



Your partner for
a low carbon future

Salix Finance Ltd

Annual Report and Accounts 2021-22

salixfinance.co.uk

Salix Finance Limited

Annual Report and Accounts 2022

(For the financial year ended 31 March 2022)

Registered Office:

10 South Colonnade
Canary Wharf
London, E14 4PU

Registered Number:

05068355

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Strategic Report

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About us

Salix Finance Ltd (Salix) is a company limited by guarantee under the Companies Act 2006 and is incorporated in the United Kingdom. Salix was re-designated as a non-departmental public body of the Department for Business, Energy and Industrial Strategy (BEIS) in September 2020. Salix delivers funding on behalf of BEIS, the Department for Education (DfE) and the Scottish and Welsh Governments, and provides professional and tailored support, to public sector organisations. This support enables and inspires local and national climate action in the transition towards a low-carbon future. These funding schemes are dedicated to enabling the public sector to reduce their carbon emissions in line with the UK Government's commitment to become net-zero by 2050.

Salix delivers on behalf of our funders, a mixed financing portfolio of grants and loans to public sector organisations through the Public Sector Decarbonisation Schemes (PSDS), Public Sector Low Carbon Skills Fund (PSLCF), Public Sector Energy Efficiency Loans Scheme (SEELS), Scotland Public Sector Energy Efficiency Scheme, Wales Funding Programme and Salix Recycling Fund Scheme. The purpose of these schemes is to finance delivery of capital energy efficiency and heat decarbonisation projects within public sector non-domestic buildings, including central government departments and non-departmental public bodies in England.

Salix also plays a key role in increasing the awareness across the public sector throughout the UK in the importance of energy efficiency and heat decarbonisation.

Salix's key strategic objectives are to:

- Become the established industry expert in public sector energy efficiency, particularly around the decarbonisation of heat.
- Continue to deliver significant reductions in carbon emissions and greenhouse emissions across all parts of the public sector.
- Demonstrate value for money, managing funds efficiently and effectively.
- Expand our communications and outreach to ensure increased uptake from all types of public sector organisation, and
- Create a high degree of awareness at all levels across the public sector about the opportunities for reducing carbon emissions and energy costs.

The Board



Annie Shepperd OBE
Chief Executive



Teresa Graham
Chair



Helen Powell
Director of Finance and Resources

Non-Executive Directors



Tracy Vegro OBE
Non-Executive Director



Michael Stark
Non-Executive Director

Chair's foreword

Since transferring into public ownership in September 2020 and launching the first phase of the Public Sector Decarbonisation Scheme for the Department for Business, Energy and Industrial Strategy (BEIS) I have been impressed with Salix's swift and flexible response to the challenges posed by the impact of these rapid changes in the face of the constraints of the pandemic. The challenges of the transition from a small independent company delivering loans, to a Non-Departmental Public Body launching and delivering major Government grant schemes in such a short time frame cannot be underestimated.

Throughout this period Salix ensured that it did not lose sight of its overall mission – to play a lead role in supporting the public sector in its transition to a low carbon future.

Salix has an 18-year record of success in reducing carbon emission in the public sector. Throughout, Salix has delivered, in a cost-effective way a variety of schemes on behalf of the UK Government, enabling public sector clients to complete over 21,000 energy saving and heat decarbonisation projects, valued at £2.07bn. Projects funded through loans have generated cash savings of £3.65bn over their lifetimes, a significant 76.6% return on investment.

Despite the rapid growth in the last two years to support the delivery of the new grant schemes this has all been achieved by a small team and we take great pride in operating in an effective and efficient way, with an inclusive and customer-focused approach.

Salix is well positioned as a delivery partner of choice in the Government's drive to decarbonise the public sector.

Our success is down to our people. I would like to record my thanks to the Salix team, and the Chief Executive Annie Shepperd, for their continued commitment and dedication to the Company's performance as it continues to grow and successfully achieve its objectives for the UK public sector.

I also wish to thank my fellow non-executive directors for their continued support and wise counsel throughout the year. At the end of May 2022 John Edmonds retired as a non-executive director. On behalf of the Board and the executive team I would like to thank John for the significant contribution he has made to Salix over his time in office. I would also like to welcome Tracy Vegro OBE who joined the Board as a non-executive director in August 2022.



Dame Teresa Graham DBE
Non-Executive Chair

Chief Executive's statement

Salix is central to the Government's dual agenda: channeling investment to improve energy efficiency in the public sector, by driving up growth in the private sector which is best placed to deliver these improvements. Salix responds to the global need to address the climate challenge, by removing reliance on fossil fuels and increasing energy efficiency.

Salix takes pride in the numerous case studies we publish, showcasing successful projects that are delivering change: from small rural schools to (this year) removing the last coal-fired hospital boiler from the NHS estate. These case studies clearly demonstrate that Salix is more than a delivery body that allocates public funds: we are **change-makers**.

For me, a highlight of the past year was joining staff in Glasgow for the CoP26 talks. I participated in a panel discussing Scotland's role in a net-zero world and demonstrated the transformational work taking place in Scotland. Across the UK, Government funding directed to reducing the carbon footprint is creating skilled jobs and investment in the energy industry. These new employment opportunities in engineering, building design and construction contribute greatly to the wellbeing of families throughout our country.

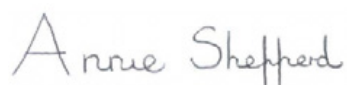
Our work with schools and academies has grown significantly over the year. As COVID restrictions eased staff were able to visit schools again, sharing experience of successful projects which have reduced consumption in schools. These projects also educate young people on energy matters. Many schools are incorporating into their curriculum how their school has become more energy efficient, and their carbon footprint reduced.

Salix manages public money as if it were our own. Sound financial management, and prevention of any wasted expenditure, are in Salix's DNA. We are grateful for the support we receive from specialist teams across government that help us keep funds safe.

This year Salix launched two further phases of the Public Sector Decarbonisation Scheme (PSDS) for the Department for Business, Energy & Industrial Strategy (BEIS). We also completed the delivery of Phase 1 PSDS, launched in September 2020 as part of the Chancellor's 'Plan for Jobs 2020' commitment to support the UK's economic recovery from COVID-19. The challenges for our public sector clients in delivering complex projects as we emerge from the global pandemic cannot be underestimated. Together we have achieved remarkable success in delivering this agenda.

Salix gets outstanding feedback from our clients. Almost all our clients report that they trust us. Being trustworthy is one of our core values, alongside selflessness, integrity, objectivity and accountability. I think it is fair to say that Salix is now a household name in the public sector, and we are determined to maintain our strong relationships with the sector and grow and make changes together for the future.

The health and wellbeing of the staff at Salix is our top priority. Throughout the pandemic I saw firsthand the way our people cared for one another. They gave enormous support to funders, clients, and contractors in the most challenging situations. It is impossible not to feel a huge sense of pride in every single member of staff who showed such determination and resilience to completing our projects with an unwavering sense of purpose. I must pay tribute to the dedication of our amazing, talented, and dedicated staff. Thank you, Team Salix!



Annie Shepperd OBE
Chief Executive and Accounting Officer

Salix at a glance

Our guiding principles are to:

- Be an exemplar green company and embrace the innovation of technologies to achieve efficiencies in the carbon agenda.
- Be effective stewards of public money.
- Operate in an open, honest and transparent manner.
- Build relationships high in mutual trust; allow staff responsibility and respect them as individuals (be an equal opportunity employer), and
- Ensure staff are well trained, able to grow and develop within the business, enabling strong succession planning.

The Salix delivery model

Salix's role as delivery partner is to:

- Design and manage each scheme application, assessment, and funding allocation process in line with the relevant scheme criteria.
- Support and monitor project delivery for all successful applicants post funding allocation.
- Distribute funding and collect loan repayments.
- Provide an audit role to ensure public money is used for the purposes allocated.
- Work closely with all stakeholders to ensure the smooth delivery of all projects.

Salix has an established history of working with public sector organisations, supporting and guiding them as they deliver their carbon management plans to reduce their carbon footprint and energy bills. Our delivery model is built on expertise, trust and strong values. Since 2004 Salix has developed strong relationships both with its central government partners and across the broader public sector enabling it to deliver its funding schemes.

Key to Salix's delivery model is building strong relationships with clients. Salix staff consult with clients supporting them as they develop and deliver their projects. Not only are staff on hand to coach, support and advise clients throughout the process but Salix's internal technical experts can also advise on the key energy issues and how various technologies can impact a project to achieve the best result. Regular client engagement is central to Salix's delivery management approach. We work with clients from the moment a scheme is announced, throughout the application and delivery stages to when a project is fully operational on site.

This includes holding webinars and drop-in sessions with clients to provide information, and answer questions, as well as relay information about key deadlines and processes. These sessions enable us to share industry information and spread learning across the sectors. Salix also prepares customised videos designed to talk clients through the payments, conditions and completions processes as well as any other features specific to the scheme.

In addition, each client is assigned a dedicated relationship manager who helps guide the client through the funding and delivery process during face-to-face calls and through visiting the projects on site.

This effective communication is pivotal to the success of the projects, ensuring early identification and resolution of any issues and that projects remain on track to deliver results for the public sector organisation, the communities it serves, and the scheme.

Salix also works with clients, BEIS and the Scottish and Welsh Governments, actively seeking positive media coverage for funded projects to create awareness of the contribution they make to society. Salix is proud of the strong relationships we build and maintain across all stakeholders, shining a positive light on capital energy efficiency and decarbonisation projects across the UK.

This approach is valued by our clients, as demonstrated by our client satisfaction surveys where over 90% of clients consistently rate both the Salix service, and the expertise offered, as either 'good' or 'very good'.

Performance summary

Performance against strategy

Our performance is measured by ensuring that the funding available for a particular scheme within a financial year is fully allocated and ensuring projects are completed within the required timeframe. The uptake of available funding and competition of projects is dependent on clients' readiness. We work with our clients to identify any issues early to ensure projects complete in the agreed timeframes. The table below shows funds delivered by Salix in this financial year.

Value of loans and grants delivered by Salix between 1 April 2021 and 31 March 2022

	Grants / Loan commitments made by Salix on behalf of funding bodies	Grants /Loans issued by Salix on behalf of funding bodies	Grants / Loans issued directly by funding body
	£m	£m	£m
Phase 1 Public Sector Decarbonisation Scheme (Phase 1 PSDS)	-	342.5	-
Phase 2 Public Sector Decarbonisation Scheme (Phase 1 PSDS)	-	59.2	-
Phase 3 Public Sector Decarbonisation Scheme (Phase 1 PSDS)	553.7	1.3	-
Phase 2 Public Sector Low Carbon Skills Fund (Phase 1 PSLCF)	14.6	14.6	-
English Loan Schemes	-	94.1	-
Scottish Loan Schemes	4.9	0.5	16.0
Welsh Loan Schemes	11.5	18.1	
Total	584.7	530.3	16.0

Public Sector Decarbonisation Scheme

The Public Sector Decarbonisation Scheme (PSDS) provides grant funding to public sector organisations to deliver capital energy efficiency and heat decarbonisation projects within public sector non-domestic buildings, including central government departments and non-departmental public bodies in England.

Public Sector Low Carbon Skills Fund

The Low Carbon Skills Fund (PSLCSF) provides funding for public sector organisations to engage specialist and expert advice to develop heat decarbonisation plans for their estate.

English loan schemes

The Public Sector Energy Efficiency Loan Scheme (SEELS) closed to new applications on 31 March 2021.

Scottish loan schemes

Salix manages two loan schemes on behalf of the Scottish Government: the Scottish Energy Efficiency Loans Scheme, and the Scotland Recycling Fund loan scheme.

Welsh loan schemes

Salix manages two loan schemes on behalf of the Welsh Government: the Wales Energy Efficiency Loans Scheme and the Wales Recycling Fund loan scheme.

Phase 1 PSDS

Phase 1 PSDS was launched by Salix on behalf of BEIS in September 2020 as part of the Chancellor's [Plan for Jobs 2020](#) commitment to support the UK economic recovery from COVID 19.

The scheme provided £1bn of funding for capital energy efficiency and heat decarbonisation projects. £600m of this grant funding was distributed during the year ended 31 March 2021.

During the year ended 31 March 2022, Salix distributed a further £342.5m of these grants. In total over 90% of the funding available for Phase 1 has been disbursed, funding 449 projects.

Phase 2 PSDS

Phase 2 PSDS was launched by Salix on behalf of BEIS in March 2021 and opened for applications on 7 April 2021.

The scheme provided up to £75m of grant funding for capital energy efficiency and heat decarbonisation projects to be distributed in 2021-22. £59.2m of this grant funding was provided for 46 projects during the year ended 31 March 2022.

Phase 3 PSDS

Phase 3 PSDS was announced by BEIS in October 2021 and will provide £1.425 billion of grant funding over the financial years 2022/23 to 2024/25 through multiple application windows with the aim of reducing emissions from public sector buildings as set out in the 2021 [Net Zero](#) and [Heat and Buildings](#) strategies.

Phase 3a, launched by Salix on behalf of BEIS, opened to applications on 6 October 2021. £555.7m of grant funding has been allocated across 219 projects, of which £1.3m was distributed during the year ended 31 March 2022. The remainder will be distributed by Salix on behalf of BEIS over the financial years 2022/23 (£473.3m), 2023/24 (£72.9m) and 2024/25 (£8.2m).

The scheme continues the objectives of Phase 1 PSDS but with an increased focus on heat decarbonisation. Its aim is to ensure that the public sector is on track to deliver its share of the Fourth, Fifth and Sixth Carbon Budgets.

Phase 2 PSLCF

Phase 2 PSLCF was launched by Salix on behalf of BEIS in July 2021 and provided up to £15m of grant funding. £14.6m of this grant funding was distributed during the year ended 31 March 2022 for 218 projects.

English loan schemes

The Public Sector Energy Efficiency Loan Scheme (PSEELS) closed to new applications on 31 March 2021. During the year ended 31 March 2022 Salix distributed £94.1m of loan funding, to fund 192 energy saving projects that had been committed in the financial year 2020/21.

Scottish loan schemes

During the year ended 31 March 2022 Salix distributed £0.5m of loan funding, to one Recycling Fund client.

In addition, on 27 August 2021 Salix was appointed to deliver the University Financial Transactions Programme (UFTP) 2021-22 for the Scottish Funding Council (SFC). The programme provides up to £33m of loan funding to be distributed in 2021-22 to Scottish Universities to invest in capital projects that are part of a university estate's strategic response to the Climate Emergency. Salix's role included assisting in the review and prioritisation of proposals and monitoring and reporting on projects funded, but all payments are made directly to universities by the SFC.

Welsh loan schemes

During the year ended 31 March 2022 Salix distributed £18.1m of loan funding to 16 energy saving projects.

Implementing new schemes

Phase 3b Public Sector Decarbonisation Scheme

Phase 3b PSDS was announced on 2 August 2022 and is expected to open for applications in 2022. The scheme will provide up to £635m of funding to public sector organisations, to be spent in the financial years 2023/24 and 2024/25.

Phase 3 Public Sector Low Carbon Skills Fund

Phase 3 PSLCF was launched in May 2022 and opened to applications in June 2022. The scheme provides up to £14m of grant funding to be spent in the financial year 2022/23.

The scheme continues the work of Phase 2 PSLCF enabling public sector organisations to engage specialist and expert help to develop heat decarbonisation plans and take steps towards a low-carbon future.

Scottish and Welsh loan schemes

Salix continues to work with the Scottish and Welsh Governments in delivering their energy efficiency loan schemes.

Homes Upgrade Grant and Social Housing Decarbonisation Fund schemes

The Home Upgrade Grant (HUG) and Social Housing Decarbonisation Fund (SHDF) schemes are government funded schemes aimed at delivering energy efficiency and decarbonisation measures to certain homes in England. Salix and BEIS are jointly exploring the potential for Salix to take on the role of Delivery Agent to manage the delivery of the next phases of these schemes that were launched in July and September 2022.

Site visits are back

Following the challenges of operating under lockdown restrictions during the year, Salix was able to recommence site visits when the restrictions were eased. Site visits provide a great opportunity to better understand different types of technologies and discuss challenges clients face. These visits enable Salix to strengthen relationships with clients. They provide an opportunity to engage in a deeper conversation about the project, discuss risks and issues, as well as learning first-hand how Salix can impact on client projects and delivery; lessons we can then use to adjust our internal processes to better support client project delivery. In this, they have been invaluable.



Organisational resilience

Following the gradual lifting of restrictions in 2021-22, we continued to adapt and refine our organisational resilience. Staff continued to work remotely until September 2021, following which we moved to a hybrid working model. Our wider business continuity plan was aligned during the year to our changing risk profile, for example, use of a Cloud IT infrastructure and less dependency on a physical site. The assessment of risk now considers cyber-security arrangements, and a testing programme has been developed for our new approach to organisational resilience in line with our assessment of current and future risks.

Engaging with clients

2021-22 was the first full year of Salix operating as a non-departmental public body. Whilst for most of the year events were still online, we were delighted to see some of our stakeholders in person towards the end of the year. We have continued with our online webinars informing stakeholders about the schemes. Making communications fully client-focused has always been our key focus. It is not easy, is never achieved overnight, but when done well, it is worth celebrating.

The highlight of the year was attending CoP26, where Chief Executive, Annie Shepperd took part in a panel discussing Scotland's role in delivering a net-zero world as part of the Holyrood Fringe Festival. Fellow panel members were Chris Stark CEO of the Committee on Climate Change, France Guy from Scotland International Development Alliance, and Frank Rijsberman of the Global Green Growth Institute.

Salix hosted its own event at the City of Glasgow College, 'What net zero looks like: Climate Projects across the UK', where presenters from the Salix Scotland and communications teams showcased exemplar projects from across the UK to celebrate the success of the UK public sector in reducing their carbon footprint. Salix's Scotland Programme Manager also sat on a panel at the Universities Showcase in partnership with the University of Strathclyde. This event brought together key personnel from across Glasgow to discuss the city's efforts to become net zero through innovative ideas such as Living Labs and a Climate Neutral District.

Teams across Salix also made the most of attending networking events such as the Energy Management Exhibition (EMEX) in London and the Inclusive Learning Environmental Show in Coventry. We were also fortunate to present the role of the grants and loan schemes for energy efficiency and decarbonisation, leading to further engagement with key stakeholders at the Sixth Form College Association Funding and Finance Conference.

Awards

Entering industry-specific awards for scheme funded projects is a significant activity for the in-house communications team. It means Salix can build strong client relationships when honouring the work achieved jointly. Awards received in 2021-22 included the Big Sustainability Award for Carbon Reduction Project in partnership with the University of Reading.

Salix also won the National Environmental Awards in Wales for the Best Policy and Practice within the public sector. We were also proud winners of the award category Heat and Efficiency: Design Innovation at the ADE's Decentralised Energy Awards. The event attracted more than 400 guests from across the decentralised energy sector, Government, and the wider economy.

Change delivery

Over the course of the year, we delivered system, process and/or service improvement changes. Regulatory system and process changes were needed as Salix operated as a non-departmental public body. These changes were targeted at improving the overall service provided by our operational and client facing functions, with a mixture of front-end and back-end improvements. Additional reporting requirements by our stakeholders has also led to enhancements of the data input interfaces of our systems to meet the challenge. The work of continuous service improvements is ongoing to create better systems, documentation, data integrity and processing that optimises our operational effectiveness.

Digital and technology

The information systems team has grown to meet the increasing needs of Salix. The new Head of Information Systems was appointed in November 2021 and attends government IT forums.

In January 2022 the team launched the IT Transformation programme which is modernising our systems, including enhancing our delivery client relationship management system and migrating services to the cloud. We will also be implementing a new enterprise resource planning software to improve our corporate services starting with finance.

Following the announcement by BEIS to end the English loan schemes, Salix assessed the technical feasibility of the Salix Energy Reduction System 2 (SERS2), an improved version of the existing SERS1, that was under development. The Director of Finance and Resources recommended to Salix's management to stop further work because the loan schemes it was going to service were coming to an end and Salix could not repurpose the system.

The team continued to improve online collaborative working including migrating Salix from an on-premises server to the cloud.

Throughout the year, the team adjusted messages about new and emerging risks and refocused communications and monitoring activities accordingly. Key company and central government directives about managing cyber risks during lockdowns were implemented swiftly. Salix systems were also updated to support the changing profile of our hybrid workforce.

Cyber security

We run regular training videos that create awareness of cyber risks for all staff including the Board. In addition, we secure critical information and maintain secure access to our network and cloud-based business applications by using industry expert service providers and experienced internal staff in information systems and office management functions. The combination of internal expertise and external suppliers allows for buy-in of expertise and flexibility with deploying resources.

Fraud

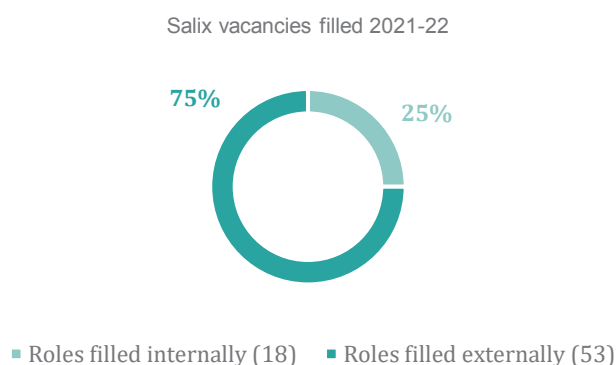
This is a continued risk to Salix's work and ensuring that we have robust processes and procedures in place to prevent and detect fraud is a key priority for Salix. This is supported by a robust Anti-Fraud Policy and continuous training for all staff regarding fraud prevention measures at work.

Our people

Salix's People objective is to develop, foster and maintain a highly skilled and motivated workforce. We aim to do this by attracting and developing a diverse and inclusive workforce, where our culture reflects our values and employees feel engaged and motivated. We encourage our employees to uphold the highest standards in our business interactions and to live by our values in everything they do.

Attraction and retention

We continue to develop our employer brand to attract the right talent into the organisation. Our philosophy is to offer everyone in our company the opportunity to develop and grow. We recognise this can be challenging in a small company and this is why we have taken steps to ensure we continue to develop career paths for our people through succession planning and creating job families that will provide staff progression opportunities. Our default position is to fill role vacancies internally where possible, and in 2021-22, 25% of 71 vacancies were filled internally.



Our workforce

We encourage our people to contribute ideas and solutions for continuous improvement, and to enhance our work and client experience status both internally and externally. Like all organisations, our staff had to work very differently because of the pandemic, which also affected their personal lives. We put in place several measures to support our staff this year.

This year, we continued with our internal change programme to build a dynamic organisation that will effectively position the business and help us respond to our stakeholders in a rapidly changing environment now and in the future. This included recruiting more staff numbers as a means to improving the way we have to work to meet our increased responsibilities. This has given us a strong base from which to continue growing and to make our vision of accelerating the delivery of energy efficiency and decarbonisation a reality.

Employee engagement

The Chief Executive Officer chairs a monthly all staff meeting where she actively has open conversations and fields questions from staff. There are also regular team meetings across different functions as well as fortnightly, corporate management meetings for all corporate managers. These meetings are used to cascade down key messages and build relationships across Salix. In addition, Salix has regular communication events including a detailed structured induction programme for new staff which has earned very positive feedback cementing Salix's reputation with staff as a welcoming environment.

Investing in our people - Salix, a learning organisation

We empower our people to develop themselves and their teams, providing tools to drive career development and growth. As a learning organisation, we support staff in developing their skills and capabilities. Staff at Salix continue to value the opportunity to participate in a variety of training and development activities in order to effectively undertake their jobs. In 2021-22, we built upon our new learning and development offering, continuing to upskill our people and give them the business and industry sector skills they need. We have sponsored 12 professional qualifications in 2021-22 and have continued to use online training as part of staff's continued professional development, with the aim of adopting a blended approach of online and person training. In 2021-22, Salix staff attended a total of 769.75 days of learning which averaged about seven days per person.

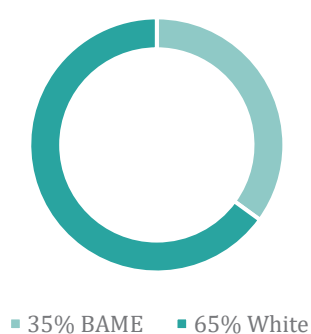
Equality, Diversity and Inclusion (EDI)

At Salix, diversity is one of our core values. We recognise that employing a diverse workforce will help us develop the skills and capabilities we need to service our clients and make decarbonisation a continued success in the future. We are at our best when people with different backgrounds and experiences come together to collaborate and help us to empower the move to fund more energy efficiency and decarbonisation projects through new data, insight, and capabilities.

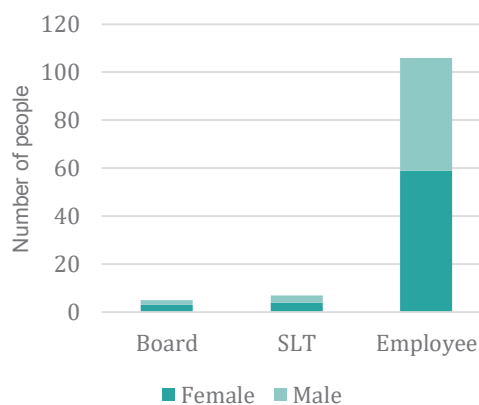
We are committed to helping everyone be at their best by creating a sense of belonging and valuing the individuality and uniqueness of colleagues. We want our people to feel they can be themselves at work. This year we have striven to create a more diverse and inclusive culture by defining what inclusive leadership means at Salix and rolling out inclusive culture training across the business with a focus on bias, equality, and fairness to demonstrate the business benefits of EDI.

We have 17 different nationalities represented by our employees, and an even wider range of backgrounds, skills and experience, all of which provide a lively and diverse environment for our staff to work within. Approximately 35% of staff are from a black, Asian or minority ethnic group (BAME); approximately 63% of our staff are female and 47% of our Senior Leadership Team are female. 60% of our Board members are women. We are not complacent, however, and we continue to work hard to attract and maintain diversity and inclusion in our business.

Salix ethnicity split 2021-22



Salix gender split - all levels

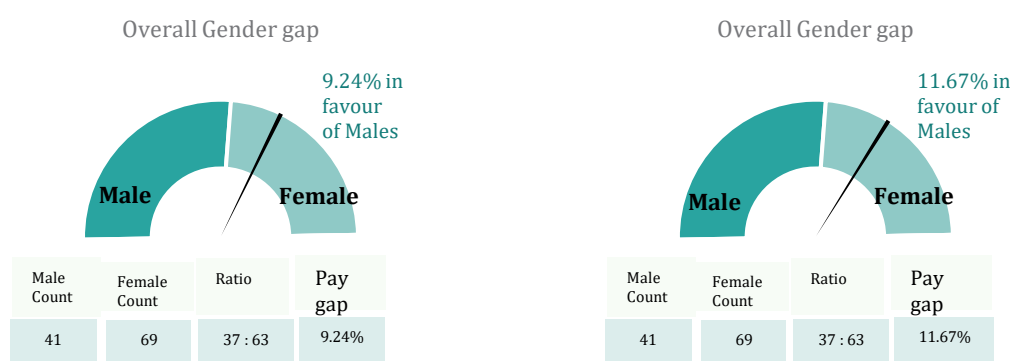


Gender and ethnicity pay reporting

We are committed to improving the gender and ethnicity balance across our business and continue to report on our gender and ethnicity pay practice in support of and in line with UK government reporting requirements that look at the differences in hourly pay between men and women and between BAME and white employees. Salix only has a very small average employee population of 110, while the requirement for compulsory reporting starts at 250 employees. We are working to improve our overall employee diversity, including the number of staff with a disability.

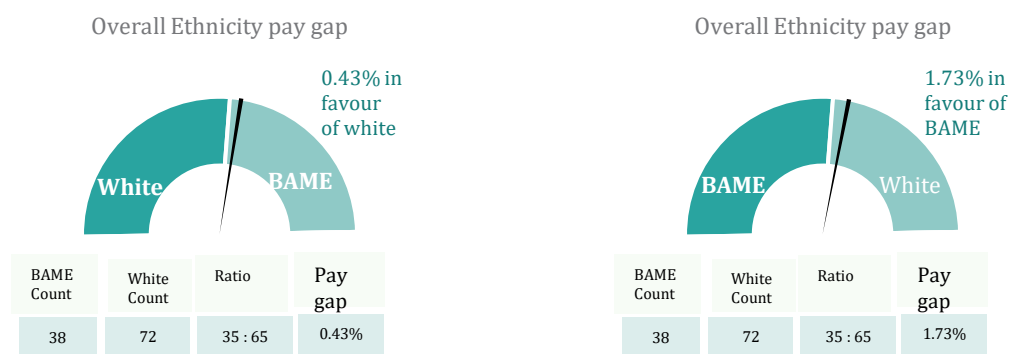
Gender pay gap 2021-22

The mean headline gender pay gap for 2021-22 is 9.24% in favour of males. Similarly, the median pay gap is 11.67% is in favour of males. Gender distribution remains very close to 2020/21, as we continue to employ more females than males. The national median gender pay gap is 15.4% in favour of men and Salix's median gender pay gap is slightly lower than this figure. The other pay quartiles show a more balanced picture with most quartiles recording a pay gap of less than 15%, and the median pay gap in the lower quartile reporting a pay gap of 9.39% in favour of males.



Ethnicity pay gap 2021-22

The mean ethnicity pay gap is 0.43% in favour of white employees which equates to white employees earning almost the same as the minority ethnicity employees. The median ethnicity pay gap is 1.73% in favour of minority ethnicity employees. We continue to develop talent strategies within the business to ensure we create a truly diverse talent pipeline at all levels of the organisation. We are also communicating the business benefits of EDI through company-wide diversity and inclusion training and programmes.



Corporate Social Responsibility



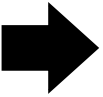
We are committed to having a positive impact in the communities where we work and live. Through our employee charity scheme, staff continue to voluntarily give to support a charity or community group of their own choice. In 2021-22, Salix employees raised £2,490 and this was distributed to five charities.

Risk management

Salix follows a rigorous risk management process which includes risk identification, management and agreed processes for escalation. Risk management and internal control processes are embedded within the organisation and our approach to risk management is closely integrated with the day-to-day management of Salix as well as our long-term strategic planning.

The Chief Executive and the Director of Finance and Resources are primarily responsible for compiling and maintaining a register of key risks. However, all members of staff are engaged in identifying these risks. The Executive Team consider risks at their weekly meeting and the Salix Board receives a monthly report. This review process supports informed decision making within the organisation and ensures that changes in risk to our objectives and work programmes are identified and then managed at an early stage.

The corporate risk register is tailored to the Company's specific circumstances and focussed on the following key areas in the last financial year and to date:

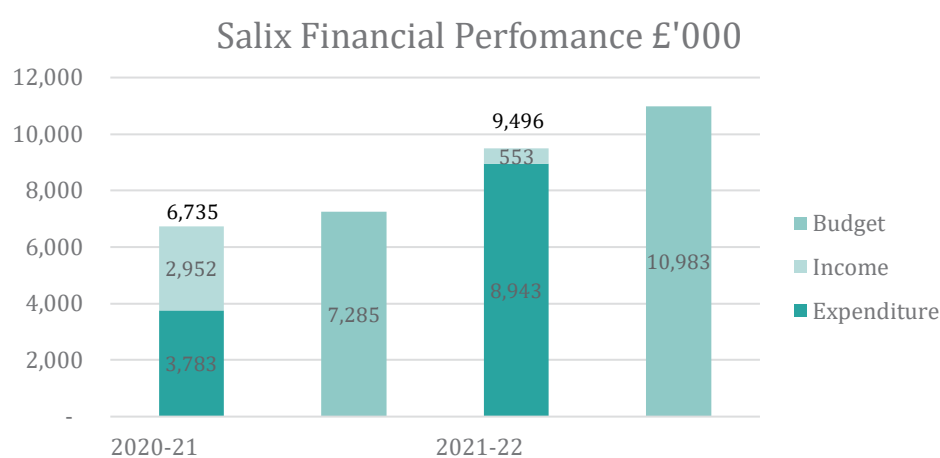
Risk	Risk Trend	Mitigating Activity
<p>Delivery of Phases 1 - 2 of Public Sector Decarbonisation Scheme (PSDS)</p> <p>The key focus during 2021-22 has been ensuring the delivery of all projects funded through the schemes within the required timeframes, minimising abandonments or underspends.</p> <p>The focus for delivery for 2022/23 will be Phase 3a and we need to ensure lessons learnt inform future phases.</p>		<p>Regular client engagement is central to Salix's delivery management approach. This enables early identification of any delivery issues so that Salix can work with clients on possible solutions including rescoping of projects.</p>
<p>Resourcing</p> <p>Salix staff grew significantly over the last 18 months to meet the demands of delivering the PSDS schemes, and the additional reporting and governance requirements of Salix on becoming a NDPB. This requires a highly skilled and motivated workforce.</p> <p>Salix has experienced real difficulties in recruiting and retaining staff in some key areas because skilled, qualified, and experienced staff are able to command significant salary increases in the private sector.</p>		<p>Reinforcing the non-remunerative benefits of working with Salix; the benefits to the planet, the skills and knowledge to be acquired in an area of increasing global importance; rapid growth of organisation, flexible working, group events/communications to boost staff morale and engender sense of loyalty and belonging.</p> <p>Salix will be commissioning a job evaluation exercise of all posts in 2022/23.</p>
<p>Fraud and Assurance</p> <p>Salix is mindful that grant programmes are susceptible to fraud and the importance of providing high-levels of assurance and good governance.</p>		<p>All staff are trained in fraud prevention and Salix has put in place robust controls to counter any fraud or potential misuse of the grants. Assurance is achieved through due diligence in determining applications, oversight of schemes and staged release of payments.</p> <p>Salix complies fully with the requirements of Freedom of Information and data protection, having robust controls and security in place to counter cyber threats.</p>

Financial overview

The day-to-day operational expenditure of the company is funded by BEIS and the Scottish and Welsh Governments and DfE for the schemes that Salix delivers on their behalf. The total operational expenditure depends on the schemes being launched and delivered by Salix during a reporting period and any additional work Salix plans to do during the year, for example IT Transformation, as well as the day-to-day costs of running the organisation.

The company applies robust financial management to ensure that its commitments are managed within both its budgeted levels of spend and the timing of the collection of its third-party revenue.

The budget for 2021-22 was £10,982,627 (2020-21: £7,284,907). This compares with a total operating expenditure of £9,495,546 (2020-21: £6,734,648).



1. All figures include depreciation but exclude imputed finance charge for lease liabilities.

2. For clarity, the figures used in the graph are based on agreed budgets.

Sustainability report

Our environmental impact

Salix strives to minimise its own impact on the environment as well as that of our business partners.

Environmental sustainability

We have no Scope 1 emissions to report as we do not own any fleet vehicles, air-conditioning, boiler, or generators.

Energy/utilities usage (Scope 2 emissions)

Our greenhouse gas emissions principally derive from the gas and electricity used in our single Central London office. The property is rented from a private landlord and is shared with other companies. Consequently, our input into decisions relating to energy and utilities usage within our building is limited. The heating and cooling systems are set to work during core days and hours to minimise waste. LED lighting in our offices and communal areas switches off after 90 seconds if there is no movement detected to help reduce the usage of electricity.

This states the position as at 30 September 2022; we have since moved into Government-owned property in Canary Wharf.

Commuting and business travel (Scope 3 emissions)

Although staff work from the office at least two days a week following the end of COVID restrictions, most of our work can be conducted from the home or office bases. Business travel is exceptional. Most staff use public transport to travel to work, with a high number cycling to work; we have cyclist-friendly facilities available for staff and visitor use.

This states the position as at 30 September 2022; we have since moved into Government-owned property in Canary Wharf.

Paper and recycling

Most documents are generated and stored electronically, with negligible printing. Our landlord provides plentiful recycling facilities and arranges recycling and waste collection.

This states the position as at 30 September 2022; we have since moved into Government-owned property in Canary Wharf.

Resilience to climate change

Our business continuity plan addresses extreme weather. Practical advice has been given to staff to improve the resilience of their homes and workspaces and working and wellbeing during periods of hot weather.

Social and economic sustainability

Procurement

We support procurement that is open and competitive and expect/require grant recipients to require their suppliers to ensure their operations comply with all applicable environmental and anti-corruption law, regulation, and best practice.

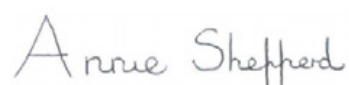
Supply chain assurance

We expect our clients to treat their supply chain fairly. They should not divest reasonable levels of risk, should pay invoices promptly and should engage with the supply chain to ensure value for money for public funds. Grant Offer Letters, issued by Salix on behalf of BEIS, contain provisions to uphold human rights and prohibit discriminatory practices.

Our operations

We play a significant role in supporting public sector organisations and stakeholders to adopt emissions-reducing and energy efficient technologies in accordance with BEIS's criteria. We administer funding to public bodies on behalf of BEIS, the Scottish and Welsh Governments and DfE and monitor schemes adherence to projected carbon savings targets.

Signed on behalf of the Board



Annie Shepperd OBE
Accounting Officer

1 November 2022

Accountability report

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Corporate Governance Report

1. The Corporate Governance Report contains three sections:
 - Directors' Report
 - Statement of Accounting Officer's responsibilities
 - Governance Statement
2. It describes Salix's structure and governance framework and includes information about Board members' and directors' significant interests. It describes the Accounting Officer's responsibilities and how they have been assured. It also describes risk management arrangements.
3. The report covers the financial year between 1 April 2021 to 31 March 2022. It also includes relevant and significant information relating to the period from 1 April 2022 up to the date of publication.

Directors' report

4. Salix is a company limited by guarantee and a non-departmental body sponsored by BEIS. We provide a range of services to our funders all of which are public bodies. Whilst changes to our funders' strategies have potentially significant implications for the Company, our prime objectives remain the same - to deliver efficient, effective and value for money services.
5. The Directors present their Annual Report on the affairs of the company, together with the financial statements and Auditor's Report for the year ended 31 March 2022. The company's registered number is 05068355.
6. Salix is led by its Chief Executive Officer (CEO), Annie Shepperd. She was appointed when Salix was a private company independent of, but linked to, BEIS. The CEO is accountable to the Board for the operations of Salix, and accountable to Parliament through the Secretary of State for Business, Energy, and Infrastructure Strategy. Her duties are set out in full in Salix's corporate governance framework.

Executive leadership team

7. At the year end the executive leadership team comprised:
 - Annie Sheppard, Chief Executive Officer
 - Helen Powell, Director of Finance and Resources
 - Ian Rodger, Director of Programmes
 - Marcia Forde, Interim Director of Corporate Services
 - Paul Smyth, Director of Strategy and Technical Services
 - Nick Painter, Interim Director of Strategy and Technical Services
 - Carol Brown, Director of Human Resources

8. Members of the leadership team had the following interests in 2021-22:

Name	Organisation	Role	Organisation type
Annie Sheppard	Lucy Faithfull Foundation	Trustee	Charity
Carol Brown	Carol Brown Associates	Consultant	HR Consultancy
Jo Mills (former Director of Programmes to 28 February 2022)	i) Executive Coaching - through Jo Mills Consulting (2 local authority clients); ii) Registered supplier of consultancy services to ENGIE through Jo Mills Consulting - no services provided since joining Salix	Coach	Consultancy
		Consultant	Consultancy
Richard Hood (former General Counsel and Company Secretary to February 2022)	i) The Methodist Church; ii) North Worcestershire Basement Project; iii) Labour Party	Consultant	Charity
		Trustee	Charity
		Member	Political Party

Board

9. Salix's **Board** comprises five **Directors**. Two are executives (the Chief Executive and Director of Finance and Resources) and three are non-executive directors (NEDs). Dame Teresa Graham DBE is Chair of the Board. The Board had the following membership during the year:

Name	Notes
Dame Teresa Graham DBE	Chair and Non-Executive Director
Michael Stark	Non-Executive Director
Tracy Vegro OBE	Non-Executive Director (from 1 August 2022)
John Edmonds	Non-Executive Director (to 31 May 2022)
Annie Sheppard OBE	Chief Executive Officer / Accounting Officer
Helen Powell	Director of Finance and Resources

Audit, Risk and Assurance Committee

10. The ARAC had the following membership during the year:

Name	Notes
Dame Teresa Graham DBE	Chair
Michael Stark	Member
Tracy Vegro OBE	Member from 1 August 2022
John Edmonds	Member until 31 May 2022

11. Board and committee members reported the following directorships and other significant interests for 2021-22:

Name	Organisation	Role	Organisation type
Dame Teresa Graham	i) RSM's Public Interest Committee (this is not an office);	Chair	Auditor
	ii) SME Advisory Group of UK Finance (not an office)	Chair	Interest Group
	iii) Pagefield Communications Ltd;	Chair	PR Consultancy
	iv) Space Man Ltd t/a The Lexi Cinema;	Chair	Cinema (profits donated to charity)
	v) Council of Newcastle University up to July 2022;		
	vi) Awards committee of Women of the Year;	Member	University
	vii) HMRC's Administrative Burdens Advisory Board;	Member	Awards Body
	viii) Board of Treasury's OTS; ix) Steering board of Bankers for Net Zero	Chair	Advisory Group
		Observer	Advisory Group
	Member	Interest Group	

Directors' third-party indemnity provisions

The Company has Directors' and Officers' Liability and Corporate Liability insurance which includes cover for third party liability in accordance with the Companies Act 2006.

Auditors

So far as each person who was an Executive Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow executive directors and the company's auditor, each Executive Director has taken all the steps that he/she are obliged to take as an Executive Director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

The NAO on behalf of the Comptroller and Auditor General has expressed its willingness to remain in office. The Board and the Audit, Risk & Assurance Committee consider the performance of the auditors and assess their reappointment on an annual basis. The Comptroller and Auditor General (National Audit Office) was re-appointed as auditor during the period, under Section 487 of the Companies Act 2006.

Statement of Directors and Accounting Officer's responsibilities

12. The Secretary of State for the Department for Business, Energy and Industrial Strategy appointed Salix's Chief Executive Officer as Accounting Officer. The Accounting Officer must make sure that Salix operates with regularity and propriety and that resources are spent effectively to secure value for public money and also complies with applicable Cabinet Office controls. This is set out in Managing Public Money ([MPM](#)) published by HM Treasury and [Cabinet Office Controls](#), published by the Cabinet Office.
13. The Accounting Officer is responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the company financial statements in accordance with international accounting standards (in conformity with the requirements of the Companies Act 2006) and in accordance with applicable law. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period.
14. Accounts are prepared on an accrual basis and present a true representation of Salix's income and expenditure, Statement of Financial Position, and cash flows for the financial year.
15. In preparing the accounts, the Accounting Officer is required to comply with the requirements issued in the Government Financial Reporting Manual (FReM) is so far as they do not conflict with the Companies Act 2006 provisions and, in particular to:
 - Select suitable accounting policies and then apply them consistently.
 - Make judgements and accounting estimates that are reasonable and prudent.
 - State whether the applicable IFRS has been followed, subject to any material departures disclosed and explained in the financial statements.
 - Prepare the accounts on a going-concern basis unless it is inappropriate to presume that the company will continue in business.
16. The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.


17. Each of the Directors, whose names and functions are described herein, confirms that to the best of his or her knowledge:

- The financial statements, which have been prepared in accordance with international accounting standards (in conformity with the requirements of the Companies Act 2006), give a true and fair view of the assets and liabilities, financial position and the profit or loss of the company, and;
- The Directors' Report and the Corporate Governance Report include a review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that it faces.

18. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. The Directors consider that the Annual Report and Accounts, taken as a whole, are fair, balanced, and understandable and provide the information necessary for the stakeholders to assess the company's position, performance, business model and strategy.

19. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Salix's assets, are set out in 'Managing Public Money'.

As Accounting Officer and on behalf of the Board of Directors, as far as I am aware there is no relevant audit information of which Salix's auditors are unaware. I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information. I can confirm that the Annual Report and Accounts as a whole are fair, balanced and understandable. I take personal responsibility for the judgements required to ensure this.



Annie Shepperd OBE
Accounting Officer

1 November 2022

Governance Statement

Introduction

20. This Governance Statement sets out the governance, risk management and internal control arrangements applying to the financial year 1 April 2021 to 31 March 2022 and up to the date of approval of the Annual Report and Accounts.
21. The Chief Executive of Salix is the Accounting Officer for Salix. The Accounting Officer has responsibility for maintaining and reviewing the effectiveness of Salix's governance arrangements, risk management and internal control arrangements. The Accounting Officer is personally responsible for safeguarding the public funds in their charge and for ensuring propriety and regularity in the handling of those funds.
22. Specifically, the Accounting Officer is tasked with ensuring that Salix:
- Delivers its mission of providing Government funding to public sector organisations to support the development and implementation of greenhouse gas reduction or equivalent projects. This is with the objective of the reduction of the emission of greenhouse gases and other objectives set out in the climate change / environmental policies of Government.
 - Is run on the basis of the standards, in terms of governance, decision-making and financial management, which are set out in HM Treasury's 'Managing Public Money', and;
 - Operates in line with the requirements of the Freedom of Information Act 2000 and complies with data protection legislation.
23. The Government reaffirmed its commitment to promoting carbon reduction and limiting climate change at CoP26 in Glasgow. Salix is a key partner in helping the Government deliver on its promises.

Our Governance Framework

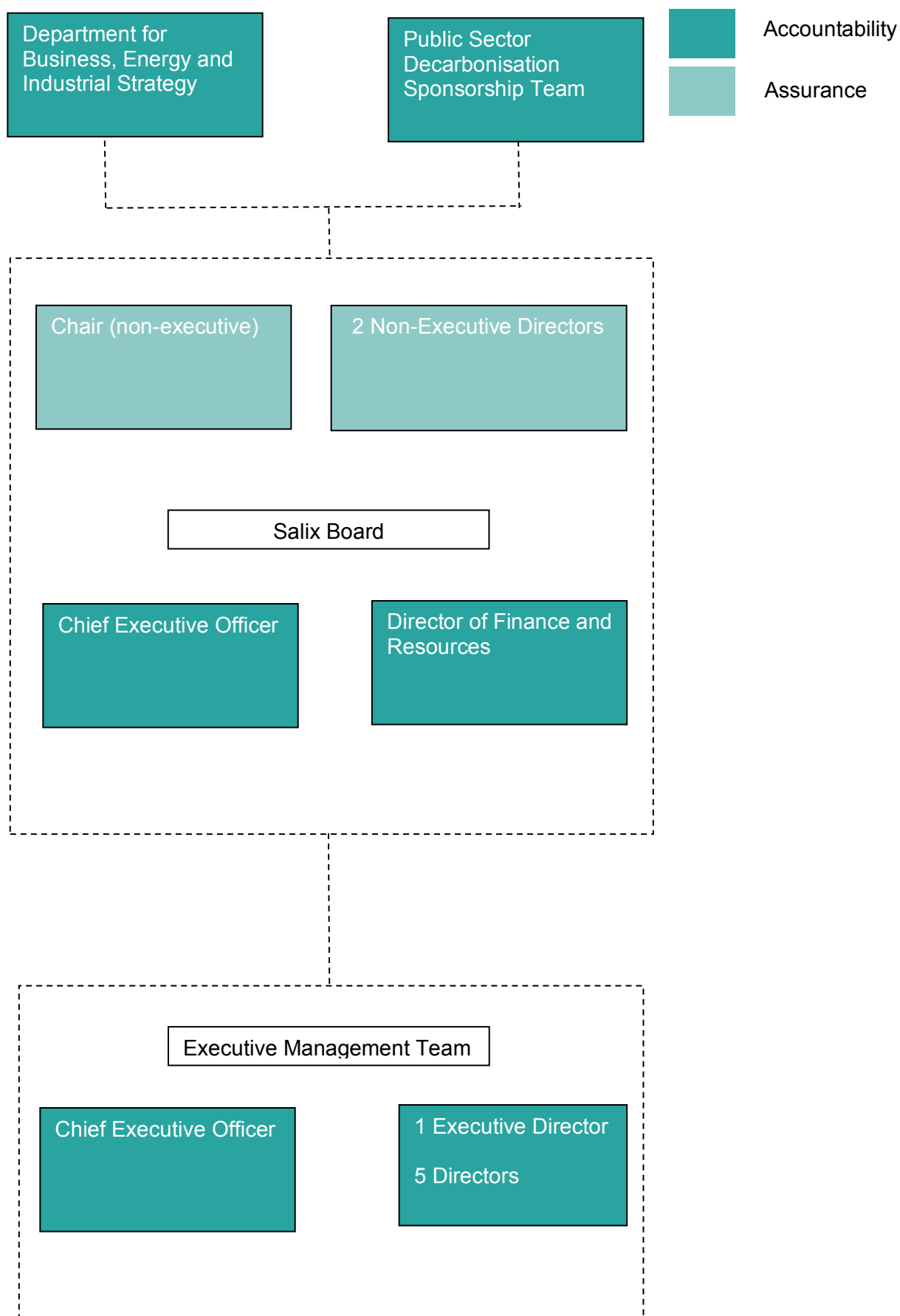
24. Salix is a company limited by guarantee¹ working in partnership with, and under the purview of, the Department for Business, Energy & Industrial Strategy (BEIS). The Secretary of State for Business, Energy and Industrial Strategy is the sole member of the company². As such, there is a Framework Agreement³ in place between BEIS and Salix, which regulates the relationship and provides a requirement to comply with [Corporate governance in central government departments: code of good practice](#) (the Code), and other governmental general guidance documents, and Salix's own company articles of association.

¹ Company number 05068355 England & Wales

² and registered Person with Significant Control (PSC)

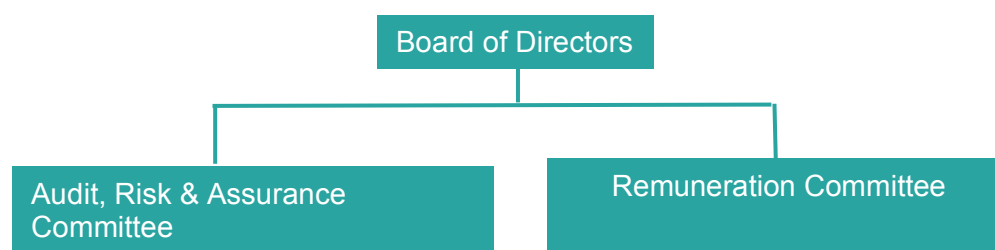
³ Framework Agreement: Published on our website and registered Person with Significant Control (PSC)

Salix's high-level management structure is as follows:



25. The Board is collectively responsible for providing leadership, responsibility for the management and oversight of the company and its activities. The Board sets the company's strategic direction, ensures that the necessary financial and human resources are in place for the company to meet its objectives and reviews progress towards the achievement of objectives.
26. The Board is supported by an Executive Team with differing professional competencies, and they have the appropriate delegated management authority from the Board for running the business and managing risks.
27. The Board has two committees, the Remuneration Committee and the Audit, Risk & Assurance Committee, the latter providing oversight of the financial reporting process, the audit process, the company's system of internal controls and compliance with laws and regulations.
28. The Board generally meets monthly, the Remuneration Committee bi-annually and the Audit, Risk & Assurance Committee quarterly, both Committees reporting directly into the Board.

Salix's Governance Structure



29. The Department for Business, Energy, and Industrial Strategy (BEIS) as Salix's sole member is entitled to send a Board Observer to any meeting of the Board or sub-committee of the Board under clause 12.3 of the Framework Agreement and in practice, does so. A BEIS representative is present at all Board meetings and receives associated papers. The Board Observer is not a member of the Board and does not have the right to vote or count in the quorum at any meeting or sign any written resolution.
30. Salix has no subsidiaries or related companies.
31. Attendance at Board and ARAC meetings during 2021-22 was as follows:

Directors	Board Meetings attended out of those eligible	ARAC Meetings attended out of those eligible
Dame Teresa Graham (Chair)	11 out of 11	5 out of 5
John Edmonds	11 out of 11	5 out of 5
Michael Stark	11 out of 11	5 out of 5
Annie Shepperd	11 out of 11	
Helen Powell	11 out of 11	

Board performance and corporate governance

32. The Board is committed to delivering good governance and compliance with the Code and incorporates what would be considered company best practice. There was no formal Board performance review in the financial year 2021-22. The planned annual review was postponed as a consequence of COVID restrictions and a delay in finding replacements for two non-executive Board members that were originally due to retire at the end of December 2021. There is a post-meeting review after all Board meetings and feedback discussion between the Chair and Chief Executive. The first formal Board review will now take place in 2022/23 when the new Chair is in post.
33. The Chair and Chief Executive work closely together, and there is regular liaison between board members on an individual basis. Whilst the Board is the formal occasion that brings everyone together in one place, board members are generally kept apprised of strategic and significant matters as they happen through timely communication.
34. The Board provided leadership for the major strategic priorities over the last twelve months.

Highlights of reporting over the year have included:

- Completing the delivery of Phases 1 and 2 of the Public Sector Decarbonisation Scheme (PSDS). 30% of Phase 1 received funding in 21/22 (136 projects). 56% of grant recipients were funded through s31 upfront payments in 2021 (259 projects) and 14% of grant recipients had a grant end date of 31 March 2021 (66 projects). In respect of Phase 2, 85% of grant recipients received their funding within 2021-22 (46 projects). The remaining 15% withdrew their projects from the grant funding. By 31 March 2022, 252 projects had completed including 30 where capital works were complete but further commissioning work was required; 39 abandoned or only partially completed and 224 projects had extensions and are completing after 31 March 2022.
- Launching and completing the allocation and award of Phase 3a of the PSDS to be delivered in 2022/23.
- Launching and delivering Phase 2 of the Public Sector Low Carbon Skills Fund.
- Ensuring all projects were completed and loans made by end of 2022 (except those subject to reservation of funding) following the closure of the Public Sector Energy Efficiency Loan Scheme in 2021.
- The refocussing of the Recycling Fund scheme in England to have a greater emphasis on decarbonisation. This was important for meeting the Government's net zero ambitions as a shift from energy efficiency to heat decarbonisation was needed to achieve Carbon Budget 4 (2023-27) and Carbon Budget 5 (2028-32) targets, and its ambition to reduce public sector emissions by 50% from 2017 levels, as set out in the Clean Growth Strategy.
- Enhancing our work with the Devolved Administrations, which included supporting the Welsh Government with the launch and delivery of the Low Energy Grant Pilot scheme and winning the contract to deliver the next phase of the Scottish Funding Councils' Universities Financial Transactions programme.

- The organisation responded positively to the challenges posed by COVID-19 restrictions. Salix continued its effective transition from small loans company to the issue and monitoring of large-scale public body grants while in lockdown and staff numbers continued to grow over the financial year 2021-22. Staff have responded enthusiastically to the return to office working.
- Salix's work is entirely domestic and neither our objectives nor resources to fulfil them have required revision following the UK's departure from the European Union. Our clients and business partners may have been more directly affected by component, supply and staff issues that have arisen since Brexit, but there has been no tangible impact on our planned programmes.

Highlights of activity conducted by the Audit, Risk and Assurance Committee include:

- Reviewing the Financial Statements and Annual Report and supporting documents, providing independent challenge and oversight before their recommendation to the Board for approval.
- Considering and monitoring the implementation of Internal and External Audit plans and recommendations arising, and;
- Review of key documents governing its activities and audit roles and responsibilities in the organisation including its Terms of Reference and the Internal Audit Charter.

The work of our Remuneration Committee is covered in the Remuneration Report.

35. Salix intends to ensure full compliance with the Code. Whilst there is currently already good compliance with the Code, focus will continue on delivering good governance through a process of continual review.
36. This Governance Statement has been written in accordance with the requirements set out in HM Treasury's "Managing Public Money" (March 2022). Salix is conscious of its duty to protect public funds both in terms of grants distributed (see Risk Register at 4 below) and administrative costs incurred. We are mindful of the principles of the Alexander Report on our treatment of any off-payroll staff.
37. As Accounting Officer, it is my assessment, and that of the Board, that Salix has complied with the requirements of the Code, and we are not aware of any material instances of non-compliance at the reporting date.

Data quality

38. Board members receive a comprehensive pack of papers in advance of their meetings, which they are confident provides them an appropriate level of analysis and advice to inform their strategic discussions and facilitate informed decision-making. Standing items are scheme performance, operational performance, and risk registers, with other matters arising covered in the Chief Executive's report or separate papers depending on the depth of coverage required.
39. Board members are satisfied with the quality of the underlying information and data as it is subject to rigorous review. Financial data is compiled by a team and subject to checking processes at different levels. Delivery risk registers are updated continuously in real time across the business.
40. As a small and relatively new arms' length body, Salix is maturing in terms of developing quality assurance processes and their alignment with those of other governmental bodies. Salix will co-operate with BEIS in the analytical modelling they undertake in relation to our schemes in line with appropriate Quality Assurance models as anticipated in the Macpherson report; accordingly AQuA book assurance is not applicable.

Conflicts of interest

41. Board members and other senior staff on the Executive Team work closely with a wide range of organisations and stakeholders. This is necessary to ensure Salix has access to the expertise needed to effectively deliver the organisation's statutory duties. The relationships which follow from these connections have many benefits but also create a risk that conflicts of interest may arise.
42. Salix has a clear policy on managing potential conflicts and board members and the Executive Team must disclose activities which might give rise to actual or perceived conflicts of interest. The register of interests of board members is published on our website.

Whistleblowing

43. Salix operates a whistleblowing policy which complies with the key elements of the Civil Service Employee Policy 'Whistleblowing and Raising a Concern'. No reports under the whistleblowing policy were made by employees during the year ended 31 March 2022.

Information and cyber security

44. No reportable data loss incidents occurred during 2021-22. Salix continues to take a proportionate approach to the management of security risks in line with the low volume of sensitive and personal information handled. Salix has taken a proactive approach in terms of ensuring that the right level of defence is in place. Staff and board members are trained in responding appropriately to cyber-attacks such as phishing and other forms of malware, and all other aspects of data security.

Functional Standards

45. Salix Finance is actively engaging in the Functional Standards as prescribed by the Cabinet Office setting out best practice.
46. We have looked at both the mandatory and advisory elements.
47. Salix has developed an internal framework for monitoring the relevant Functional Standards that apply for the organisation. This has helped develop and summarise actions and is a work in progress.
48. Salix is sufficiently progressed with the mandatory 'shall' elements of the Functional Standards and will be establishing the advisory 'should' and 'may' elements over the coming year 2022/23 to support continuous improvement.
49. Salix will be able to report more comprehensively on the Functional Standards and how Salix is complying in next year's annual report. Salix is also aware that departmental leads will communicate with the relevant BEIS leads on Functional Standards during this period.
50. We can confirm compliance with the relevant Functional Standards. We confirm that, as far as we are aware, legal and regulatory requirements are met.



Annie Shepperd OBE
Chief Executive and Accounting Officer

1 November 2022

Remuneration and staff report

Remuneration Committee

51. During 2021-22 Salix's remuneration committee comprised of Dame Teresa Graham and John Edmonds, both non-executive directors. The responsibilities of the committee include:

- Setting the overall remuneration policy of the company in consultation with the HR Director and Chief Executive, in line with the civil service pay remit.
- Setting the salary for executive directors and senior management, in line with senior civil service pay guidance.
- Ensuring the remuneration package for employees and salary levels are appropriately benchmarked. Job roles below SCS grades will be job evaluated during the autumn of 2022/23.
- During the period the committee met two times and discussed the performance of the executive directors and senior management performance awards and agreed salary bands for senior practitioners for the year ended 31 March 2022, all within annual pay remit limits for staff and SCS.

Attendance at remuneration committee meetings during 2021-22 was as follows:

Directors	Remuneration Committee Meetings attended out of those eligible
Dame Teresa Graham (Chair)	2 out of 2
John Edmonds	2 out of 2

Appointing non-executive board members

52. Since Salix became an NDPB all appointments to the Board are made by the Secretary of States for Business, Energy and Industrial Strategy. These appointments are made in accordance with the Code of Practice for Ministerial Appointments to Public Bodies issued by the Office of the Commissioner for Public Appointments.

53. Chairs and committee members are appointed for a fixed period of up to three years. None of the remuneration of any Committee Member is subject to performance conditions.

Appointment of the Chief Executive and Executive Directors

54. Executive Board members are listed in the Governance Statement. Unless otherwise stated, the executive directors and other officials covered by this report hold permanent appointments.
55. Appointments are made in accordance with Salix's recruitment and selection policies and principles. The principles set out that appointments must be made on merit based on fair and open competition.
56. The Chief Executive is on a permanent contract that may be terminated by the Chief Executive giving six months' notice. All other executive directors and members of the executive leadership team, except the two interim positions, are on permanent contracts that may be terminated by the individual concerned giving three months' notice.

Remuneration policy

57. Salix's remuneration policy has been to:

- Provide a compensation package to attract and motivate suitably able and qualified individuals and retain high quality employees in furtherance of Salix's vision and strategy.
- Assess remuneration relative to other likeminded organisations engaged in functions or operations of similar size and complexity within the public sector.
- Set appropriate performance targets.
- Ensure Salix adheres to the civil service pay remit controls.

Remuneration report part B: audited

Non-executive remuneration

58. The remuneration for the non-executive Board members for the year ending 31 March 2022 was as follows:

Name	2021-22	2020-21
	Salary (£'000)	Salary (£'000)
Teresa Graham	40-45	40-45
John Edmonds	15-20	15-20
Michael Stark	15-20	15-20

Remuneration of executive Board members

59. The remuneration of the executive Board members for the year ending 31 March 2022 was as follows:

Name	Salary		Bonus payments		Pension – inc cash supplements		Total	
	(£'000)		(£'000)		(£'000)		£'000	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Annie Shepperd	165-170	165-170	15-20	15-20	15-20	5-10	200-205	195-200
Helen Powell*	100-105	45-50	10-15	5-10	10-15	0-5	125-130	60-65
(From 30 Sep 2020)								

*The salary stated above relates solely to the period in the year when the individual served as a Director

60. In line with all employees, executive Board members and senior management have access to a defined contribution scheme. All executive Board members and senior management were contributing members to the scheme. No changes were made to any of the Executive Directors and the other senior management salary bands during the financial year and, should any future changes be made, they will adhere to the pay guidance for Senior Civil Servants.

Fair Pay Disclosure

61. Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce. Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments or employer pension contributions.

62. 'Salary' includes gross salary, recruitment and retention allowances, and other allowances to the extent that they are subject to UK taxation. In line with Salix's approach to pay, bonus payments are based on performance and are made as part of the appraisal process. The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs (HMRC) as taxable emoluments.

63. All employees have access to a defined contribution scheme. The Company will contribute 6% into the scheme if the employee contributes a minimum of 3% and offers an enhanced pension contribution on a 2:1 basis up to a maximum of 10%.

64. Relevant pay ratios in relation to the highest paid director's remuneration remains almost similar in comparison to the previous year's ratios.

65. Employee Remuneration ratios are shown in the table below.

	Salary (£)	Other (£)	Total Remuneration (£)	Ratio to highest paid director's remuneration
2021/2022				
25th percentile	28,100	1,100	31,100	6
Median percentile	32,500	3,200	35,500	5.3
75th percentile	39,900	3,900	43,000	4.4
Change from the previous FY in respect of the highest paid Director in percentage	0%	-2.9%	-2.8%	
Average change from the previous FY in respect of the employees of the entity taken as a whole in percentage	6.5%	-16.2%	4.4%	
2020/2021				
25th percentile	26,000	1,950	30,000	6.3
Median percentile	31,200	4,000	35,000	5.4
75th percentile	36,700	4,000	40,000	4.7
Change from the previous FY in respect of the highest paid Director in percentage	NA	NA	NA	
Average change from the previous FY in respect of the employees of the entity taken as a whole in percentage	NA	NA	NA	

66. The banded remuneration of the highest-paid director in the organisation in the financial year 2021-22 was £185k-£190k (2020-21, £185k-£190k). The relationship between the mid-point of this band and the remuneration of the organisation's workforce is disclosed above.

67. The banded remuneration of the lowest-paid staff in the organisation in the financial year 2021-22 was £20k-£25k (2020-21, £20k-£25k).

68. The grading structure is different to the traditional Civil Service grades AO to SCS.

Exit packages

69. No severance payments were made in the financial year 2021 – 2022, (2020-21: nil)

Compensation for loss of office

70. No compensation for loss of office payments were made in 2021-22 (2020-21: nil)

Staff report part A: audited

Staff numbers

71. The average number of staff during the year was:

	2021-22		2020-21	
	Staff	Consultancy & Temp Staff	Staff	Consultancy & Temp Staff
Total	104	2	68	1

Off-pay roll engagements

72. The Company is required to publish information on highly paid and /or senior staff off-payroll appointments. Off-payroll appointments are those that are not on the department's payroll.

Temporary off-payroll worker engagements as at 31 March 2022, where individuals are earning at least £245 per day:

No. of existing engagements as at 31 March 2022	3
Of which....	
No. that have existed for less than one year at time of reporting	3
No. that have existed for between one year and two years at time of reporting	0
No. that have existed for between two and three years at time of reporting	0
No. that have existed for between three and four years at time of reporting	0
No. that have existed for between four or more years at time of reporting	0

Temporary off-payroll worker engaged at any point during the year ended 31 March 2022, where individuals are earning at least £245 per day:

No. of existing engagements as at 31 March 2022	3
Of which....	
No. determined as in-scope of IR35	3
No. assessed as out-of-scope of IR35	0
No. of engagements reassessed for compliance or assurance purposes during the year	0
Of which: no of engagements that saw a change to IR35 status following review	0
No. of engagements where the status was disputed under provisions in the off pay-roll legislation	0
Of which: no. of engagements that saw a change to IR35 status following review	0

Off-payroll engagements of board-members and/or senior officials with significant financial responsibility, between 1 April 2021 and 31 March 2022

There was no engagement of board members or senior staff who were not on the payroll.

No. of off-payroll engagements of board members and/or senior officials with significant financial responsibility, during the financial year.	0
Total no. of individuals on payroll and off-payroll that have been deemed board members and/or senior officials with significant financial responsibility', during the financial year. This figure includes both on payroll and off-payroll engagements	5

Consultancy and temporary staff

73. Salix hired consultants for various professional services required for a short term where Salix does not have the skills required or the requirement falls outside the core business of employee or an external, independent perspective is required.

74. Consultancy services are a cost effective and efficient way of getting temporary and skilled external input quickly where required.

	2021-22	2020-21
	£	£
Consultancy	117,132	129,450
Temporary and agency staff	144,375	158,112
Total (incl. VAT)	261,507	287,562

The costs are inclusive of VAT that Salix does not recover.

Staff report part B: audited

Staff composition

75. As at 31 March 2022, Salix directly employed 110 staff in England.

The gender of the staff was as follows (headcount):

	Female	Male	Total
Executive board	2	0	2
Senior management (Directors)	2	3	5
Corporate Management Team	8	7	15
APT staff	51	37	88
Total	63	47	110

(APT) Administrative, Professional and Technical staff comprises all members of staff below the corporate management level.

Employee matters

Sickness

76. During the period ended 31 March 22 the average number of working days lost due to sickness absence was 2.04 per full time equivalent (2020-21: 2.35 days). These figures exclude one member of staff on long term sick. Salix has a good record in providing a safe and supportive work environment and providing staff with employee assistance programmes. These levels are likely to have reduced by increased home working during the global pandemic.

Staff turnover

77. Staff turnover for 2021/2022 was 26.94% (2020-21: 10.07%). This increase is due to a number of factors, including the change in the Company's role from the delivery of loan schemes to grant schemes, home working, the buoyant job market as the country comes out of COVID-19 and relocations to other parts of the country to be closer to family members.

78. Exit meetings are held with all staff prior to them leaving Salix. The information gathered is reviewed with a view to identify any emerging trends and/or new insight. This is discussed at executive level with a view to developing strategies with staff where possible to address any concerns raised.

Equality, Diversity and Inclusion

79. Salix has an equality policy, which is for all staff and applies to all our equality duties. During the reporting period, a recruitment campaign was undertaken to refresh its Equality, Diversity and Inclusion Team members. Team members are proactive and aim to build on the positive, constructive EDI culture within Salix and to ensure that EDI informs delivery of our statutory obligations.

80. The gender pay gap is the difference in the average earnings between all men and women in an organisation. Salix's mean gender pay gap was 9.24% in favour of men and the median gender pay gap was 11.67% in favour of men.

81. Salix encourages applications from a diverse range of candidates, reasonable adjustments are made at interview and for any relevant test. We use targeted communication routes to ensure access to the widest pool of talented people. During the accounting period there have not been any new disclosure of disabilities from existing staff. Supporting disabled people at recruitment and throughout their employment is important to Salix. We offer reasonable adjustments where practical for both office and home working environments.

82. We support disabled staff or staff with long-term health conditions. Disability training for staff is currently being reviewed by our equality and diversity team.

Disability	2021-22	2020-21
	No. of staff	No of Staff
No	130*	83
Prefer not to disclose	5	7
Yes	4	4

*The number of staff includes new starters and leavers during 2021-22 which is different from the staff still in employment as at 31 March 2022.

Supportive employment practices

83. The health, safety and wellbeing of our people is paramount to Salix, whether working from home or in the office. We have a strong record in providing a safe and supportive work environment.

84. Salix offers all staff training in resilience, stress management, mental health talks, health campaigns and disability awareness. Staff also have access to the Employee Assistance Programme for confidential counselling and advice for work and life issues. Salix also have two staff trained as Mental Health First Aiders who provide first support to those who seek help due to a mental health concern.

85. We monitor how our policies are applied, reporting to the executive board on any adverse impact for particular groups. We have no reported cases. We continue to engage staff on what more we could do to better inform communications, guidance and training.

Trade Union facility time

86. Salix is currently a non-unionised organisation.

Parliamentary accountability and audit report: audited

Losses and special payments

	2021-22		2020-21	
	No of cases	£	No of cases	£
Fruitless payments	1	117,751	1	240,480
Total	1	117,751	1	240,480

87. Fruitless payments relate to costs incurred from 2018 in the development of Salix's Energy Reduction System (SERS2) that was abandoned in 2022 following significant delays. In the meantime, BEIS's had ended the products SERS2 would have serviced. The English loan scheme was stopped in March 2020 and BEIS made a decision in June 2021 to end the recycling fund in March 2025. Having only received a viable product in August 2021, Salix allowed work to continue to repurpose the system source code, the intellectual property we owned. This proved unsuccessful and in 2022, Salix made the decision to terminate all work. In accordance with the FReM and managing public money, we are required to disclose payments which were legally due to recipients but with no due benefit received for which a liability ought not to have been incurred, or where the services in question could have been cancelled in time to avoid further liability.

Independent Auditor's Report

To the members of Salix Finance Limited

Opinion on financial statements

I have audited the financial statements of Salix Finance Limited for the year ended 31 March 2022, which comprise Salix Finance Limited's

- Statements of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of their financial statements is applicable law and the UK adopted International Accounting Standards.

In my opinion the financial statements:

- give a true and fair view of the state of Salix Finance Limited's affairs as at 31 March 2022 and its Statement of Comprehensive Net Expenditure for the year then ended; and
- have been properly prepared in accordance with UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 *Audit of Financial Statements of Public Sector Entities in the United Kingdom*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I have also elected to apply the ethical standards relevant to listed entities. I am independent of Salix Finance Limited in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that Salix Finance Limited's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Salix Finance Limited's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises information included in the Annual Report but does not include the financial statements and my auditor's report thereon. The directors are responsible for the other information.

My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In my opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In my opinion, based on the work undertaken in the course of the audit:

- the Strategic Report and the Directors' Report been prepared in accordance with applicable legal requirements; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In the light of the knowledge and understanding of Salix Finance Limited and its environment obtained in the course of the audit, I have not identified material misstatements in the Strategic Report or the Directors' Report.

I have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires me to report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and staff report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit;

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibility, the directors are responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as directors determine are necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing Salix Finance Limited's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and report on the financial statements in accordance with the applicable law and International Standards on Auditing (ISAs) (UK).

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of Salix Finance Limited's accounting policies.
- Inquiring of management, Salix Finance Limited's head of internal Audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Salix Finance Limited's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including controls relating to Salix Finance Limited's compliance with the Companies Act 2006 and Managing Public Money;
- discussing among the engagement team, including regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within Salix Finance Limited for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of Salix Finance Limited's framework of authority as well as other legal and regulatory frameworks in which Salix Finance Limited operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of Salix Finance Limited. The key laws and regulations I considered in this context included Companies Act 2006, Managing Public Money, employment law and tax legislation.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management and the Audit & Risk Committee concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my report.

Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Susan Clark (Senior Statutory Auditor)

2 November 2022

For and on behalf of the

Comptroller and Auditor General (Statutory Auditor)

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Financial statements

Statement of Comprehensive Net Expenditure for the year ended 31 March 2022

This account summarises the expenditure and income generated and consumed on an accruals basis.

		2021-22	Restated 2020-21
	Reference	£	£
Revenue from contracts with customers	9	(553,468)	(2,952,233)
Total operating income		(553,468)	(2,952,233)
Staff costs	8	5,292,226	3,375,597
Purchase of goods and services	8	3,227,588	3,283,185
Depreciation charges	8	1,005,710	37,766
Total operating expenditure	8	9,525,524	6,696,548
Net operating expenditure		8,972,056	3,744,315
Finance expense	12	7,754	-
Net expenditure for the year		8,979,810	3,744,315

*Income and receipts are reported in brackets within SoCNIE above.

All operations are continuing operations.

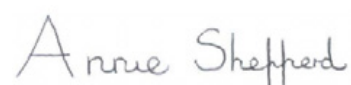
The notes on pages 60 to 83 form part of these accounts.

Statement of Financial Position as at 31 March 2022

		31 March 2022	Restated 31 March 2021	Restated 1 April 2020
	Reference	£	£	£
Non-current assets				
Property, plant and equipment	10	587,085	150,525	34,460
Total non-current assets		587,085	150,525	34,460
Current assets				
Trade and other receivables	16	554,326	474,697	325,968
Cash and cash equivalents	15	1,011,603	758,842	324,023
Total current assets		1,565,929	1,233,539	649,991
Total assets		2,153,014	1,384,064	684,451
Current Liabilities				
Trade and other payables	17	(1,428,190)	(877,701)	(684,451)
Lease liabilities	12	(458,269)	-	-
Provision for Dilapidations	18	(55,000)	-	-
Total current liabilities		(1,941,459)	(877,701)	(684,451)
Net Assets		211,555	506,363	-
Taxpayer's equity and reserves				
Opening Balance	SoCTE	506,363	-	
General reserve	SoCTE	(294,808)	506,363	-
Total equity		211,555	506,363	-

The impact of IFRS on 31 March 2020 balances was deemed immaterial and we chose not to restate comparatives at this date. The notes on pages 60 to 83 form part of these accounts.

The financial statements were approved by the Board of Directors on 1 November 2022 and signed on its behalf on 1 November 2022 by:



Annie Shepperd OBE
Accounting Officer

Statement of Cash Flows for the year ended 31 March 2022

The statement of cash flows shows the changes in cash and cash equivalents of the department during the reporting period. It shows how Salix generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by income from the recipients of Salix' services or on whose behalf Salix carries out those services. Investing activities represent the extent to which cash inflows and outflows have been made for resources that are intended to contribute to future public service delivery.

	Refer ence	2021-22 £	Restated 2020-21 £
Cashflows from operating activities			
Net expenditure for the year	SoCNE	(8,979,810)	(3,744,315)
(Increase)/decrease in trade & other receivables		(79,629)	(148,729)
less movements in trade & other receivables relating to items not passing through the Statement of Comprehensive Net Expenditure			
Increase/(decrease) in trade & other liabilities		550,489	193,250
less movements in trade & other liabilities relating to items not passing through the Statement of Comprehensive Net Expenditure		16,016	
Interest paid on lease liabilities	12	(7,754)	-
Adjustments for non-cash transactions			
Depreciation and amortisation	10	1,005,710	37,766
Net cash outflow from operating activities		(7,494,978)	(3,662,028)
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(33,614)	(153,831)
Net cash outflow from investing activities		(33,614)	(153,831)

Cash flows from financing activities			
Cash from sponsoring departments		8,685,002	4,250,678
Payment of lease liabilities	12	(903,649)	-
Net cash inflow from financing activities		7,781,353	4,250,678
Net increase/(decrease) in cash and cash equivalents in the period		252,761	434,819
Cash and cash equivalents at the beginning of the period	15	758,842	324,023
Cash and cash equivalents at the end of the period	15	1,011,603	758,842

The notes on pages 60 to 83 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2022

This statement shows the movement in the year on the general fund reserves held by Salix, that reflect a contribution from the consolidated fund. The general reserve represents the total assets less liabilities of Salix.

	Note	General Reserve £
Balances at 1 April 2020		-
Restated Grants from sponsoring department		4,250,678
Restated Net operating expenditure for the year	SoCNE	(3,744,315)
Restated Balance at 31 March 2021		506,363
Grants from sponsoring department		8,685,002
Net operating expenditure for the year	SoCNE	(8,979,810)
Balance at 31 March 2022		211,555

The notes on pages 60 to 83 form part of these accounts.

Notes to the financial statements

1. Authorisation of financial statements

The financial statements of Salix Finance Ltd (the “company”) for the year ended 31 March 2022 were approved with a resolution of the board on 1 November 2022 and authorised for issue on the same date as the independent auditor's report. The company is a company limited by guarantee, incorporated and domiciled in England. During the reporting period, the company's registered office and principle place of business changed from the sixth floor, 25 Farringdon Street, London, EC4A 4A and 75 King William St, London, EC4N 7BE. We have relocated our offices to 10 South Colonnade and 20 Cabot Square, London, E14 4PU in September 2022. The company is unlisted and wholly owned by the Secretary of State for Business, Energy and Industrial Strategy (the “sole member”) making it the company's ultimate controlling party.

2. Principal activities

The company has been established to act as an agent for BEIS in administering and disbursing funding solutions to public sector bodies for use in the deployment of low carbon initiatives. The company will also undertake such other activities that the board considers to be consistent with the company's functions, duties, obligations, and constitution.

3. Statement of significant accounting policies

3.1 Basis of preparation

These financial statements are presented in pounds sterling and all values are rounded to the nearest pound (£). The financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS) in conformity with the requirements of the Companies Act 2006, including the provisions of the Large and Medium – sized Companies and Groups (Accounts and Reports) Regulation 2008.

The financial statements have been prepared in accordance with the 2021-22 Government Financial Reporting Manual (FReM) issued by HM Treasury (HMT) in so far as these requirements are appropriate and do not conflict with the Companies Act 2006. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts. Estimates are continually evaluated and are based on historical experience and other factors that are believed to be reasonable under the circumstances. There are no judgements or key sources of estimated uncertainty that have a significant effect on the amounts recognised in the financial statements other than as disclosed in the financial statements.

The periods up to and including the year ended 31 March 2021 when Salix prepared its financial statements in accordance with FRS102 UK generally accepted accounting principles (UK GAAP) have been restated to comply with IFRS. These financial statements for the year ended 31 March 2022 are the first Salix has prepared in accordance with IFRS. Refer to Note 7 for information on the impact of Salix's first-time adoption of IFRS.

3.2 Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue to operate for the foreseeable future. The financial statements are, therefore, prepared on a going concern basis. Our Company's liabilities due to be settled after 31 March 2022 will be paid for through funding from our sponsoring department, BEIS. Our 2022–23 funding has been included in her Majesty's Treasury Main Estimate, which has been approved by Parliament.

In forming this view, the directors note that the Company:

(i) applies prudent financial management in order to ensure that its commitments are accommodated within the timing of allocated budget;

and

(ii) undertakes a robust and detailed annual business planning and budgeting process to establish its operational cost requirements for each financial year;

The Directors having carried out a going concern assessment and, given Salix's role in the delivery of future phases of the Public Sector Decarbonisation Schemes and the Public Sector Low Carbon Skills Fund, the potential opportunity to act as Delivery Agent for the two housing schemes (home upgrade grant and social housing decarbonisation fund) and its continued relationship with the Scottish and Welsh Governments, have concluded that it is appropriate to adopt the going concern basis for the preparation of the financial statements.

3.3 Accounting convention

The accounts are prepared under the historical cost convention (the practice of recording the original cost of an asset as its cost on a balance sheet), modified to account for the revaluation of non-current assets, where material, at their value to the business by reference as applicable to their current costs, replacement costs or indices.

3.4 Adoption of new and revised standards

2021-22

Salix has adopted IFRS for the first time as required by the FReM, following its change in status to a non-departmental public body. Salix previously prepared its annual accounts in accordance with UK GAAP FRS 102.

As a company, Salix is mandated to adopt existing IFRS under CA 2006 which includes IFRS16 that came into effect for reporting periods from 1 January 2019. This standard is due to be implemented across central government as a whole from 1 April 2022.

3.5 Revenue

Revenue in 2021-22 consists mainly of income received for the provision of grants and loans schemes administration and project management delivery services to the Welsh Government and the Scottish Government. Income for services provided pre-September 2020 to BEIS, was accounted for as revenue but post Salix's reclassification as a non-departmental public body, income from BEIS has been accounted for as grant-in-aid through reserves. Salix also receives revenue from other organisations, and from other government departments to provide funding programme support.

Salix recognises revenue in accordance with IFRS 15. The standard sets out that the point of recognition is based on when performance obligations of a contract are satisfied and the benefits are fully received by the customer. The table below sets out the approach to income recognition for the main customer contract types:

Contract type	Point-of-revenue recognition	Judgements applied
Provision of grants and loan schemes administration services and other project management delivery	Revenue to be recognised over a period-of-time	Salix assesses that its obligations are fulfilled by providing the services over the period that the scheme covers. Revenue from contracts (agreements) is recognised when services are rendered on behalf of the principals at an amount that reflects the consideration which Salix expects to be entitled in exchange for those services. Therefore, the revenue received for these services should be recognised proportionately annually. IFRS 15 requires Salix to treat as one single contract any linked contracts that have similar features, such as the timing and commercial purpose. Therefore, revenue received for loan, grant schemes and project delivery management services is apportioned and recognised evenly over 12 months.
Management Services	Point-in-time recognition	Salix has contracts with customers to provide professional services (i.e., management expertise, in, for example, assessing applications to the Department for Education Condition Improvement Fund, Scottish Funding Council Universities' Financial Transaction Programme support). The performance obligation is to carry out the related activity to completion (i.e., upon delivery of services to the customer) because this is when the customer benefits from Salix's professional services.

(i) Significant financing component

Salix applies the practical expedient for short-term advances received from our funders. That is, the promised amount of consideration is not adjusted for the effects of a significant financing component. The contracts are not discounted using prevailing interest rates if the period between the transfer of the promised service and the payment is one year or less.

Contract balances

Contract assets

Trade receivables

Salix recognises a receivable if an amount of consideration that is unconditional is due from the customer (i.e., only passage of time is required before payment of the consideration is due).

Contract liabilities and assets

Salix recognises a contract liability in the form of deferred revenue if a payment is received from a customer before Salix transfers the related services and recognises a contract asset if a payment is outstanding from a customer after Salix completes its obligation under the contract. Contract liabilities are recognised as revenue in the statement of income and comprehensive expenditure when Salix performs under the contract (i.e., transfers control of the related services to the customer).

3.6 Valuation of non-current assets

Property, plant and equipment

Property, plant and equipment are initially recognised in the statement of financial position at their current value in existing use, which is calculated as the cost of the asset less its accumulated depreciation, at the reporting date.

Intangible non-current assets

In 2021-22, Salix did not have intangible assets, which, would have comprised internally developed software for internal use (including such assets as under construction), software developed by third parties, and purchased software licences.

When there are any development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by Salix, these would be capitalised when they meet the criteria specified in IAS 38 'Intangible Assets'.

Other development expenditure that would not meet these criteria would be recognised as an expense as incurred. Development costs previously recognised as an expense would not be recognised as an asset in a subsequent period. Expenditure on research is treated as an operating cost in the SoCNE.

Purchased software licences would be recognised as intangibles if it were probable that future service potential would flow to Salix for more than twelve months following purchase and the cost of the license could be measured reliably. Such licences would initially be measured at cost. Software-as-a-service would be expensed unless Salix could determine that it has control over the software.

Subsequent to initial recognition, any intangible assets would be measured at fair value. As no active market exists for the intangible assets of Salix, fair value is assessed as replacement cost less any accumulated amortisation (the proportion of the asset value charged to the SoCNE) and impairment losses (when the value of an asset falls below its carrying value).

The threshold for capitalising non-current assets is £500 (including irrecoverable VAT). Individual items are not grouped unless they are components of a single asset. Salix had no intangible assets in 2021-22.

3.7 Depreciation

Depreciation is provided on all non-current assets on a straight-line basis to write off costs (less any estimated residual value) evenly over the asset's anticipated life. Depreciation is charged from the month following acquisition or use.

Asset lives are in the following ranges:

- information technology – typically three to five years, assumptions on remaining asset lives are reviewed with asset owners annually and may be adjusted in line with the latest expectations on how long they will be in operational use.

3.8 Impairment

An impairment reflects a diminution in value of an asset as a result of a clear consumption of economic benefits or service potential. At 31 March each year, Salix assesses all assets for indications of impairment. If any such indication exists, the assets in question are tested for impairment by comparing the carrying value of those assets with their recoverable amounts.

Where the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable amount. The recoverable amount of an asset is the higher of its 'fair value less costs to sell' and 'value in use'. All impairment loss is charged directly to the Statement of Comprehensive Net Expenditure (SoCNE) unless the asset was previously revalued. Impairment loss on a revalued item will reduce the amount in the revaluation surplus. When an asset's carrying amount decreases (other than as a result of a permanent diminution), the decrease is recognised in the revaluation reserve to the extent that a balance exists in respect of the asset. Decreases in excess of the revaluation surplus are charged to the SoCNE.

3.9 Leases

IFRS 16 leases

Salix Finance Ltd has adopted IFRS 16: Leases, from 1 April 2021 and applied the standard using the modified retrospective approach. This allows for the recognition of the cumulative effects of initially applying IFRS 16 recognised on 1 April 2021 as an adjustment to the opening balances. The comparative information previously reported under UK Generally Accounting Practice (UK GAAP FRS102) has not been restated to the extent that FRS102 Leases was analogous to IAS17 on first time adoption of International Financial Reporting Standards (IFRS) by Salix Finance Ltd. The details of accounting policies under FRS102 are disclosed separately if they are different from those under IFRS16 and the impact of changes is disclosed. IFRS16 Leases has superseded IAS 17: Leases, IFRIC 4: Determining Whether an Arrangement Contains a Lease, SIC 15: Operating Leases – Incentives and SIC 27: Evaluating the Substance of Transactions in the Legal Form of a Lease.

Salix will review all future contractual arrangements under International Financial Reporting Interpretations Committee (IFRC) 4 – ‘Determining whether an arrangement contains a lease’, to determine whether individual contracts are a lease in substance and not in legal form.

Significant accounting policy

Policy applicable from 1 April 2021

Upon transition, IFRS16 (C) allowed Salix to elect to apply the practical expedient to ‘grandfather’ the assessment of transactions that are leases, which means, contracts that were not identified as leases under FRS102 were not required to be reassessed when adopting IFRS 16. The Company has applied IFRS16 only to contracts that were previously identified as leases. The license agreement for office accommodation was previously treated as a lease under FRS102.

Salix applied the following exceptions under IFRS 16 (6) allowed by IFRS 1 when adopting IFRS 16 for the first-time, for leases previously classified as operating leases:

- No adjustments for leases for which the underlying asset is or below £5,000 in value.
- No adjustment for leases for which the lease term ends within 12 months of the date of initial application of IFRS16 (with a requirement to include the cost associated with those leases in the short-term lease expense disclosure).
- Used hindsight in determining the lease term if the contract contains options to extend or terminate the lease.
- Not included initial direct costs e.g., security deposit.

Upon transition, apply the practical expedient to rely on historical reviews for onerous contracts instead of carrying out an impairment review. There were no onerous contracts.

Post transition to IFRS 16, at inception of a contract, Salix will apply the definition of a lease under IFRS16 to assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

To assess whether a contract conveyed the right to control the use of an identified asset, Salix will assess whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- Salix has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use and;
- Salix has the right to direct the use of the asset. Salix has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, Salix has the right to direct the use of the asset if either.
- Salix has the right to operate the asset or;
- Salix designed the asset in a way that predetermines how and for what purpose it will used.

This policy will be applied to contracts entered, or changed, on or after 1 April 2021.

At inception or on reassessment of a land and building contract that contains a lease component and where Salix is the lessee, Salix has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Salix has applied the IFRS 16 cost measurement model to the right-of-use assets as a proxy for current value in existing use or fair value in alignment with the IAS 16 guidance.

As a lessee

Right of Use Property

Salix recognises a right-of-use property and a lease liability at the lease commencement date. The right-of-use property recognised was initially measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any leases incentives received relating to that lease recognised in the statement of financial position immediately before 1 April 2021.

The right-of-use property was subsequently measured using the IFRS 16 cost measurement model adapted in the FReM, as a proxy for carrying value in existing use or fair value because it has a shorter useful life and value than the underlying asset.

The right-of-use property asset was depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use property or the end of the lease term. The estimated useful lives of the right-of-use asset is determined on the same basis as those of property and equipment. In addition, the right-of-use asset will be periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease liability

The lease liability was initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using HM Treasury discount rate of 0.91% promulgated in the Public Expenditure System papers (PES) 2021 as Salix's incremental borrowing rate. Under IFRS 16, as adapted and interpreted by the FReM, there is a presumption that where government entities cannot readily determine the interest rate implicit in the lease, they are instead required to use the HM Treasury discount rate promulgated in PES papers as their incremental borrowing rate.

Policy applicable before 1 April 2021

Salix classified and accounted for its leases as either a finance lease or operating lease in accordance with UK Generally Acceptable Accounting Practice (UK GAAP) Financial Reporting Standard (FRS) 102.

3.10 Value Added Tax

Salix is not engaging in business activities for VAT purposes and therefore, most of its activities are outside the scope of VAT and, in general, output tax does not apply except for those activities that are deemed vatable.

Input tax on most purchases funded by grant-in-aid is not recoverable unless the VAT has been incurred in the course of contracting out those services listed in the HM Treasury's 'Contracting out of services directions. Irrecoverable VAT is charged to the relevant expenditure category in the SoCNE or included in the capitalised purchase cost of fixed assets on the statement of financial position (SoFP). Income and expenditure are otherwise shown net of recoverable VAT.

3.11 Employee benefits

Employee accruals

Accruals are made for untaken employee annual leave and bonuses relating to individual performance during the year.

Defined contribution pension scheme

Under a defined contribution scheme, Salix's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. Salix recognises contributions payable as an expense in the year in which its incurred.

3.12 Provisions

Provisions are recognised in accordance with IAS 37 'Provisions, contingent liabilities, and contingent assets.'

The amount recognised as a provision is the best estimate of expenditure required to settle the present obligation at the SoFP date. Provisions that are more than a year from the SoFP date are discounted at the rates set annually by HM Treasury because Salix is a public body funded by the Exchequer and setting its own discount rates could expose taxpayers' funds to risks unnecessarily.

3.13 Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recognised as liabilities and assets on the face of the SoFP.

A contingent liability is disclosed when the possibility of an outflow of economic benefit to settle the obligation is more than remote. A contingent asset is disclosed when an inflow of economic benefit is probable.

In addition to contingent liabilities disclosed in accordance with IAS 37, Salix discloses for Parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of 'Managing Public Money' and 'Government accounting'.

3.14 Financial instruments

Salix holds the following financial assets and liabilities:

- cash
- trade and other receivables – current
- accrued income – current
- trade and other payables – current
- liabilities e.g. accruals – current
- deferred income – current

Financial assets and liabilities are accounted for under IFRS9 Financial Instruments, and IFRS 7 Financial instruments: disclosures.

Financial assets

Financial assets are recognised initially when and only when, Salix becomes a party to the contractual provisions of the instrument, at the amount of consideration that is unconditional, i.e., transaction price because they are due within one year and do not constitute a financing component. They are subsequently measured at amortised cost, being, transaction amounts less any amounts settled less any impairment losses. IFRS 9's simplified approach to impairment allows Salix not to impair financial assets if they fall within 12 months. Cash balances are measured as the amounts received in Salix's bank. Salix does not have available for sale assets and securities, nor does it have cash equivalents or derivative financial instruments.

Financial liabilities

Financial liabilities are recognised initially when and only when, Salix becomes a party to the contractual provisions of the instrument, at nominal value i.e., transaction price if due within one year and do not constitute a financing component. Subsequently measured at amortised cost., being the transaction price less any amounts settled. Salix does not have borrowings. Financial liabilities do not include provisions.

3.15 Estimation techniques used and changes in accounting estimates

Salix applies estimation techniques for the following:

- Calculating provisions – property dilapidations are estimated based on third party estimate.

3.16 Accounting standards in issue but not yet effective

IFRS 17 – Insurance contracts is expected to replace IFRS 4 from 1 April 2023. The scope of the standard covers insurance contracts issued and reinsurance contracts issued or held. Salix does not have any insurance contracts it recognises under IFRS 4 and does not expect to under IFRS 17. Review work will be undertaken to provide assurance over this in advance of the effective date.

4. Reported revenue and expenditure

The only income and expenditure reported in the company's financial statements is in respect of Salix administering grant and loan schemes. Salix does not have control over the schemes' criteria. Salix has concluded that it is an agent in its revenue arrangement because it does not typically control the services it undertakes on behalf of the principals.

5. Segmental reporting

Salix is currently a single operating segment because the majority of its funding in the form of grant in aid (GIA) comes from our sponsoring body, the Department for Business, Energy and Industrial Strategy (BEIS). The International Accounting Standard (IAS) 8 Operating Segments does not apply to GIA. The remainder of Salix's revenues from contracts with customers is less than the required threshold for reportable segments. The expenditure is treated as one business activity and not separable.

6. Prior period restatement

Salix made prior year adjustments to material figures in its 2020-21 accounts published under FRS102.

Reconciliation of prior year adjustments to net assets as at 31 March 2021

	Notes	31 March 2021 UK GAAP	Prior Year Adjustment				31 March 2021 UK GAAP Restated
			£	£	£	£	£
Net assets previously reported		-			-		-
Property, Plant & Equipment		150,525			-		150,525
Trade and other receivables	A,	882,577	(175,000)	1,318	(6,892)		702,003
Cash and Cash Equivalents	B	722,572			36,270		758,842
Deferred Income	C	(739,655)	41,650		(36,270)		(734,275)
Trade and Other Payables	D	(1,016,019)	175,000	(1,318)	6,892	38,100	(797,345)
Restated Net Assets		-	41,650	-	-	38,100	79,750

A. Trade receivables

Salix recorded incorrectly £175,000 as being owed to the Welsh Government for amounts received in advance of services provided yet no cash had been received in advance of the provision of services. The amounts recorded as receivable from BEIS were correspondingly overstated. We have corrected this by reducing amounts receivable from BEIS and payable to Welsh Government. Unallocated receipts with a credit balance of £1,318 that were previously reported as receivables have now been reclassified as payables.

B. Interest on deposits

We omitted to include £36,270 of interest received on funders' deposits from amounts recorded as cash and cash equivalents at 31 March 2021. This was on the basis that we thought that the interest earned on deposits would be repayable to our funders. It was subsequently clarified by our funders that these amounts should be retained by the company and applied to offset amounts due to Salix for the costs of scheme administration. Of the total interest received on deposits during 2020-21, £4,714 was on deposits lodged by BEIS and £31,557 was on deposits lodged by other funders.

C. Deferred income

Income received from the Department for Education of £41,650 for services provided in 2020-21 by Salix was previously deferred on the statement of financial position. This has now been corrected and reflected as income earned in the year it earned by increasing the revenue received from customers in 2020-21.

D. Corporation Tax and trade payables

In preparing our 2020-21 accounts we calculated our corporation tax charge for the year as £6,892. The company's tax charge for 2020-21 was subsequently confirmed to be £nil. The tax charge recorded for the year to 31 March 2021 and the associated tax payable were therefore overstated. Correspondingly, the amounts recorded as receivable by BEIS were overstated. We have corrected this by removing the tax charge and reducing the amounts receivable from BEIS. Separately, we incorrectly overestimated amounts due for advisory services by £38,100. These services were not required and we have subsequently reduced our prior year payables and expenditure.

Reconciliation of prior year adjustments to net comprehensive expenditure for the year ended 31 March 2021

		31 March 2021	Prior Year Adjustment	31 March 2021 UK GAAP Restated
	Notes	UK GAAP	£	£
Net expenditure previously reported		-	-	-
Grant in Aid		(3,774,815)		(3,774,815)
Revenue from contracts with customers		(2,910,583)	(41,650)	(2,952,233)
Total operating income		(6,685,398)	(41,650)	(6,727,048)
Staff costs	E	3,246,717	80,080	3,326,797
Purchase of goods and services	E	3,400,915	(118,180)	3,282,735
Depreciation charges		37,766		37,766
Total operating expenditure		6,685,398	(38,100)	6,647,298
Restated Net Expenditure		-	(79,750)	(79,750)

E. Remuneration of non-executive directors and overstated expenditure

The remuneration of non-executive directors totaling £80,080 was incorrectly recorded as other expenditure rather than as staff costs. We have reduced purchased goods and services and increased staff costs. In addition, we have reversed overestimated accruals which had incorrectly overstated expenditure by £38,100.

The net effect of adjusting for prior period errors on the 2020-21 accounts is £79,750.

7. Summary of first-time adoption of IFRS from FRS102

Salix started reporting under the International Financial Reporting Standards on 1 April 2021. The impact of the changes from FRS102 to IFRS is reconciled below.

Reconciliation of changes to equity as at 1 April 2021 (date of transition to IFRS)

		31 March 2021 UK GAAP Restated	Effect of transition to IFRS	2020-21 results restated for IFRS
	Notes	£	£	
Property, Plant & Equipment		150,525	-	150,525
Trade and other receivables	F,16	702,003	(227,306)	474,697
Cash and cash equivalents		758,842	-	758,842
Deferred income	F,17	(734,275)	702,719	(31,556)
Trade and other payables	G,17	(797,345)	(48,800)	(846,145)
Lease liabilities		-		-
Provision for dilapidations		-		-
Restated Net Assets		79,750	426,613	506,363
Taxpayers Equity & Reserves				
General Reserve				
Opening Balance	F			4,250,678
Net operating expenditure				(3,744,315)
Closing Balance				506,363

At 31 March 2021 we reported operating lease expenditure of £701,605 and total future minimum lease payments under non-cancellable operating leases of £449,722. This related to our lease for office accommodation. In accordance with IFRS16 transitional arrangements, 1 April 2021 opening balances reflect the IFRS16 right of use asset and lease liability at this date, but prior period comparatives have not been restated.

Reconciliation of prior year adjustments to net comprehensive expenditure for the period to 1 April 2021 (date of transition to IFRS)

		31 March 2021 UK GAAP Restated	Effect of transition to IFRS	2021 IFRS Restated
	Notes	£	£	
Grant in aid	F	(3,774,815)	3,774,815	-
Revenue from contracts with customers		(2,952,233)	-	(2,952,233)
Total operating income		(6,727,048)	3,774,815	(2,952,233)
Staff costs	G,8	3,326,797	48,800	3,375,597
Purchase of goods and services		3,282,735	450	3,283,185
Depreciation charges		37,766		37,766
Total operating expenditure		6,647,298	49,250	6,696,548
Restated net income / expenditure		(79,750)	3,824,065	3,744,315

F. Financing

In accordance with the FReM, Grant-in-aid (GIA) from our sponsor body (BEIS) is now recognised through the general reserve on a cash basis. Salix received GIA of £4,246,504 in the period 1 October 2020 - 31 March 2021. Salix was additionally advised that it was entitled to retain £4,714 of interest earned on BEIS deposits as financing. At 31 March 2021 the following balances were recognised in respect of BEIS funding which must be eliminated on transition to IFRS:

- receivable of £409,198, which has been restated to £227,306
- deferred income of £708,099, which has been restated to £702,719

G. Annual leave

In accordance with the requirements of IAS18, the prior period has been restated to reflect the cost of accrued employee leave entitlement at the reporting date. This has increased staff costs by £48,800.

8. Expenditure

Reference	2021-22 £	Restated 2020-21 £
Staff costs*		
Wages and salaries	4,432,364	2,853,165
Social security costs	479,868	308,479
Apprentice levy	5,654	-
Pension costs	281,269	165,153
Accrued Staff Leave	93,071	48,800
Goods and services		
ICT – outsourcing, maintenance and support of infrastructure, and telecoms	435,438	591,788
Estates costs including rates, facility management and security	95,136	743,392
Contracted professional services	1,139,803	679,250
Travel and subsistence costs	15,092	(1,024)
Legal costs	92,957	191,907
Recruitment, training and staff-related costs	567,749	322,151
Stationery, printing, postage and office equipment	6,938	12,755
Advertising, Marketing and Business Development	137,774	60,376
Irrecoverable VAT	652,837	563,127
Service costs	10,864	7,463
Auditor's remuneration and expenses	73,000	112,000
Non-cash items		
Depreciation	1,005,710	37,766
Total	9,525,524	6,696,548

*Includes Non-Executive Director costs

The VAT on expenditure is shown separately as irrecoverable VAT.

9. Revenue

9.1 Revenue from contracts with customers

	2021-22	Restated 2020-21
	£	£
Department for Business, Energy and Industrial Strategy	-	(2,323,053)
Scottish Government	(185,000)	(185,000)
Welsh Government	(350,000)	(350,000)
Department for Education		(94,180)
Scottish Funding Council	(18,468)	-
Total income	(553,468)	(2,952,233)

9.2 Details of contracts with customers

The following additional disclosure supplements section 1.4 (Revenue) to provide users of the accounts with more detailed information regarding the nature of Salix's contracts with customers.

Contract	Welsh Government
Contract details	The Welsh Government pays Salix to administer the Wales Energy Efficiency Loans on its behalf.
Performance obligations	The performance obligations identified below are combined into one to recognise correctly the revenue earned. Administration process (Drawdown requests) Application of designated Account Funds Reporting Template Loan Documents Commitment Letter Form of Project Loan Summary Data Protection
Contract duration	Annual
Revenue recognition	Revenue is recognised annually over a period of time during which the service is provided.
Contract values	£350,000

Contract	Scottish Government
Contract details	Salix recovers from the Scottish Government the costs the company incurs in administering the Scottish Energy Efficient Loans.
Performance obligations	The performance obligations identified below are combined into one to recognise correctly the revenue earned. Administration process (Drawdown requests) Application of designated Account Funds Reporting Data Protection
Contract duration	Annual
Revenue recognition	Revenue is recognised annually over a period of time during which the service is provided.
Contract values	£185,000
Contract	Department for Education
Contract details	Assessment of Condition Improvement Funds (CIF) applications for capital funding from schools, colleges and academies.
Customer details	U.K Government Department
Performance obligations	The performance obligations are identified as assessing the applications and are combined into one to recognise correctly the revenue earned from the agreement.
Contract duration	Annual
Revenue recognition	Fixed amount at a point in time
Contract values	£94,180 in FY 2020-21
Contract	Scottish Funding Council
Contract details	Provision of professional services for SFC's Financial Transactions Programme
Customer details	Scottish Government public body
Performance obligations	The performance obligations identified below are unbundled to recognise correctly the revenue earned from contract. 1. recommendations on priority projects 2. Annual programme reports
Contract duration	Contract 1 – December 2019 to September 2022 Contract 2 – September 2022 to 2025
Revenue recognition	Fixed amount at a point in time
Contract values	Contract 1 £55,860 (incl. VAT) Contract 2 £28,977.63 (incl. VAT)

10. Property, plant and equipment

Property, plant and equipment comprises of IT hardware and right-of-use asset.

	2021-22		
	Information Technology	Right-of-use-asset	Total
	£	£	£
Cost or valuation			
At 1 April 2021	311,232	1,354,164	1,665,396
Additions	33,614	54,492	88,106
At 31 March 2022	344,846	1,408,656	1,753,502
Depreciation			
At 1 April 2021	160,707		160,707
Charged in year	66,605	939,105	1,005,710
At 31 March 2022	227,312	939,105	1,166,417
Carrying amount at 31 March 2022	117,534	469,551	587,085
Restated Carrying amount at 1 April 2021	150,525	1,354,264	1,504,689

	2020-21		
	Information Technology	Right-of-use-asset	Total
Cost or valuation			
At 1 April 2020	178,975		178,975
Additions	153,831		153,831
Disposals	(21,574)		(21,574)
At 31 March 2021	311,232		311,232
Depreciation			
At 1 April 2020	144,515		144,515
Charged in year	37,766		37,766
Disposals	(21,574)		(21,574)
At 31 March 2021	160,707		160,707
Carrying amount at 31 March 2021	150,525		150,525
Carrying amount at 1 April 2020	34,460		34,460

In accordance with IFRS 16 Buildings are deemed to be a right-of-use asset. Other expenditure recognised in the year in respect of leases (i.e., short term and leases of low value items) is deemed immaterial.

11. Impairments

The total impairment charge for the year is nil (2020-21: nil).

12. Lease liabilities

	2021-22	2020-21
	Total £	Total £
Cost or valuation		
At 1 April 2021	1,354,164	-
Finance charge	7,754	-
Lease repayments	(903,649)	-
At 31 March 2022	458,269	-

Salix has applied the new standard, IFRS 16: Leases, using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised as an adjustment to the opening balance as at 1 April 2021. Prior periods have not been restated. The lease liabilities' unavoidable future lease payments were discounted using the discount rate provided by the HM Treasury Public Expenditure System (PES) papers) 2021 10 as a proxy for Salix's incremental rate of borrowing. The discounting is the imputed finance charge. The lease liability balance as at 31 March 2022 is the amounts owed to our office accommodation landlord.

Discount rate (nominal rate)

For leases commencing or remeasured in the 2021 calendar year	For leases commencing, transitioning or being remeasured in 2022 calendar year
0.91%	0.95%

Maturity Analysis Contractual Undiscounted Lease Flows

	2021-22	2020-21
	Office Accommodation	Office Accommodation
	£	£
Not later than one year	459,000	-
One to five years	-	-
Over five years	-	-
Undiscounted lease liabilities at 31st March 2022	459,000	-

Lease Liabilities in the Statement of Financial Position

	2021-22	2020-21
	Office Accommodation	Office Accommodation
	£	£
Current	458,269	-
Non-Current	-	-
Discounted lease liabilities at 31st March 2022	458,269	-

Amounts Recognised in Statement of Net Income and Expenditure

	2021-22	2020-21
	Office Accommodation	Office Accommodation
	£	£
Interest on lease liabilities	7,754	-
ROUA Depreciation Charge	939,105	-
Total amount recognised in the SoCNE	946,859	-

Cash Outflow for Leases

	2021-22	2020-21
	Office Accommodation	Office Accommodation
	£	£
Principal repayments for leases for the year ended 31 March 2022	903,649	-
Interest repayments for leases for the year ended 31 March 2022	7,754	-
Total amount recognised in the Statement of Cashflows	911,403	-

Reconciliation of Prior Year Operating Lease Commitments to Lease Liabilities

	£
Opening Operating Leases Commitments on 1 April 2021	(449,722)
Maintenance Costs in Lease Commitments and Prior Year Adjustment	5,073
Restated Opening Balances	(444,649)
Discounted using the Incremental Borrowing Rate at 01 April 2021	7,754
Renewal of Existing Lease	(918,000)
Low Value Lease Payments	-
Lease liabilities as recognised at 1st April 2021	(1,354,895)

13. Capital and other financial commitments

Salix has no capital commitments (2020-21: nil).

Salix has entered into non-cancellable contracts (which are not a lease or private finance initiative contract) for IT and office services.

The payments to which Salix is committed, analysed by the period during which the payment is due, are as follows.

	2021-22	Restated 2020-21
	£	£
Not later than one year	826,574.49	153,121.31
Later than one year and not later than five years		
Later than five years		
Total	826,574.49	153,121.31

14. Financial instruments

Salix cash requirements are met through the Estimates process. Therefore, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial statements relate to contracts for non-financial items, and Salix is therefore exposed to little credit, liquidity or market risk.

15. Cash and cash equivalents

	2021-22	Restated 2020-21
	£	£
Balance at 1 April	758,842	324,023
Net changes in cash and cash equivalent balances	252,761	434,819
Balance	1,011,603	758,842

	2021-22	Restated 2020-21
	£	£
The following balances at 31 March were held at:		
Government Banking Service	1,011,603	758,842
Balance	1,011,603	758,842

The 2020-21 cash balance has been restated to include the interest earned in that period from the scheme account deposits that Salix held on behalf of our funders. This deferred income in Note 17 will be used to fund operating costs in FY 2022-23.

16. Trade receivables, financial and other assets

	2021-22	Restated 2020-21
	£	£
Amounts falling due within one year:		
Trade receivables	109,662	180,672
Deposits and advances	160,187	148,217
Other receivables	4,007	1,012
Prepayments	280,470	144,796
Amounts falling due after more than one year:	-	-
Total trade receivables	554,326	474,697

17. Trade payables and other current liabilities

	2021-22	Restated 2020-21
	£	£
Amounts falling due within one year:		
Trade payables	598,598	272,762
Other taxation and social security	166,929	233,462
Accruals	631,107	339,921
Lease liabilities	458,269	-
Deferred income	31,556	31,556
Amounts falling due after more than one year:	-	-
Total trade payables	1,886,459	877,701

The increase in trade payables and other current liabilities mainly relates to the outstanding lease liabilities for the office accommodation, staff bonus paid after reporting period and suppliers billing us so late in March or not at all.

18. Provisions for liabilities and charges

	2021-22	Restated 2020-21
	Property Dilapidations	Property Dilapidations
	£	£
Balance at 1 April 2021		
Provided in year	54,492	-
Provisions not required written back	-	-
Provisions used in the year	-	-
Borrowing costs (unwinding of discount)	508	-
Balance at 31 March 2022	55,000	-

Analysis of expected timing of discounted flows

	2021-22	2020-21
	Property Dilapidations	Property Dilapidations
	£	£
Not later than one year	55,000	-
Later than one year and not later than five years	-	-
Later than five years	-	-
Balance at 31 March 2022	55,000	-

18.1 Property dilapidation

Salix leases its office accommodation under a license agreement. It is a standard contractual requirement that the lessee returns the leased estate in good order at the end of the lease period and makes good any dilapidations. These costs will materialise at the end of the lease.

19. Contingent liabilities

Salix has no contingent assets to disclose.

20. Contingent assets under IAS 37

Salix has no contingent assets to disclose.

21. Related party transactions

21.1 Transactions between Salix and other government departments

Salix is a non-departmental body of BEIS, which is regarded as a controlling related party. Our company's primary source of funding is through BEIS, based on approved expenditure that is voted on by Parliament. The total amount of funding received from BEIS for the year ended 31 March 2022 amounted to £8,685,002 (2020–21 £4,250,678). Salix had a number of transactions with our other funders during the year: Welsh Government - £350,000 (2020-21 £350,000) and Scottish Government - £185,000 (2020-21 £185,000).

21.2 Transactions between Salix and Board members and key managers

No board member, key manager or other related parties have undertaken any material transactions with Salix during the year. Full details of the related parties are disclosed in the Directors' Report.

22. Pension arrangements

The Salix Group Personal Pension Plan is provided by Royal London and is a defined contribution scheme. Employees pay into the scheme and Salix contributes to this scheme.

In order to remain in the plan, employees, must make a minimum monthly contribution of 3% of basic salary. The contributions are shown in the following tables:

Employees Contribution	Salix Contribution	Total Contribution
3%	6%	9%
For enhanced contributions of 2:1 up to a maximum of 10% of basic salary		
4%	8%	12%
5%	10%	15%

Salix reserves the right to vary the contributions at any time, subject to the company meeting minimum statutory requirements.

23. Events after the reporting period

In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Independent Auditors Report. There have been no events after the reporting period requiring an adjustment to the financial statements.

Salix has signed a License to Occupy with the Government Property Agency for new office accommodation in its hub at 10 South Colonnade and 20 Cabot Square in Canary Wharf, London commencing 2 September 2022.

BEIS has entered into discussions with Salix which could result in the company acting as a Delivery Agent to manage the delivery of the Home Upgrade Grant and Social Housing Decarbonisation Fund that were launched in July and September 2022.

Tracy Vegro OBE was appointed a Non-Executive Director from 1 August 2022, replacing John Edmonds who retired on 31 May 2022.

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