The Wales Funding Programme Guidance Notes

Salix together with the Welsh Government invites public sector organisations in Wales to apply to the Wales Funding Programme for interest-free loan finance.

The Wales Funding Programme combines both the Salix Energy Efficiency Loans Scheme (SEELS) and the Invest to Save finance (I2S) scheme into one application process. Terms and conditions are aligned and use one single application form. Following an assessment of the application by Salix, recommendations will be forwarded to the Welsh Government. The decision on funding will then be taken by the Welsh Government in consultation with Salix on the provision of the funding through either the Invest to Save or Salix route. The main criteria to determine the use of the funding route has been established below.

Criteria	Salix Finance	Invest to Save
Technology	Energy efficiency (first funding route)	Energy efficiency and renewables
Organisation	Public sector bodies with borrowing capacity (local authorities, schools, universities and colleges, police and fire services)	Any Welsh Government funded public sector organisation including health boards and housing associations
Interest rate	0%	
Investment Size	Up to 100% of project costs	
Investment to Save Carbon	Less than £278 per tonne over the lifetime of the project	
Payback period	Maximum 8 years	

For all energy efficiency projects from local authorities, schools, colleges, universities, NHS trusts and police and fire and rescue authorities, the first route for funding will be Salix. All renewable energy projects and applications from Health Boards will be funded under the I2S route only.

Application process

1. The Wales funding programme

The programme allows public sector bodies (PSBs) to apply for interest-free finance of up to one hundred percent of the costs of energy-saving or renewable energy projects meeting the criteria set out in Section 3 below. A repayments schedule will be proposed once the application has been reviewed and granted funding.

The programme is split into two stages:

    I.   Application: submission of an application, assessment and commitment of funding.
    II.   Delivery: completion of the project with setting up of the repayment of the capital.

2. Project criteria

Only those projects where the resultant energy savings, over the lifetime of the project, go directly back to the public sector and the public sector gains a direct financial benefit are eligible. In order to comply with the funding criteria, projects must identify the following criteria using the application form to identify whether the project:

- Can pay for itself from the energy savings resulting directly from the project within a maximum 8-year period (unless the applicant can evidence a special case for investment above this payback criteria).
- Costs no more than £278 to save a tonne of carbon dioxide over the expected lifetime of the project.

Projects must also be "additional" – a number of criteria are used to assess whether a project is "additional", including:

- Is the project required by legislation? If so, it is "not additional".
- 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".
- Has it already started or has funding already been agreed? If so, it is "not additional".

If the answer to all of the above questions is "NO" then the project can be funded under the programme. The programme looks to self-certification for additionality, although it will be confirmed if an audit is undertaken of the project.

3. Background notes

- For larger projects, interim/stage payments may be possible, and this will be agreed on a case by case basis. For Salix to release funding for both interim payments and final payments we require clients to provide reasonable evidence of project costs within 30 days after receiving remittance advice from Salix. If a project is not completed, then all interim payments made must be returned immediately.
- Successful applicants must provide regular updates on the progress of the project to ensure that project completion is progressing as agreed. Failure to do so may result in funding being returned.
- Projects which increase in cost to the extent that they are no longer compliant with the programme's criteria cannot be funded unless the public sector body is prepared to cover the additional costs. Project assessments at the start, therefore, need to be thorough and project management during the installation needs to be well controlled.
- For projects that will be delayed beyond the timescales agreed at the time of application, the PSB is to provide a valid reason in writing for a time extension on the project. Delayed projects that have not submitted prior notice to the programme can have funding withdrawn.
- In very rare circumstances, the programme reserves the right to amend any of the requirements in respect of deadlines and will confirm any change in writing to the specific applicant. This amendment will not be transferable.

4. Responsibilities and competence

The programme assumes that the applicant and/or the partner(s) they are working with are competent and fully responsible for the projects to be funded. This may include but is by no means limited to:

- Project identification and development.
- Establishment of firm costs and calculated estimated saving.
- Reasonable project sequencing and due care to ensure no double counting of savings when considering multiple projects on the same site.
- Selection of suitable supplier(s).
- Project delivery including project management.
- Post project completion activities including any verification of savings.

5. The application process

Preparing your application

You can take a holistic approach and apply for funding for more than one project in a single application. Clients should be in a position to be project ready and have clear costs and savings identified with all internal approval needed in place to proceed. To complete your application, you will need to ensure the five simple steps are completed:

Five simple steps to apply:

1. Visit the Salix website here.
2. Download the application form.
3. Complete the application form providing all necessary information for a full technical assessment and obtain sign off from a sponsoring director.
4. Submit the signed and scanned application form as well as the original application (as an excel file) to wales@salixfinance.co.uk.
5. Application is assessed and a decision is typically made within four weeks.

Finance can be provided for projects where the applicant contributes to the cost to make the project compliant with the programme. This information and level of the contribution must be declared when making the application. PSBs also have the option to retain up to 25% of the savings each year, extending the finance payback period to ten years if the project has an eight-year payback.

Completing your application

Part 1

Enter the 'Programme Details'. This section includes:
- Details of the PSB applying (type, project title, project manager details, sponsoring director details).
- Summary of the project works taking place.
- Detail of the project achieving the Well-being of Future Generations Wales principles.
- Project costs applied for, project start and completion dates.
- Description of arrangements for monitoring and managing the programme post-completion.
- Outline of the project delivery team.
- Previous experiences on the energy efficiency measure applied for.
- Description of any risks and measures in place to minimise them.
- Key project delivery milestones.
- Sign-off from the Sponsoring Director.

Part 2

Complete the 'Project' sections of the application and this includes:
- Description of project works taking place.
- Selection of project type and technology work type from the drop-down menu.
- The expected life of the building in which the project is due to be implemented.
- The average price expected to be paid for energy used in the project over the repayment profile[1].
- The load used by the existing equipment prior to the change and the load after installation of the new technology to give an annual kWh saving; from the above, the % kWh you are projecting to save.

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[1] Please bear in mind that energy prices may change, and the figure used can be one you believe your organisation will be paying, on average, during the repayment period.

- Explanation of how the programme cost and energy savings have been derived, detailing any assumptions and calculations.

A list of technologies eligible for funding is also provided in the application form under tab 'technology list' for reference.

Providing a project meets the programme's compliance criteria, project costs can include installation costs and the cost of project managing the installation if this is required, e.g. the cost of clients own expertise and/or consultant to manage the implementation and completion of a project.

In particular, for larger projects, we also allow and would recommend that the cost of any appropriate sub-metering be included as part of the total project cost. We would see this as very beneficial to support the future monitoring of actual consumption and associated savings for internal or external verification.

If your organisation cannot reclaim VAT, this should be included as part of both the project cost and fuel costs. If VAT can be reclaimed, it should be excluded from the calculations.

6. Processing the application

Salix will assess your submitted application to ensure they are achievable. We will aim to process applications and inform you of the outcome within two weeks. Salix will also carry out a technical check on the details provided which may lead to a request for further information. It will not be possible to process the application until this information is provided and agreed by Salix.

Confirmation of funding will be finalised in writing from Salix, a recommendation for funding is then made to WG prior to formally confirm with the client that funding can be awarded. For the acceptance of funding through the Salix model, a commitment letter outlining exactly what has been agreed will be sent as a confirmation to the Sponsoring Director and a copy of this letter must be signed by them and returned to Salix within ten working days. Once Salix has conducted the assessment, any projects deemed suitable for I2S funding will be informed directly and handed over to the I2S to be approved by the Welsh Government Environment Minister.

To reduce delays to the technical check process, please provide information such as saving calculations, internal business case paperwork, and evidence of cost basis submitted with your application.
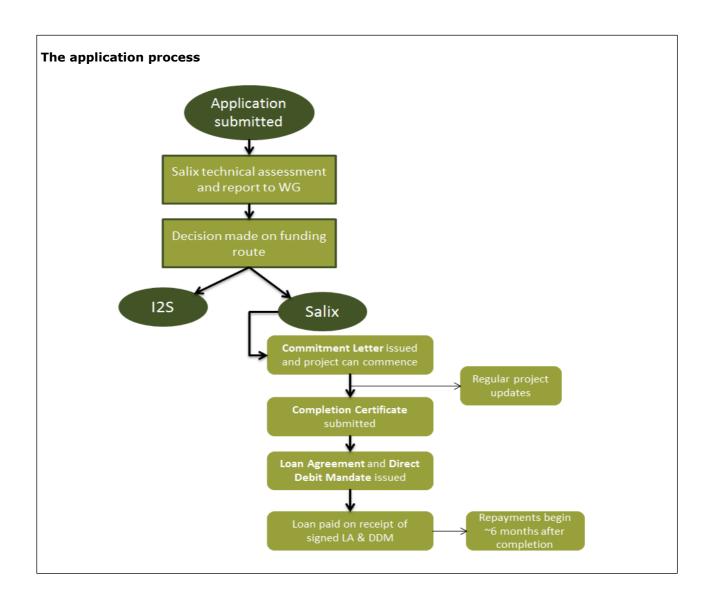
7. Support and advice

Salix has set up a support team to assist PSBs with their applications. This team will be able to provide advice on how to complete the application form. Please utilise this resource by emailing enquiries to wales@salixfinance.co.uk and the support team will respond either by email or telephone. Please remember to include your personal contact details on the email.

In addition to the support provided by Salix for completing your application, additional support may be available from consultancy and advice companies or technology suppliers. If this support is in connection with implementing the project, any costs associated with obtaining it can be added to the project cost as long as the project remains compliant.

This scheme is a financing option and PSBs can use energy performance contract frameworks or other similar resources to design their programme of works and then proceed to apply for funding through the programme.

The application process

Salix funding route

8. Commitment of funding

Confirmation of the loan funding through the Salix route will be provided in writing from Salix by way of a Commitment Letter outlining terms of the agreement. A copy of this letter is to be signed by the authorising official and returned to Salix within 10 working days to secure the funding.

The funding will be secured for a period of 2 years from the date of commitment within which timeframe the project will have to be completed and the funding drawn down. We understand some projects may delay due to unforeseen circumstances and we ask applicants to inform Salix in writing regularly on achieving key project milestones like tender evaluation, order placement, order delivery, completion of installation, etc. A clear visibility on the key project milestones, the inclusion of contingencies and evaluation of any risks to the project delivery is included in the application and forms a key part of the technical assessment. You should inform Salix if at any point your project may extend beyond this timeframe.

9. Completion of the project

The project is deemed completed when all installations have taken place, the equipment has been commissioned and has started generating savings for the PSB and all internal completion documents have been signed off. At this stage the applicant will submit the Completion Certificate (template provided) to Salix, clearly outlining any changes to costs and scope of the project since application and the reasons. Any changes to the project scope, which includes the number of fittings or size of equipment and their impact on energy savings, must be supported by the submission of a compliance tool (available on the Salix website) with the updated annual energy savings figures and attached savings calculations to support the changes. Where required, Salix will conduct a technical assessment on the revisions before proceeding with the completion and payment steps.

On submission of the completion certificate, Salix will issue a Loan Agreement, stating the terms and conditions of the loan and the repayments schedule, and an Instruction of Payment form to be completed with the applicant's bank account details. Both documents will need to be signed by the sponsoring director and returned to Salix by email.

Salix will then proceed to make payment into the account detailed in the Instruction of Payment form.

Salix also request clients to submit reasonable evidence of costs for the project, in the form of invoices, along with the completion certificate and no later than 30 days after loan has been provided.

10. Payment and repayment of the loan

As a general rule of thumb, funding is provided on completion of projects. However, in certain circumstances, Salix may agree to provide interim/staged funding for projects during implementation and before completion to tie in with the payment profile which the applicant has agreed with their external suppliers. Applicants must inform Salix during the application or in writing at the early delivery stage if interim payments are required. If Salix does agree to provide such interim/staged loan funding and the application is successful, a loan agreement and direct debit mandate must be entered into by the PSB and Salix before the first interim payment can be released.

The loan repayments are structured into equal half-yearly direct debit instalments due on the 1st of April and 1st of October. The schedule with the dates and values of repayments will be provided in the loan agreement. The first instalment will be due at least 6 months after the completion of the project and will continue over the payback period until the loan is fully repaid.

The repayment value is expected as a direct result from savings projected in energy bills achieved from the completion of the project, making the funding self-sufficient. The applicant can opt for a reduced annual repayment value in order to benefit from a percentage of savings from the very beginning. The applicant can choose to annually repay between 75% - 100% of the annual savings, thereby extending the loan repayment period beyond the project payback period and up to a maximum of 10 years. Once the loan is repaid, the continued savings enable the use of the capital for other budgets.