



**SALIX ENERGY EFFICIENCY  
RECYCLING FUND**

**FUND MANUAL**

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# 1. INTRODUCTION

The objective of the Salix Energy Recycling Fund is to increase capital investment in energy efficient and low carbon technologies across the public sector.

Salix provides ring-fenced funding in the form of a Conditional Grant which is matched by participating public sector bodies to create an energy efficiency fund, “ the Local Fund”, to pay for energy efficiency projects across the public body’s estates.

The financial savings made from projects are then paid back into the Local Fund to finance further energy-saving projects. Once a fund is established it becomes self-sustaining and can be in operation for 15-20 years as savings generated by completed projects are recycled back into it, to finance further projects. Only when the institution has exhausted all possible projects does the grant have to be repaid to Salix Finance. It is expected that the money in the Local Fund will be recycled at least 3 times.

The Local Fund can be used only to finance energy efficiency projects that deliver long-term CO<sub>2</sub> savings and financial savings. Projects must comply with either of the following criteria:

- A payback period of 5 years or less which costs no more than £100 per tonne life-time carbon saved; or
- A payback period of 7.5 years or less with a cost of no more than £50 per tonne life-time carbon saved.

To help assess whether projects meet these criteria Salix provides a Project Compliance Tool. This is an easy to use excel based tool which, once clients submit basic information, automatically calculates whether the project is compliant. More detailed information on project criteria is set out in section 6.

## 2. ESTABLISHING THE LOCAL FUND

Salix Finance will provide the Conditional Grant in tranches, the timing and amount of which, will have been agreed with you and is set out in the Award Letter (see Appendix I) On receipt of the first tranche of the Conditional Grant, the funds must be paid into a separate account or cost centre, which is 'ring-fenced' and can be easily identified as the Local Fund. You will need to pay your match funding into this account within 20 working days of receiving each tranche of conditional grant payment.

In order to claim each tranche, clients need to complete a Grant Claim Form (see Appendix II) and comply with the conditions set out in the Award Letter. The main condition is that clients must have committed 80% of the Local Fund to projects (ie Internal Loan Agreements are in place) before claiming subsequent tranches (internal loan agreements are discussed in greater detail in section 4). You can if you wish add your match to the Local Fund in advance of Salix paying your second and subsequent Conditional Grant tranches.

As set out in the Award Letter, you will need to demonstrate for each Conditional Grant claim that you have sufficient funds available to provide your match.

You should inform Salix Finance in writing of any anticipated changes to the expected level of your match funding. If you are notifying us that you do not have available some or, all of your, match funding, Salix Finance may seek to recover all or part of the Conditional Grant.

### 3. ADMINISTRATION OF THE LOCAL FUND

The client is responsible for administration of the Local Fund, and will need to appoint a Fund Manager who will be the main contact point for Salix Finance. The Fund Manager's contact details must be provided to Salix. The client must also appoint a sponsor director, who will have oversight of the Fund Manager's management of the fund.

The Fund Manager will assume overall accountability for the Local Fund over the life of the Conditional Grant Agreement. The Local Fund Manager shall manage the Local Fund in accordance with this Fund Manual and the Conditional Grant Agreement.

The Fund Manager will be required to maintain a project listing on the Salix Energy Reporting System (SERS), a web-based management information tool, which is used to provide the majority of the required reporting information set out in this Fund Manual.

The client shall ensure that the Local Fund Manager shall promptly comply with all reasonable requests or directions of Salix Finance with respect to the operation of the Local Fund.

Changes to the identity of the Local Fund Manager should be notified to Salix Finance as soon as practicably possible.

## 4. MAINTAINING THE LOCAL FUND

Investment in projects will be made in the form of repayable interest-free internal loans. From a financial point of view the “loan” provided by the Local Fund is actually an “interest free internal advance”. However, for ease of reference within this document internal advances are referred to as “loans”.

The Fund Manager, will approve and prioritise the projects financed by the Local Fund.

### 4.1 Devolved budgets

For each project that is approved for funding, the Fund Manager needs to ensure that:

- a designated staff member (the Loan Recipient Contact, who will be the budget holder) is responsible for the project and understands their responsibilities under this Fund Manual;
- an Internal Loan Agreement has been completed and signed by the Loan Recipient Contact prior to the commencement of the project.

If your organisation operates devolved budgets you will need a signed Internal Loan Agreement with the budget holder for each project. The agreement should include a summary of the project details together with the agreed Loan Repayment Schedule. A copy of the Internal Loan Agreement and its terms (the project loan summary) can be found at Appendix III. The information presented within the example loan summary can be automatically generated through SERS.

Loan repayments must be credited back to the Local Fund annually, in accordance with the Loan Repayment Schedule in order to recycle the savings back into future projects. The first repayment must be no later than 12 months after the loan is drawn down (not when the final account has been settled). The Loan Repayment Schedule should be agreed at the time the loan is agreed and repayments should be based on the forecast revenue savings of the project at that time. We recommend that common repayment dates are established for all projects, with repayments being processed at the end of each quarter. If the recipient of the loan does not repay the loan, then you must recover funds from elsewhere to repay the project costs back into the Local Fund.

Both capital cost and installation costs can be included in the project costs at your discretion, provided the payback period is within the relevant project compliance criteria. Fund Managers can if they wish offer as an incentive to the budget holder a longer pay back period allowing them to retain 25% of the savings for use elsewhere in their organisation to support or improve front line services.

Alternatively, Fund Managers may wish to retain 25% of the payments to fund energy efficiency projects that do not meet Salix Finance’s criteria, such as behavioural change initiatives, or

waste recycling projects. The repayment percentage can be varied from project to project provided it is achieving at least 75% of estimated savings.

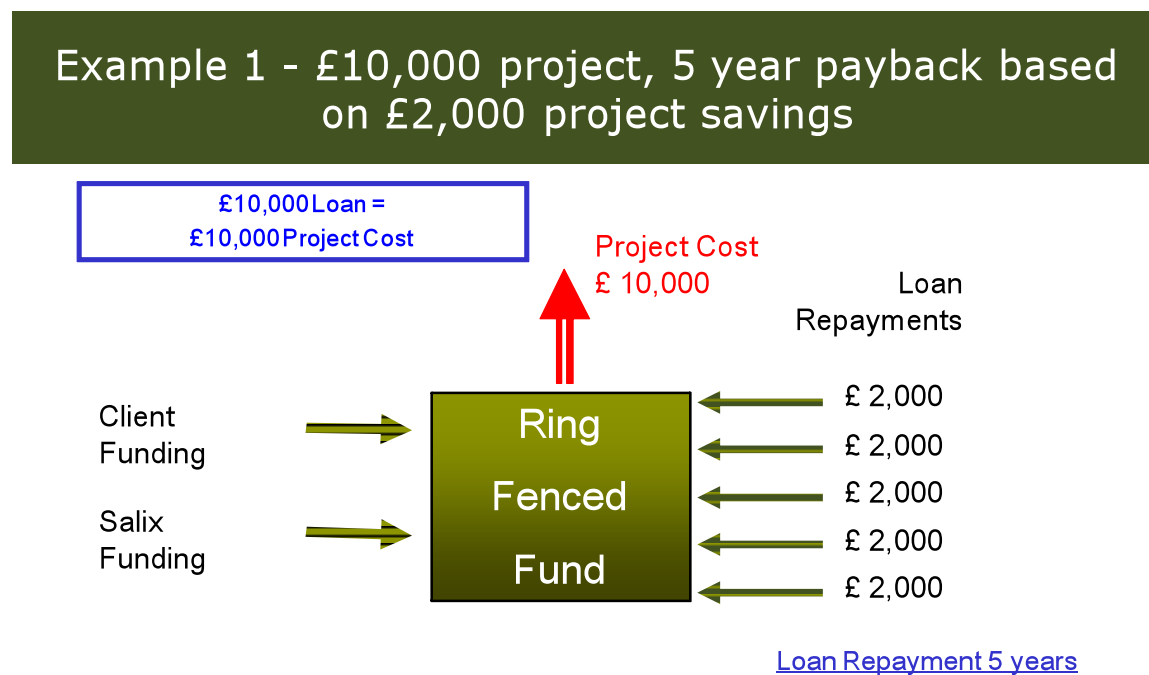
The diagram on page 8 (Example 2) illustrates how this affects the repayment model.

## 4.2 Centralised Budgets

If your organisation operates a centralised budget, the Fund Manager will also be the Loan Recipient Contact. You should still generate a loan agreement from SERS for each project with a Repayment Schedule and follow the procedures set out above as this will make the Local Fund easier to administer.

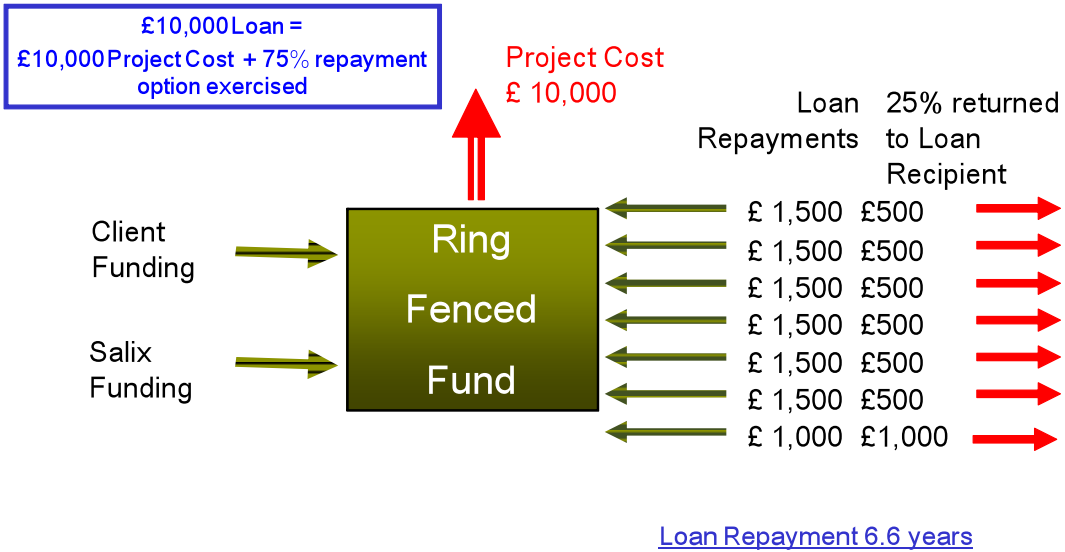
## 4.3 Example of the Local Fund Structure

The following diagram (Example 1) illustrates the recycling process for a £10,000 project which would normally have a 5 year payback. The loan is repaid with five annual repayments of £2,000.



In the next diagram (Example 2) it shows exactly the same £10,000 project however the Fund Manager has chosen to retain 25% of the energy savings (to fund other energy efficiency projects). As a consequence, the duration of the loan extends from 5 years to 6.6 years.

Example 2 – £10,000 project, 5 year payback based on £2,000 project savings & 25% repayment option



## 5. ADDITIONAL FEATURES

### 5.1 Management Charge

We recognise that public bodies will need to devote some resource to running the Local Fund, so the scheme allows for an additional management charge of up to 15% to be levied on each project.

The Management Charge can be varied from project to project up to a maximum agreed value of no more than 15%. The maximum value is agreed with the client when the Conditional Grant Agreement is signed and is set out in the Award Letter.

The Management Charge is repayable from the project energy savings. The payback period for projects should be calculated on the Project Compliance Tool **before** the addition of any Management Charge.

The Management Charge should be applied to the full project capital cost. It should be added to the loan and debited from the Local Fund. The loan repayments then cover both the project cost and the management charge.

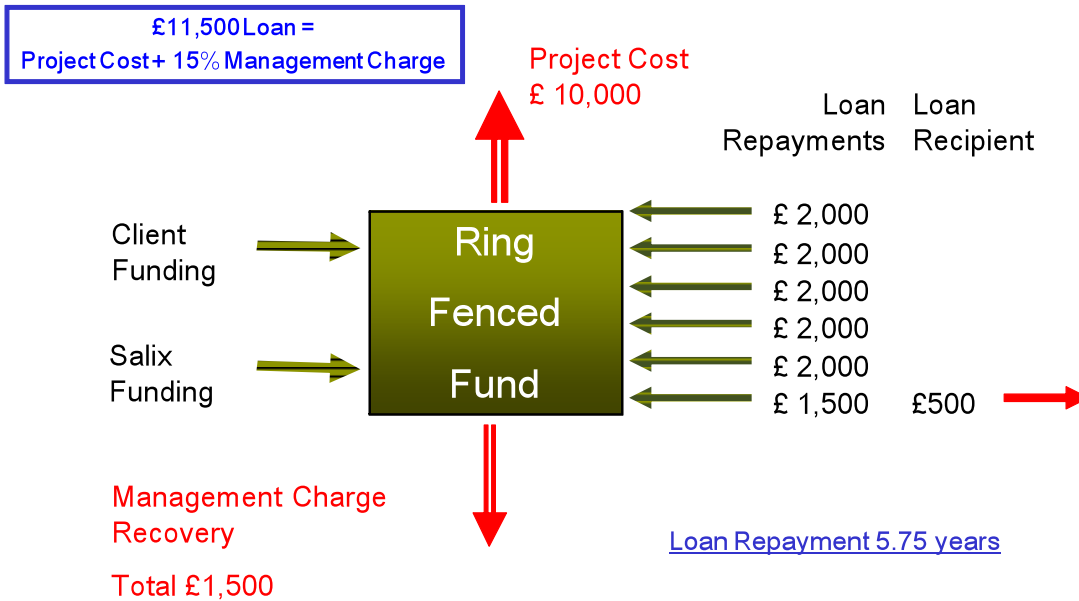
In addition to paying for resources to help manage the Local Fund, the Management Charge can also be used to support the following:

- i) Consultancy and energy audits
- ii) Investment in monitoring and targeting
- iii) Infrared thermography technology
- iv) To make a separate non-compliant project compliant, by applying it as a 20% non-repayable contribution (see section 5.2 for further detail)

The next diagram (Example 3) illustrates the recycling process for a £10,000 compliant project which would normally have a 5 year payback with a 15% Management Charge applied and assumes 100% of savings are used to repay the loan. The project cost is made up of £10,000 for plant and installation plus £1,500 for the Management Charge.

In this example the loan is repaid with five annual repayments of £2,000 and one annual repayment of £1,500 which effectively extends the loan repayment to 5.75 years. Note that the loan recipient retains £500 in the sixth year (as this is the difference between the last loan repayment and the annual energy savings).

## Example 3 – £10,000 project, 5 year payback based on £2,000 project savings



### 5.2 Non compliant projects

If you identify projects that do not comply with the scheme criteria, there is flexibility to add a non-repayable contribution of up to 20% to individual projects. In these cases the project payback period is calculated only on the capital from the Local Fund. However, all the CO<sub>2</sub> savings from the project are attributed to the Local Fund.

## 6. IDENTIFICATION AND EVALUATION OF PROJECT PROPOSALS

### 6.1 Project assessment criteria

Energy saving projects in private residential premises and transport projects cannot be financed from the Local Fund.

Projects must deliver both CO<sub>2</sub> and revenue benefits. Priority should be given to projects which offer longer term CO<sub>2</sub> savings. As an example, cavity wall insulation will deliver CO<sub>2</sub> over a longer period compared to user adjustable heating controls where performance tends to diminish after just a few years.

Projects must comply with either of the following two sets of criteria:

- a. Maximum 5 year payback period and £100/tCO<sub>2</sub> lifetime basis
- b. Maximum 7.5 year payback period and £50/tCO<sub>2</sub> lifetime basis

To evaluate the £/tCO<sub>2</sub> LT, a “persistence factor” is used to derive the lifetime CO<sub>2</sub> savings for different technology types. The project capital costs divided by the product of the annual CO<sub>2</sub> savings and the persistence factor gives the lifetime cost of CO<sub>2</sub>.

$$\text{£/tCO}_2 \text{ LT} = \frac{\text{Project Capital Cost}}{\text{Annual CO}_2 \text{ savings} \times \text{Persistence Factor}}$$

More details on persistence factors can be found in Appendix IV.

All projects must be additional. For projects already part of the maintenance schedule, the fund can only support the additional investment needed to select a more expensive energy saving option. There are a number of criteria that are used to assess additionality, including:

- i) Is the project required by legislation? If so, it is not additional.
- ii) Is the project common practice within the organisation? If so, it is not additional.
- iii) Is it required by Building Regulations or planning officers (e.g. requirement for a percentage of electricity demand in new buildings to be met by onsite renewables)? If so, it is not additional.

In addition to the compliance criteria outlined above, the following guidelines should be borne in mind when evaluating projects for funding:

- iv) Funding cannot be offered for projects where an alternative source of funds is available for the full project cost.
- v) There is no minimum size for a project, However, you may find it administratively easier to bundle together smaller projects, providing they are all the same work type as set out in the Project Compliance Tool.
- vi) Any project with a value of £100,000 or over will require prior approval by Salix Finance and must be accompanied by a business case that has been prepared with sufficient detail to determine its viability without recourse to a site visit. A business case template can be found at Appendix V.
- vii) Proposals may be submitted for energy saving measures in new build or major refurbishment schemes when funding is not available within the original budget. However, finance from the Local Fund can only be awarded where such measures were included in the original specification and have since been removed and the proposals go beyond existing relevant buildings regulations. Supporting evidence will be required.
- viii) In submitting proposals for Combined Heat and Power (CHP) or Renewable Energy Technologies, the client must demonstrate that an energy audit, feasibility study or equivalent has been carried out according to a recognised methodology (the Local Fund will not meet the costs of these studies).
- ix) Projects related to reducing water usage can be funded if the technology has an energy saving element, e.g. reducing the amount of hot water wasted.
- x) The method for determining the payback period for projects is a simple calculation based on estimated revenue savings. Where there is a known increase in energy unit cost due within the payback period, this increase can be factored into the revenue savings analysis. Supporting evidence for the energy cost increase should be held within the Project File for audit purposes.
- xi) All associated costs should be included in determining the payback period, e.g. capital costs, project management costs.
- xii) All projects must be completed and delivering savings within nine months of an Internal Loan Agreement being generated on SERS.

Salix Finance reserves the right to introduce additional project approval criteria in the light of operational feedback.

## 6.2 Project Proposals

All projects must be supported by a written proposal, which should include sufficient detail to enable the client to maintain a clear audit trail for each funded project. At a minimum, the project proposal should include:

- i) a description of the project;
- ii) the project cost;
- iii) explanation of how the projected energy savings have been calculated;
- iv) the implementation period;
- v) the level of expected CO<sub>2</sub> savings and the payback calculation (as calculated by the Project Compliance Tool);
- vi) the proposed Repayment Schedule.

## 6.3 Project Files

There must be a project file for each implemented project, which contains as a minimum the following information:

- i) project description and outline implementation proposals;
- ii) derivation of expected energy, revenue, and CO<sub>2</sub> savings, including pre-project consumption data wherever possible;
- iii) cost details such as contractor quotations or tender returns and subsequent tender analysis and reason for recommended quotation;
- iv) feasibility study where appropriate;
- v) internal loan agreement and repayment schedule;
- vi) evidence of completion (email from supplier, final invoice);
- vii) post project monitoring of savings wherever possible.

In addition, SERS must be completed with sufficient detail so that each project can be identified.

## 6.4 Energy consumption monitoring

Clients should have in place a monitoring strategy in order to assess potential savings. Where practicable we would recommend that a regime of monthly meter readings, or equivalent, be introduced for all project sites. Ideally you should aim for a minimum reading three months prior to project implementation and 18 months post project completion.

For projects with a value of £20,000 or more, consideration must be given to the installation of Automatic Meter Reading (AMR) technology or equivalent.

## 7. REPORTING REQUIREMENTS

The client is required to maintain full and accurate accounting records of income and expenditure in relation to the Local Fund.

At the end of each Financial Year, an End of Year Local Fund Finance Statement must be completed and certified by both the Chief Finance Officer and the Fund Manager.

This statement is generated by SERS and should be sent to Salix Finance as soon as possible after the end of each financial year, and at the latest, by the end of April following the end of the relevant financial year.

Accounts for the Local Fund must be maintained for at least 6 years after the end of the financial year in which the Local Fund is ended.

## 8. AUDIT OF THE LOCAL FUND

Salix Finance has the right to appoint internal, external or other such government auditors to certify the records relating to the Local Fund through investigation of the client's internal procedures and the probity, economy, efficiency and effectiveness with which the client has used the Conditional Grant.

Upon reasonable notice, the client is required to allow Salix Finance or its auditors or representatives full access to the records, books, accounts, data and any other such information relating to the Local Fund throughout the Conditional Grant term and the following 6 years, which may be required to verify the expenditure of the Local Fund or any of the funded projects.



such payments to be made in instalments to match payments of the conditional grant as detailed in Schedule 2 to this letter.

The Local Fund you are establishing shall be a ring-fenced self-sustaining fund whereby each compliant project (that complies with the rules set out in the Fund Manual) shall repay the relevant element of conditional grant funding provided by Salix Finance together with the Match Fund provided by you to the Local Fund to finance further compliant projects.

The provisions of schedule 2 to this letter illustrate how the various payments of the conditional grant will be made and the requirements of yourself to make the Match Fund.

The following specific terms and conditions shall also apply to this conditional grant:-

1. The Conditional Grant Agreement will commence as soon as both Salix Finance and yourself have signed this letter and will continue until the Conditional Grant Agreement is terminated under the terms of the Fund Manual or until the conditional grant has been repaid by you (for whatever reason);
2. You shall comply with all relevant legislation in the operation of the Local Fund and in the operation of all projects and the Conditional Grant Agreement shall be governed by and construed in accordance with English law and shall be subject to the exclusive jurisdiction of the English courts;
3. No amendment or variation of the Conditional Grant Agreement shall be effective unless made in writing and agreed by Salix Finance;
4. This letter, its schedules and the terms of the Fund Manual constitute the entire understanding between yourself and Salix Finance in relation to the conditional grant and the operation of the Local Fund and supersede all prior agreements, negotiations and discussions between the parties relating to it;
5. Salix Finance may reduce, suspend or withhold any conditional grant payment or require all or part of any conditional grant repayment to be repaid if you fail to comply with any material term or condition of the Conditional Grant Agreement;
6. If any term of the Conditional Grant Agreement becomes illegal or unenforceable the remaining provisions shall remain in full force and effect. Salix Finance and yourself shall negotiate in good faith in order to agree the terms of a mutually satisfactory provision to be substituted which as nearly as possible validly gives effect to the intentions as expressed in the Conditional Grant Agreement;
7. Where you are unable to identify any more suitable compliant projects then you must notify Salix Finance in writing. Salix Finance shall then have sole discretion to either amend the

specifications set out in Schedule 2 and/or the Fund Manual, or seek repayment of all or part of the conditional grant within 40 days.

[Set out any other specific terms and conditions that apply to this particular conditional grant or any areas where Salix Finance has agreed to vary any term in the Fund Manual]

Please sign and return one copy of this letter to confirm your agreement to the terms of the Conditional Grant Agreement.

Yours sincerely

**Alastair Keir**

**Chief Executive**

For and on behalf of

Salix Finance Limited

We acknowledge and accept the terms of this letter and the two appendices

[.....]

[.....]

For and on behalf of

Date

[insert name of Public Sector Body].

## SCHEDULE 1

### SPECIFIC CONDITIONS OF THE CONDITIONAL GRANT

#### 1. PROCUREMENT OF CAPITAL EQUIPMENT, GOODS AND SERVICES

Procurement of all works equipment goods and services must be in accordance with the public sector body's ("PSB") Standing Orders and Financial Regulations and with all relevant law including EU Procurement Directives.

#### 2. CAPITAL ASSETS

The Salix Energy Reporting System (SERS) must be completed with adequate details so as to identify the location and nature of each investment (i.e. an asset register) and this shall include highlighting Capital Assets.

The PSB is prohibited from selling, loaning or otherwise disposing of any Capital Asset purchased from the Local Fund without the prior written consent of Salix Finance whilst any element of the Conditional Grant used to procure it remains outstanding, other than a compulsory transfer of a school obtaining foundation or academy status.

Disposal of any Capital Asset whilst an element of the Conditional Grant used to procure it remains outstanding shall trigger the immediate repayment to the Local Fund of the balance of such internal loan monies (as such term is defined and as more particularly detailed in the Fund Manual) as relate to that Capital Asset;

Capital Asset means any item of equipment which:

- (a) on the date of its purchase has a useful life of more than one year; and
- (b) is purchased wholly or partly out of the Local Fund.

#### 3. RECEIPT OF OTHER FUNDING SOURCES

The PSB is prohibited from accepting any other public sector or European funding in relation to the Local Fund without first obtaining the prior written consent of Salix Finance and the PSB shall not claim or use any part of the Conditional Grant for any purpose other than the operation of the Local Fund.

The PSB shall at all times comply with the European Union state aid rules in relation to the operation of the Local Fund and shall provide all reasonable assistance to Salix Finance in complying with Salix Finance's obligations to the Carbon Trust in relation to the Conditional Grant Agreement.

Salix Finance may, if required to do so by the Carbon Trust or any other governmental or public sector body recover from the PSB, on demand, any Conditional Grant made in contravention of the European Union state aid rules in accordance with European Union law on the recovery of unlawful state aid.

The PSB shall, if requested by any governmental or PSB, repay to such governmental or PSB, any Conditional Grant made in contravention of the European Union state aid rules in accordance with European Union law on the recovery of unlawful state aid.

The PSB expressly agrees that:-

- (a) if any payment of the Conditional Grant is considered to be unlawful state aid by any of the European Commission, the European Court of Justice or any national court and an order for its repayment is made, the PSB will repay the relevant part of the Conditional Grant within 15 working days of demand;
- (b) subject to sections 2-5 (inclusive), 7 and 8 of the Contracts (Rights of Third Parties) Act 1999 the provisions of this section may be enforced by any governmental or public sector body in its own right.

#### **4. PROHIBITED USE OF THE CONDITIONAL GRANT**

The PSB cannot claim or use any part of the Conditional Grant in respect of the following:

- any activity other than the operation of the Local Fund;
- any VAT recoverable on any taxable supplies from third parties in respect of the operation of the Local Fund;
- any amounts payable as a result of default of the PSB;
- any loss or damage resulting from an insurable risk; or

#### **5. PSB WARRANTIES AND REPRESENTATIONS**

The PSB is required to represent and warrant to Salix Finance that:

- the PSB is validly existing and that the execution on behalf of the PSB of the Conditional Grant Agreement has been validly authorised and the obligations expressed as being assumed by the PSB under the Conditional Grant Agreement constitute valid legal and binding obligations of the PSB enforceable against the PSB in accordance with their terms;
- neither the execution of the Conditional Grant Agreement by the PSB nor the performance or observation of any of its obligations under it will:
  - (a) conflict with or result in any breach of any law or enactment or any deed, agreement or other instrument, obligation or duty to which the PSB is bound; or
  - (b) cause any limitation on any of the powers whatsoever of the PSB or on the right of the PSB to exercise such powers to be exceeded;
  - (c) result in the PSB being in default under any law or enactment or under any deed agreement or other instrument or obligation by which it is bound so as to affect adversely its ability to perform its obligations under the Conditional Grant Agreement;
- no litigation or administrative or arbitration proceeding before any court, tribunal, Government authority or arbitrator is taking place, pending or (to the knowledge, information and belief of the PSB) threatened against any of the assets of the PSB which might have a material effect on its business, assets, condition or operation or might affect adversely the PSB's ability to perform its obligations under the Conditional Grant Agreement;
- all information documents and accounts of the PSB submitted to Salix Finance for the purposes of the Conditional Grant Agreement are true and accurate and no change has occurred since

the date on which such information was supplied which renders the same untrue or misleading in any respect and that there has been no material adverse change in the assets, operations or prospects of the PSB since such information was provided;

- the PSB has disclosed to Salix Finance all information which would or might reasonably be thought to influence Salix Finance in awarding the Conditional Grant to the PSB or the amount thereof;
- no person having any charge or other form of security over the assets of the PSB has enforced or given notice of its intention to enforce such security;
- the PSB is not aware, after due enquiry, of anything which materially threatens the delivery and completion of any project in accordance with the Conditional Grant Agreement; and
- no event of default has occurred (as referred to in section 6 below) and is continuing.

The representations above will be deemed to be repeated by the PSB when each claim for an instalment of the Conditional Grant is submitted by the PSB as if made with reference to the facts and circumstances existing at such date and the PSB acknowledges that Salix Finance has relied on and will rely on this information in agreeing to pay the Conditional Grant.

If Salix Finance suffers any loss or damage as a result of any act or omission of the PSB, its employees, agents or contractors in connection with any provision of the Conditional Grant Agreement then the PSB shall fully indemnify Salix Finance.

## **6. TERMINATION AND EVENTS OF DEFAULT**

Without prejudice to any other rights to which it may be entitled Salix Finance may give written notice to the PSB terminating the Conditional Grant Agreement with immediate effect if any of the following events of default occur:

- the PSB fails to perform and observe any of its material obligations under the Conditional Grant Agreement;
- any representation or warranty made or repeated by the PSB pursuant to the Conditional Grant Agreement is incorrect when made or repeated;
- the PSB purports to assign or transfer its rights or obligations under the Conditional Grant Agreement; or
- the PSB:
  - (a) enters or proposes to enter into any arrangement, moratorium or composition with its creditors; or
  - (b) is dissolved, or ceases to exist (whether or not capable of reinstatement or construction).

If the event of default is one that is capable of remedy by the PSB, Salix Finance shall give the PSB 10 business days to remedy the event of default to the satisfaction of Salix Finance (acting reasonably). If the PSB fails to remedy the event default to the satisfaction of Salix Finance (acting reasonably) or fails to respond within 10 business days of receiving written notice of the event of default the Conditional Grant Agreement shall terminate forthwith and Salix Finance shall seek repayment of the Conditional Grant paid to that date.

The PSB may at any time give written notice to Salix Finance terminating the Conditional Grant Agreement. Following service of such notice the Conditional Grant Agreement will terminate on the date falling 20 business days after the date of receipt of the notice and the PSB shall repay to Salix Finance the amount of the Conditional Grant paid to that date;

## **7. RECOVERY OF THE CONDITIONAL GRANT**

Salix Finance may reduce suspend or withhold all or part of the Conditional Grant if:

- (a) the PSB fails to comply with any material term or condition of the Conditional Grant Agreement;
- (b) the Conditional Grant is terminated in accordance with section 6 above;
- (c) any attempt is made to transfer or assign any rights, interests or obligations created under the Conditional Grant Agreement without the prior written consent of Salix Finance other than a compulsory transfer of a school obtaining foundation or academy status;
- (d) the Conditional Grant has not been used for the purpose for which it was given;
- (e) the Conditional Grant has been used for illegal state aid; or
- (f) there is financial irregularity within the PSB which may impact upon the Local Fund and which is not rectified within the timescale specified by Salix Finance;

Salix Finance may require the relevant part of the Conditional Grant to be repaid if:

- (a) there has been an overpayment of the Conditional Grant; or
- (b) Salix Finance has to repay funding (for whatever reason and whether due to state aid rules, any provision of Salix Finance's agreement with the Carbon Trust or otherwise) from which the Conditional Grant was allocated;

The provisions of this section 7 are without prejudice to any other rights of Salix Finance including those set out in section 6 above.

## **8. REPLENISHMENT OF THE LOCAL FUND**

The PSB shall procure that the recipient of funding for each project shall repay the relevant element of the Conditional Grant to the Local Fund as detailed in the Fund Manual and the specifications set out in the letter in order to ensure that the Local Fund maintains its constant total value.

If the recipient does not repay the funding as detailed in the paragraph above to the PSB, then the PSB shall appropriate sufficient funds to the Local Fund in order to repay the relevant element of the Conditional Grant.

## **9. DATA PROTECTION**

Where any database is supplied by one party to the other under the Conditional Grant Agreement the recipient party shall comply with the requirements of all legislation in force from time to time including the Data Protection Act 1998.

## **10. FORCE MAJEURE**

For so long as such circumstances prevail, neither Salix Finance nor the PSB shall be liable for any failure or delay in the performance of its obligations and/or duties under the Conditional Grant Agreement to the extent that such failure or delay is caused by circumstances beyond reasonable control including, without limitation, an extraordinary meteorological occurrence, strike, lock-out, trade dispute, fire, civil riot, existence of war or act of terrorism.

#### **11. FREEDOM OF INFORMATION ACT REQUESTS**

If the PSB receives a request under the Freedom of Information Act to provide any information to a third party relating to any aspect of the Conditional Grant Agreement or the Local Fund that may be deemed to be confidential, the PSB must fully consult with Salix Finance before the PSB responds to the Freedom of Information request.

#### **12. REPUTATION**

The PSB shall not knowingly or recklessly do, permit or omit to do anything that may attract adverse publicity or damage the reputation of Salix Finance.

#### **13. PROMOTION OF THE PROJECT**

The PSB shall obtain Salix Finance's prior written consent (such consent not to be unreasonably withheld) to all promotional activity or public statements or press releases outside of the PSB in relation to the Local Fund.

## LOCAL FUND SPECIFICATION

The provisions of the following points (a) to (g) and the table below illustrate how the various payments of the Conditional Grant will be made:

- a) Salix Finance total conditional grant to client [                    ]
- b) Client match funding [                    ]
- c) Maximum Fund Management Cost as a % of a loan                    []%
- d) Minimum % of savings used to repay a loan                    []%
- e) A conditional grant claim can only be made when at least 80% of the Conditional Grant has been committed by the PSB as evidenced by signed loan agreements and entries into the Salix Finance Energy Reporting System. The value of this commitment is identified in the table below under columns A and B
- f) If the relevant milestone set out in column E is not met by the third and subsequent claim date dates, as identified under column C in the table below, then Salix Finance reserves the right to withdraw further conditional grant funding
- g) On achieving the final commitment milestone (in point 7 below) Salix Finance will not exercise conditional grant recovery procedures provided that 60% of the un-committed Local Fund, as recorded within the End of Year Local Fund Finance Statement provided by the PSB, is committed by the PSB during the following financial year.

ID	A	B	C	D	E
#	Salix Finance Conditional Grant Payment	Client Payment	Latest Grant Claim Date	Fund Value to be Committed By Claim	Milestone

				Date	
1	£[ ]	£[ ]	[ ]	N/A	<ol style="list-style-type: none"> <li>1. Signature of Conditional Grant Agreement</li> <li>2. Appropriate personnel in place to manage fund</li> <li>3. Demonstration of Match Fund in place</li> </ol>
2	£[ ]	£[ ]	[ ]	[ ]	<ol style="list-style-type: none"> <li>1. End of Year Local Fund Finance Statement approved by Salix Finance.</li> <li>2. Demonstration of Match Fund in place</li> </ol>
3	£[ ]	£[ ]	[ ]	[ ]	<ol style="list-style-type: none"> <li>1. End of Year Local Fund Finance Statement approved by Salix Finance</li> <li>2. Demonstration of Match Fund in place</li> </ol>
4	£[ ]	£[ ]	[ ]	[ ]	<ol style="list-style-type: none"> <li>1. End of Year Local Fund Finance Statement approved by Salix Finance</li> <li>2. Demonstration of Match Fund in place</li> </ol>
7	n/a	n/a	[ ]	[ ]	<ol style="list-style-type: none"> <li>1. End of Year Local Fund Finance Statement approved by Salix Finance</li> </ol>
	£[ ]	£[ ]			TOTALS

**APPENDIX II**

**GRANT CLAIM FORM**

**SALIX FINANCE Ltd**

**ENERGY EFFICIENCY RECYCLING FUND**

**GRANT CLAIM FORM**

<b>Form 1</b>	<b>Initial Claim</b>	<b>1 page</b>
<b>Form 2</b>	<b>Subsequent Claims</b>	<b>1 page</b>

**SALIX FINANCE Ltd - Salix Energy Efficiency Recycling Fund**

**GRANT CLAIM FORM - INITIAL CLAIM**

<b>Client Name</b>	
<b>Local Fund Manager</b>	
<b>Address (line 1)</b>	
<b>Address (line 2)</b>	
<b>Postcode</b>	
<b>Telephone</b>	
<b>Account Name</b>	
<b>Bank</b>	
<b>Sort Code</b>	
<b>Account Number</b>	
<b>Date</b>	
<b>Claim Number</b>	
<b>Amount (£)</b>	
<b>Amount (Words)</b>	

<b>Confirmation that Match funding letter is attached</b>	
---	--

<b>Signed</b>	
<b>Name</b>	
<b>Position</b>	
<b>Date</b>	

This completed Grant Claim Form should be sent to the 'Grant Claims Department', Salix Finance Ltd, 25 Southampton Buildings, London, WC2A 1AL. Salix Finance Ltd undertakes to pay initial valid grant claims within 10 working days of receipt.

<b>Salix Finance Authorisation - to be completed by Salix Finance only</b>	
<b>Signed</b>	
<b>Name</b>	
<b>Position</b>	
<b>Date</b>	
<b>Client Type</b>	
<b>Reference</b>	

# PROJECT LOAN SUMMARY

Name	<input type="text"/>	Project Cost £	<input type="text"/>
Project ID	<input type="text"/>	Admin Charge %	<input type="text"/>
Client Fund %	<input type="text"/>	Total Cost £	<input type="text"/>
Client	<input type="text"/>	Est. Ann. Savings £	<input type="text"/>
Applicant	<input type="text"/>	Repayment %	<input type="text"/>
Contact	<input type="text"/>	Annual Repayment £	<input type="text"/>
Telephone	<input type="text"/>	Est. Ann. Savings CO2	<input type="text"/>
Mobile	<input type="text"/>	Est. Total CO2 Saved	<input type="text"/>
Project Manager	<input type="text"/>	Cost per tCO2 Saved	<input type="text"/>
Agreed On	<input type="text"/>	Tech Payback Yrs	<input type="text"/>
Draw Down Date	<input type="text"/>	Loan Payback Yrs	<input type="text"/>
Project Type	<input type="text"/>	Facility Life (Yrs)	<input type="text"/>
Fund Source	<input type="text"/>	Commissioned Date	<input type="text"/>
Committed Date	<input type="text"/>		
Description	<input type="text"/>		

Signature of Applicant .....

Dated .....

Signature of Fund Manager .....

**SALIX FINANCE Ltd - Energy Efficiency Recycling Fund**

**GRANT CLAIM FORM - SUBSEQUENT CLAIMS**

<b>Client Name</b>	
<b>Local Fund Manager</b>	
<b>Address (line 1)</b>	
<b>Address (line 2)</b>	
<b>Postcode</b>	
<b>Telephone</b>	
<b>Account Name</b>	
<b>Bank</b>	
<b>Sort Code</b>	
<b>Account Number</b>	
<b>Date</b>	
<b>Claim Number</b>	
<b>Claim Amount (£)</b>	
<b>Claim Amount (Words)</b>	
<b>Total amount claimed to date</b>	£ <i>(excluding current claim)</i>
<b>Spend review value</b>	
<u>Committed</u> £	<u>Commissioned</u> £
<u>Fully paid</u> £	<u>Total</u> £

<b>Reconfirmation that matched funding is in place</b>	
<b>Confirmation that SERS is up to date</b>	
<b>Confirm Internal Loan Agreements are in place on all committed, commissioned &amp; fully paid projects</b>	

Declaration

In submitting this grant claim we certify that all the information contained in the End of Year Local Fund Finance Statement, and the loans funded through the Energy Efficiency Recycling Fund is carried out according to the Energy Efficiency Recycling Fund Manual, is accurate and auditable.

<b>Signed</b>	
<b>Name</b>	
<b>Position</b>	
<b>Date</b>	

This completed grant claim should be sent to the 'Grant Claims Department', Salix Finance Ltd, 25 Southampton Buildings, London, WC2A 1AL. Salix Finance Ltd undertakes to pay subsequent valid grant claims within 20 working days of receipt.

<b>Salix Finance Authorisation - to be completed by Salix Finance only</b>	
<b>Signed</b>	
<b>Name</b>	
<b>Position</b>	
<b>Date</b>	
<b>Client Type</b>	

# APPENDIX III

## EXAMPLE OF INTERNAL LOAN AGREEMENT

### PROJECT LOAN SUMMARY

#### TERMS OF LOAN

##### 1 DEFINITIONS AND INTERPRETATIONS

“**Applicant**” means the loan recipient contact named on the Project Loan Summary.

“**Capital Asset**” means any item of equipment or other asset which

(a) on the date of its or their purchase has or have a useful life of more than one year; and

(b) is or are purchased wholly or partly out of the Fund.

“**Client**” means the public sector body named on the Project Loan Summary.

“**Fund**” means the ring fenced fund established by the Client to assist in implementing technologies to reduce energy and carbon emissions within its estate.

“**Fund Manager**” means the project manager appointed by the Client to administer the Fund and their replacement from time to time.

“**Loan**” means the internal amount advanced by the Client to the Applicant pursuant to these Terms to fund an energy/carbon reduction project.

“**Local Project**” means the project approved by the Client to assist in the reduction of energy use through the uptake of energy saving technologies as detailed on the Project Loan Summary.

“**VAT**” means value added tax payable by virtue of the Value Added Tax Act 1994 and any similar tax from time to time in addition to it, replacing it or performing a similar fiscal function.

##### 2 DURATION

2.1 These Terms will come into effect on the date on the Project Loan Summary and will continue until the Loan is repaid.

##### 3 THE LOAN

3.1 The Loan shall be unsecured and interest free and shall be advanced by the Client to the Applicant on the draw down date set out on the Project Loan Summary.

##### 4 OBLIGATIONS OF THE CLIENT

4.1 The Client has appointed a Fund Manager to administer and manage the Fund and the Loan.

4.2 The Client shall appropriate the Loan to the Applicant as detailed on the Project Loan Summary.

**4.3** The Fund Manager shall properly monitor the activities of the Applicant to ensure that the Loan is being used appropriately and for the Local Project only.

## **5 OBLIGATIONS OF THE APPLICANT**

**5.1** The Applicant shall only use the Loan for the Local Project as set out in the Project Loan Summary and as approved by the Fund Manager.

**5.2** The Applicant shall pay back the Loan to the Fund in instalments, irrespective of any energy savings achieved, and on the dates detailed in the Project Loan Summary unless otherwise agreed in writing by the Fund Manager.

**5.3** The Applicant shall keep a full and properly auditable record of the progress of the Local Project and shall provide such information and assistance as is required by the Fund Manager.

## **6 COVENANTS**

**6.1** The Applicant hereby undertakes to the Client:

**6.1.1** not to create, or permit to subsist, any mortgage, charge (whether floating or specific), pledge, lien or other security interest on any of its undertaking, property or assets comprised within the Local Project without the Client's prior written consent;

**6.1.2** that the Applicant will notify the Client in writing immediately of the happening of any of the events set out in Clause 7.1 of these Terms;

**6.1.3** that it will maintain or cause to be maintained in full force and effect adequate insurances in respect of all its assets in the Local Project against all risks and contingencies.

## **7 REPAYMENT OF LOAN**

**7.1** The Client may require all or part of the Loan to be repaid if:

**7.1.1** the Applicant fails to comply with any material term or condition of these Terms or the reasonable directions of the Client;

**7.1.2** any information provided in the application for the Loan or in subsequent or supporting correspondence is found to be incorrect or incomplete to an extent which the Client considers to be material;

**7.1.3** there is a failure to keep and maintain the records as required by the Client or

**7.1.4** the Loan has not been used for the purpose for which it was given.

**7.2** The Fund Manager may require the relevant part of the Loan to be repaid if:

**7.2.1** there has been an overpayment of Loan; or

**7.2.2** the Client has to repay funding from which the Loan was allocated.

**7.3** The Applicant agrees that on receipt of notice requiring repayment of the Loan under the provisions of these Terms that it shall make such repayment within 20 business days of receipt of such notice.

**7.4** If the Loan becomes immediately due and payable as provided by this Clause 7 the Applicant will reimburse the Client on a full indemnity basis all reasonable costs and expenses, including legal fees, incurred by the Client in connection with the enforcement, or the preservation of any rights under these Terms and will indemnify the Client against all losses incurred by the Client in liquidating or employing deposits from third parties acquired to effect or maintain the Loan or any part thereof.

## **8 CAPITAL ASSETS**

**8.1** The Applicant shall not during the useful life of any Capital Asset purchased from the Loan dispose of such Capital Assets (whilst any part of the Loan remains outstanding) without the prior written consent of the Client and such consent (if given) will be conditional (at the sole discretion of the Client) on re-payment to the Client of the balance of the Loan relating to the Capital Asset that has been disposed of.

## **9 VAT**

**9.1** Where the client is registered for VAT the Loan is made exclusive of VAT and no part of the Loan shall be used by the Applicant towards meeting any VAT incurred by the Applicant, however where the Client is not registered for VAT the Loan shall include VAT.

## **10 LAW AND JURISDICTION**

**10.1** The Applicant shall comply with all relevant legislation in the operation of the Loan and the Local Project.

**10.2** These Terms and the Loan shall be governed by and construed in accordance with English law and each party hereby submits to the exclusive jurisdiction of the English Courts.

## **11 AMENDMENTS TO TERMS**

**11.1** No amendment or variation of these Terms shall be effective unless made in writing and agreed by the Client.

# APPENDIX IV

## METHODOLOGY FOR CALCULATING PERSISTENCE FACTORS

Salix uses the persistence factors of technologies to calculate the life-time carbon savings achieved by the energy saving projects it funds. The methodology is based on a “useful life” which is adjusted to reflect deterioration by inherent degradation and operational degradation.

### **Useful life**

Each technology has a useful life at the end of which it stops working. This is based on the best available data sources, such as CIBSE Guide M data (Chartered Institute of Building Services Engineers). To this are applied 2 factors: Inherent and Operational degradation.

### **Inherent degradation factors**

Inherent degradation measures loss of energy efficiency due to changes in underlying material or components affecting either the end of life and/or the energy efficiency.

### **Operational degradation factors**

The model also recognises that operational factors will increase the loss of energy efficiency, but the impact depends on whether the loss will be rectified by intermittent maintenance which is assumed to be in accordance with good practice. Those technologies that require skilled staff for operation are deemed less likely to lose energy efficiency due to operational factors.

**A full list of technologies with their associated Persistence Factors is included in the Project Compliance Tool.**

# APPENDIX V

## BUSINESS CASE TEMPLATE

### PROJECT PROPOSAL & BUSINESS CASE APPROVAL

**When to complete this:**

As per the Fund Manual, all projects must be supported by a written proposal, which should include sufficient detail to enable the client to maintain a clear audit of each funded project. The form below can be completed as an internal document or, alternatively, clients should use their own format if this is more detailed.

If the project costs are £100,000 or more then please submit as a formal business case to Salix Finance for approval prior to proceeding. If it is not possible to answer a question, please provide a reason.

<b>Client &amp; Project Details</b>	
<b>Client Organisation</b>	
<b>Client Contact</b>	
<b>Project Title</b>	
<b>Site Location</b>	
<b>Project Background</b> (Provide background as to why this project will be beneficial)	
<b>Description of Works</b> (Describe project in sufficient detail for technical overview)	

<b>Project Cost Data</b> (Taken from Project Compliance Tool)				
<b>Capital Cost (£)</b>	<b>Installation Cost (£)</b>	<b>Additional Costs (1) (£)</b>	<b>Total Project Cost (£)</b>	
<b>Energy Consumption</b> (Taken from Pre-Project and projected Post-Project Data)				
<b>Pre-Project</b>	<b>kWh pa (2)</b>	<b>£ pa (3)</b>	<b>Derivation (4)</b>	<b>Fuel Type (5)</b>
<b>Post-Project</b>	<b>kWh pa (2)</b>	<b>£ pa (3)</b>	<b>Derivation (4)</b>	<b>Fuel Type (5)</b>
<b>Projected Savings Cost Data</b> (Taken from Project Compliance Tool)				
<b>PBP (6)</b>	<b>kWh pa (2)</b>	<b>£ pa (3)</b>	<b>tCO2 pa (7)</b>	<b>£/tCO2LT (8)</b>
<b>Derivation of Expected Energy, Revenue and C02 Savings</b> (Reference to source of saving calculation)				
<b>Project Assessment &amp; Timescale</b>				
<b>An Assessment of Achievability</b> (Considered view on how achievable the expected savings are)				
<b>Project Risks &amp; Mitigation</b> (Describe any project risks and measures taken to minimise or avoid them)				

<b>Project Timetable</b> (Describe project implementation timetable)
<b>Previous Experience of Doing this Type of Project</b> (Describe any previous experience that you may have with the proposed energy efficiency measure)
<b>Responsibilities</b> (List those responsible for implementing the project)
<b>Notes</b> (Give any other information relevant to the business case)
<b>Attachments</b> (List any supporting documentation)

Signed	Date
<p>.....</p> <p><b>Name:</b></p> <p><b>Position:</b></p>	

**Submission:** Post in hard copy to: Salix Finance, 25 Southampton Buildings  
London, WC2A 1AL

Alternatively, scan a signed copy and email to [admin@salixfinance.co.uk](mailto:admin@salixfinance.co.uk). If you have any questions, please telephone 0203 043 8800.

Notes

1. Include any and all relevant - e.g. project management
2. kWh pa - annual energy consumption in kWh
3. £ pa - annual cost in pounds
4. Derivation - e.g. estimate or meter readings
5. Fuel type - e.g. Electricity, Gas, Oil
6. PBP - payback period
7. tCO<sub>2</sub> pa - annual tonnes of carbon dioxide
8. £/tCO<sub>2</sub>LT - pounds per tonnes of carbon dioxide lifetime