



Information pack

Public Sector Decarbonisation Scheme 3b -
project delivery guidance

Planning year projects - Year 2

Introduction

Congratulations on your successful PSDS 3b application and completing the planning year of your project.

The purpose of this document is to provide a summary of the terms of the grant award and your responsibilities as the grant recipient. Please note that as you enter year 2 of your project, the reporting and forecasting requirements will be changing.

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1. Key points to be aware of

- Your grant award cannot be increased in any circumstances. If your total project cost increases over the course of project delivery, your client contribution must increase to deliver the project.
- The grant period for your planning year project is from the Grant Start Date of 01 April 2024 to the Grant End Date of 31 March 2025. The grant period cannot be extended beyond the Grant End Date of 31 March 2025 stated in the Grant Offer Letter.
- Grant funding can only be claimed for eligible works that have taken place within the grant period.
 - Year 1 of your project was a 'planning year', this means that no costs incurred between 01 April 2023 and 31 March 2024 are eligible to be claimed from the grant award.
 - In year 2 you can claim costs incurred between 01 April 2024 and 31 March 2025 from the grant award.
- There is no stipulation on the order in which you spend grant funding or your internal match funding, therefore some grant recipients may wish to reduce the risk of not being able to use their full grant funding before the Grant End Date by drawing this down before using their internal match funding.
- The grant has been awarded for the purpose of delivering the project as per the scope in the original application form approved by Salix. Any significant changes to the project scope must be submitted as a change request, and until the change is approved by Salix any works undertaken or costs incurred will be at the public sector body's risk.
- External contractors and consultants may deliver your project on a day-to-day basis, however the public sector body as the grant recipient bears responsibility for ensuring the project is delivered in line with the terms and conditions of the grant.
- Please inform your Salix relationship manager of any risks or issues (such as cost increases or delays) affecting the deliverability of the project as soon as these are identified in order to discuss next steps.
- Communications and case studies are important to celebrate the success of PSDS projects, and grant recipients are requested to engage with Salix before publishing any materials referring to the project and engaging in any media outreach.

Once you have familiarised yourself with the contents of this document you should then take action to:

- Agree a date each month where you will review the monthly monitoring report with your consultant or contractors before submitting to Salix (see section 2).
- Set up a meeting to explain and review the conditions of funding to your consultant or contractors so they are aware these must be resolved in a timely manner throughout delivery of the project (see section 3).
- Set up a meeting to explain our invoicing requirements to your consultant or contractors so they are aware of what is needed for an acceptable payment request (see sections 4a and 4b).

2. Your reporting responsibilities

At Salix we aim to work collaboratively with you during the lifecycle of your projects to ensure projects are delivered as effectively and efficiently as possible and you are able to access the full grant award. For this reason, we ask that you are in regular contact with your Salix relationship manager, keeping them updated on the progress of projects, but also any risks or issues that arise during project delivery, as we may be able to provide additional assistance.

As you move into year 2 of your project, the monitoring report frequency increases from quarterly reports to monthly.

Upon signing and returning the Grant Offer Letter your public sector body has committed to comply with the following:

- Monthly monitoring reports (MMRs) must be returned **by the 15th of every month**; these are essential for Salix to report to the Department for Energy Security and Net Zero on the status and progress of the PSDS 3b scheme and to ensure effective stewardship of public money.
- Monthly monitoring reports must be returned by a contact at the public sector body, as the grant recipient is responsible for ensuring all information submitted to Salix is accurate. We appreciate that consultants or contractors leading on the project delivery may fill in most of the monitoring report, but the main contact at your public sector body should review all reports before submitting these to Salix themselves.
- All four sections of the monthly monitoring report must be reviewed and updated, to ensure Salix is confident in the accuracy of the information provided and aware of any key risks or issues impacting the project. Guidance on how to complete the report is provided within the report template, with an overview of the different sections below:
 - **Step 1 Measure Progress:** provides a high-level overview of the status of each individual measure within the project scope, with optional commentary.

- **Step 2 Report:** provides more in-depth information about the project status, including the key updates from the previous month and focus for the next month, along with progress against key project milestones and details of key risks, issues and approvals required.
 - **Step 2.5 Conditions:** provides a breakdown of the specific project conditions, to be updated with the dates these are expected to be resolved, the current status and progress made in resolving each condition.
 - **Step 3 Forecast:** provides a detailed breakdown of the grant amount you expect to draw down at different stages of the project, to be updated throughout the project with any changes.
- Your relationship manager may follow up with queries about the monitoring report content in the days following the submission deadline; please ensure the main contact at the public sector body and any consultants or contractors are available to clarify any queries as soon as possible.
 - In any month when a monthly monitoring report is not submitted, we will not accept any payment request from the public sector body. If monthly monitoring reports are not provided in sequential months, an escalation letter will be issued to the project's Authorising Official. We understand that extenuating circumstances may prevent submission and if this is the case it should be communicated to your relationship manager as soon as possible.

A table detailing the key deadlines can be found [here](#).

3. Resolving conditions

As per Schedule 2 of the Grant Offer Letter, there are a number of specific conditions relating to your project which must be resolved once the associated milestones are reached. Resolving these conditions is critical to ensuring that your project reflects the original proposal approved by Salix and that the project therefore remains eligible for the full grant award in line with the scheme compliancy criteria.

Step 2.5 of the monthly monitoring report should be reviewed each month with updates on progress in gathering and providing to Salix the information required to resolve all conditions of funding.

Failure to provide the information required to resolve conditions within a reasonable timeframe after the associated milestones are reached may result in grant payments being withheld.

Most projects will include a condition relating to contact with the relevant Distribution Network Operator to confirm whether an upgrade is needed to the

grid connection at any of the sites in order to support the new low carbon heating system being installed as part of the project. Salix recommends that all grant recipients engage with your Distribution Network Operator at the earliest opportunity, since timescales to receive a quotation and a programme for any upgrades required can vary.

Your relationship manager will be happy to discuss any questions and provide further guidance on the level of information required to resolve any conditions.

4. Forecasting and payments

Please find below a summary of the requirements to claim your grant funding; including the forecasting and claims processes, evidencing eligible spend and claiming retention. If you have any queries or concerns about forecasting or payment requests, please discuss these with your relationship manager.

A table detailing the key deadlines can be found [here](#).

a. Forecasting

You are required to provide an accurate forecast each month of when you will claim your grant funding from Salix. This is essential to ensure the effective use of public funds.

The forecast you provide should reflect when you want to claim funding from Salix and does not need to reflect the monthly cashflow of your project. This means; if the public sector body has the working capital to pay contractors you can draw down the grant award as best suits, whether monthly, quarterly, in line with key milestones, or at the end of the project. Additionally, any costs that are not being claimed from Salix, such as your internal contribution or VAT which you are reclaiming from HMRC, should not be included in your forecast.

The purpose of the forecast sheet of your monthly monitoring report is to let Salix know when you intend to submit payment requests so that we can ensure funds are available to be paid out, as Salix is required to draw down funding from government in advance each month.

Each monthly monitoring report (MMR) represents the start of the next payment period. Typically, the forecast deadline will be six weeks in advance of the payment request deadline. For example, the forecast for claims expected to be submitted in July will need to be confirmed in the June report.

We ask that you only forecast a payment in a period if you are confident that you will have invoices to submit prior to the payment request deadline. The payment request deadline is listed as the 'Last day to submit payment request' on the forecast tab of your MMR. We understand the challenges with forecast certainty at the early stages of the project, therefore if you do not yet know

when you will have invoices, we recommend you forecast your payment claims for later payment periods. Forecasts for future payment periods can be changed at any time prior to the deadline. This is listed as the 'Last day to forecast to Salix' on the forecast tab of your MMR. Most important is updating the forecast for the current payment period on the forecast tab prior to the deadline.

The scheme rules that have been agreed with the Department for Energy Security and Net Zero mean that payment requests submitted should match the forecasts you have provided. Both under- and overspend against forecasts can adversely impact the effective management of cash resources and Salix will be penalised where there are discrepancies. Therefore, inaccurate forecasting can impact our ability to make payments to you, so we strongly advise you discuss with your relationship manager if you are unsure on your forecasting requirements.

b. Payment requests

In each period you have forecasted a payment from Salix, you should submit a corresponding payment request to Salix by the deadline. This deadline is listed as the 'Last day to submit payment request' in your MMR.

Grant payments are made on an evidence of need basis and therefore must be accompanied by invoices. Other supporting evidence may be agreed with your relationship manager on a case-by-case basis.

In order to review and approve payment requests, Salix will require the below:

- Schedule 5 payment request – signed by the Authorising Official
- Statement of expenditure:
 - Excel version
 - PDF copy – signed by the Authorising Official
- Invoices and supporting evidence. Requirements for invoices are as follows:
 - Invoices addressed to the grant recipient and dated within the grant period are required to evidence the project spend and draw down payment;
 - Invoice descriptions should contain reference to the PSDS project, including your submission ID;
 - Invoices should explicitly reference the site(s) where the works have taken place and the exact works which have been carried out, including a breakdown by technology; and
 - The breakdown of works or valuation documents to accompany the invoice must be provided.

Grant spend may only be claimed for eligible works completed during the grant period. The only exceptions that would allow you to draw down grant spend in advance are equipment costs and DNO upgrades:

- If equipment is ordered within the grant period you can claim these costs from the grant award, subject to sufficient evidence being provided in the form of invoices or vesting certificates.
 - Vesting certificates should detail the quantity and value of the items listed, the date orders have been placed (prior to the Grant End Date), and pictures of the goods being stored. If there are no dates on the vesting certificates, further evidence including the Purchase Order, supplier acceptance of the Purchase Order and the latest communication with the supplier showing the expected delivery date of the equipment ordered.
- DNO upgrades must be paid upfront to secure capacity. If the works are paid for within the grant period this is considered eligible spend. Whilst it is preferable that these works are completed during the grant period, this is considered eligible spend even if the works complete after 31 March 2025.
- Minor commissioning costs may be claimed for measures installed by 31 March 2025 and may be considered as part of any retention payments, covered below. Eligible commissioning costs may include any reasonable costs associated with the process of assuring that all PSDS-funded measures and their associated systems and components of a building or site are designed, installed, tested and operated according to the operational requirements of the grant recipient.

Salix may need to verbally confirm the bank details provided on the Schedule 5 payment request with an appropriate contact at the public sector body for each payment request using contact details you have already provided to us, for fraud mitigation purposes.

c. Retention

Overview:

- Salix recognises many projects will have retention clauses that mean a set percentage of the project value will not be paid out for up to 12 months after practical completion. Grant recipients may claim this funding from Salix provided you are able to evidence where the contract states that an amount is retained by the public sector body for a specified period to ensure works undertaken have been completed to a desired standard.

- Retention can only be claimed as part of your final grant payment and cannot be used for any procurement, purchasing or installation of any equipment.
- The retention amount you can claim from Salix is the retention % of your grant value and not the retention % of the whole project.
- Retention payments may only be claimed where the contract states that an amount is retained by the public sector body for a specified period to ensure works undertaken have been completed to the desired standard. These payments (retentions) are typically released 12 months after the date of practical completion.
- Typically, we expect retention to be no more than 5% of the grant value, although this can be reviewed on a case-by-case basis.

Claiming retention:

- Retention can only be paid out as part of the **final grant payment**.
- Evidence must be provided in the form of contractual documents and/or invoices that clearly show the amount of the retention payment and under what conditions it will be paid.
- Minor works taking place after the Grant End Date, such as snagging or commissioning, may be considered as part of the retention payments. Evidence must be provided to show what these commissioning costs are, when they are expected to be paid and what the conditions are for payment.
- Your Salix relationship manager will be able to provide further guidance on how you can provide evidence of retention throughout the year for payment in the final claim.
- Salix will follow up in post-completion activities to confirm any retention has been paid to third parties. This may require you to provide evidence to Salix such as redacted bank statements or ledger downloads.

5. Change requests

The grant has been awarded to the public sector body on the basis of the approved application form being compliant with the scheme criteria. The expectation is that the project will be delivered in full as originally scoped and within the grant period, however we understand that due to refined designs or unexpected problems arising, there may be some changes to the project scope.

Your Salix relationship manager must be aware of *any* expected changes in scope as soon as possible to advise whether a change request is required to be submitted.

A 'change' is defined as any significant alteration in the scope of the project. This includes adding or removing a site to the scope of PSDS works, any change to the low-carbon heating system, and including any additional energy efficiency measures which were not previously in the agreed scope.

We only expect to receive change requests when there is reasonable confidence in the final design. The deadline for submitting a change request for PSDS 3b planning year projects will likely be **September 2024**; this will be confirmed nearer the time. However, the later a change request is submitted, the higher the risk of this not being approved by Salix due to a lack of confidence that the project will still meet the eligibility criteria and be deliverable by the Grant End Date.

In order to assess a scope change request, Salix will require the below:

- Change request form.
- Updated application form.
- Energy saving calculations – provided in unlocked Excel format.
- Updated project programme.
- Updated risk register.
- Evidence of latest anticipated costs.

Until a formal change request has been submitted and approved by Salix, any works undertaken or costs incurred will be at the public sector body's risk, since the change may not be approved or the eligible grant value may decrease.

Further guidance on change requests, along with the change request form template, may be found on our website (see [8. Additional resources](#)).

6. Completions process

The expectation is that projects will complete as outlined in the project programme provided in your application and no later than the Grant End Date of 31 March 2025. After this date, any costs incurred must be covered by the grant recipient and cannot be claimed from PSDS (with a small number of exceptions¹). However, Salix recognises that challenges may arise during project delivery; any delays or significant changes to the programme should be communicated to your relationship manager at the earliest opportunity so that we may discuss options to support project completion.

Please find below an overview of the various completions processes. Further guidance on these will be made available on our website, and your relationship

¹ As outlined earlier in this paper, retentions and DNO costs may be claimed during the grant period for works completing after this date. Please see specific guidance for these.

manager will be happy to discuss any queries or concerns during the delivery of your project.

Completion by the Grant End Date of 31 March 2025 as per the signed Grant Offer Letter is considered a standard completion. Since grant funding cannot be claimed for works beyond the Grant End Date, not following the standard completions process will be at the public sector body's risk and the final grant value may decrease as a result.

a. Standard completion

All projects should follow the standard completions process unless a reasonable request to extend the practical completion date is approved by Salix.

Upon completion of your PSDS 3b project, Salix will require the below information in order to close the project:

- Final revised application form with any updates to the energy savings figures and/or costs associated with each measure.
- Evidence to support the closure of all outstanding conditions – it is important to ensure any conditions are resolved as soon as possible as the associated milestones are reached, and not held back until project completion, since this will affect payment of the grant.
- Final payment request documents and evidence, including details of any retention.
- Confirmation of final payment letter.
- Final monthly monitoring report confirming completion of final commissioning.
- Contractor completion certificates.
- Photographic evidence.
- Boiler decommissioning certificates.

b. Delayed commissioning

Where all physical installations are completed on site by the Grant End Date of 31 March 2025 and just commissioning remains to take place after this date (e.g. DNO works), this will follow the standard completions process. Please provide Salix with updates on the final commissioning of the project.

c. Delayed practical completion

Where practical completion of the project is delayed beyond the Grant End Date of 31 March 2025, this may follow the delayed completions process. Salix must be notified of any risk or confirmed delay to project completion at the earliest opportunity and a request must be submitted for an extension to the

practical completion date. Extension is not guaranteed and any requests will be approved on a case-by-case basis.

An extension to the practical completion date **does not** enable grant recipients to draw down grant funding for works taking place after the Grant End Date of 31 March 2025. Costs of any works taking place after this date must be funded by the grant recipient.

To review a delayed completion request, Salix will require:

- A letter from the Authorising Official at the public sector body requesting an extension to the practical completion date, detailing the new expected completion date and the reasons for the delay, and confirming that the public sector body is committed to providing the funding required in order to complete the works as per the approved scope after the Grant End Date.
- An updated project programme detailing the latest expected practical completion date.
- Ongoing monthly monitoring reports until practical completion of the project is achieved, as per the terms and conditions of the grant.

Once the delayed completion request is approved, Salix will issue a Grant Amendment Letter detailing the revised practical completion date, for signature by your Authorising Official.

d. Partial completion

Where the project is unable to be completed to the agreed scope, either by completing partial but carbon compliant projects or by incurring permitted costs that make the project non-compliant against the scheme carbon criteria due to late cancellations, this will be considered a partial completion.

e. Abandonment

If issues such as cost increases, feasibility concerns or delays to the programme are encountered during project delivery, and these cannot be resolved by a reduction in project scope or an increase in the client contribution to the project costs, then the project will unfortunately have to be abandoned.

A letter from the Authorising Official will be required confirming the abandonment of the project and the reasons for this. Any project costs incurred prior to the abandonment date will be reviewed by Salix on a case-by-case basis as to whether these may be considered permissible grant spend.

7. Communications

At Salix we are always keen to talk about the stories around the many incredible decarbonisation projects across the public sector. We do this in multiple ways either through external media or our own channels including our Salix website. We are eager to share your stories not only about the carbon impact of your projects, but also how these are making a difference in your community as well as the people stories behind the projects.

Salix may be in touch to request your support in facilitating visits and providing reports, statistics, photographs and case studies that will assist Salix in its promotional activities relating to the project. Photographs help to bring projects to life, please do take photographs before, during and after the project – these will help not only with communications but also with the completions process.

We will happily support your own communications about the project to maximise opportunities to celebrate your commitment to decarbonisation and the successful delivery of your project. You may be doing your own media outreach and stakeholder engagement. As per the terms and conditions of the grant, any material referring to the project or Salix and the Department for Energy Security and Net Zero must not be published without the prior written agreement of Salix. Salix and the Department are also keen to be involved in any hoardings and signage presentations. Materials should acknowledge the support of Salix and the funding provided by the Department and may be sent to communications@salixfinance.co.uk for review before publication.

8. Additional resources

a. Key deadlines

Monthly monitoring reports:

Year 1		
Quarter	Reporting on	Deadline
Q1	11-Mar-23 to 10-Jun-23	15-Jun-23
Q2	11-Jun-23 to 10-Sep-23	15-Sep-23
Q3	11-Sep-23 to 10-Dec-23	15-Dec-23
Q4	11-Dec-23 to 10-Mar-24	15-Mar-24
Year 2		
Period	Reporting on	Deadline
Period 1	11-Mar-24 to 10-Apr-24	15-Apr-24
Period 2	11-Apr-24 to 10-May-24	15-May-24
Period 3	11-May-24 to 10-Jun-24	14-Jun-24

Period 4	11-Jun-24 to 10-Jul-24	15-Jul-24
Period 5	11-Jul-24 to 10-Aug-24	15-Aug-24
Period 6	11-Aug-24 to 10-Sep-24	13-Sep-24
Period 7	11-Sep-24 to 10-Oct-24	15-Oct-24
Period 8	11-Oct-24 to 10-Nov-24	15-Nov-24
Period 9	11-Nov-24 to 10-Dec-24	13-Dec-24
Period 10	11-Dec-24 to 10-Jan-25	15-Jan-25
Period 11	11-Jan-25 to 10-Feb-25	14-Feb-25
Period 12	11-Feb-25 to 10-Mar-25	14-Mar-25

Forecasting and payments:

Payment period	Forecast submission deadline	Claim submission deadline	Funds received by
Year 2	TBC	TBC	TBC

b. Salix website

A number of guidance resources, including webinar recordings, guidance documents and blank templates, are available on the Salix website:

- [Monthly monitoring reports and forecasting](#)
 - Webinar recording detailing step-by-step process
 - Your relationship manager can provide the template tailored to your project
- Conditions guidance – coming soon
- [DNO guidance](#)
- [Payment requests](#)
 - Statement of expenditure template
 - Invoice and supporting evidence guidance
 - Early spend guidance
- Retention guidance – coming soon
- [Change requests](#)
- Completions process – coming soon
- [Upcoming events and webinars](#)

c. Salix team

Your dedicated Salix relationship manager is best placed to advise with any specific queries relating to your project and to provide guidance throughout.

We look forward to working with you to support the successful delivery of your PSDS project!

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