Appendix A – Salix Compliance Tool

Appendix B – Business Case Modelling

Appendix C – Salix Project Risks and Mitigation

Appendix D – Integrated Impact Assessment

11. AUTHOR:

Ian Hoccom, Decarbonisation Manager

12. CONTACT DETAILS:

Tel: 01633 64 4448 / 07920 504695

E-mail: IanHoccom@monmouthshire.gov.uk