

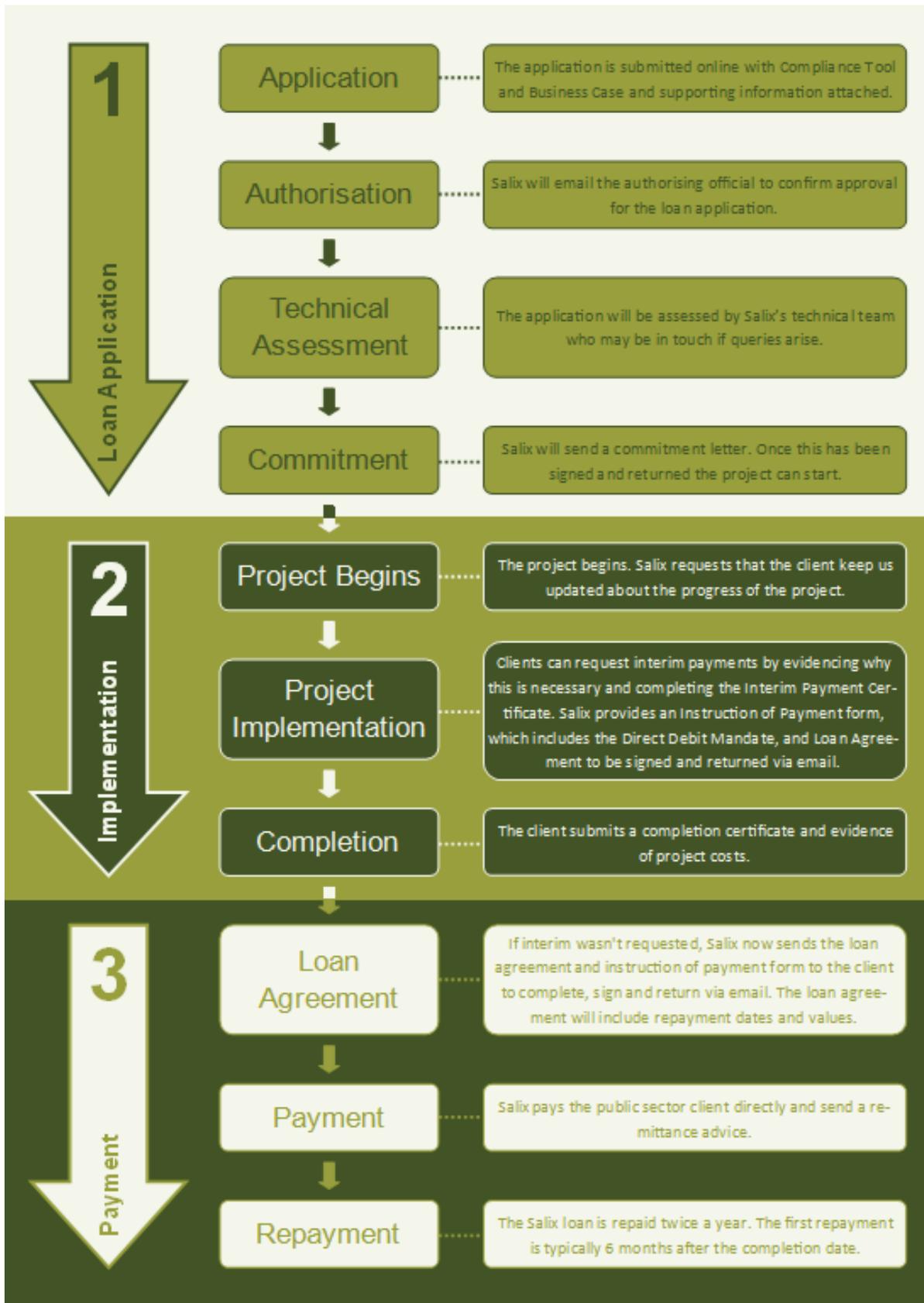
# England<sup>1</sup> Energy Efficiency Loans Application and Payment Guidance

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<sup>1</sup> These application and payment guidance notes are relevant for applications made by English Local Authorities, Higher and Further Education Institutes, NHS Trusts and NHS Foundation Trusts. Application notes for English maintained schools, Wales and Scotland can be found on the respective loan pages.



## 1. The salix energy efficiency loans scheme

The loans scheme allows public sector bodies (PSB) to apply for an interest free loan to finance up to 100% of the costs of energy saving projects meeting the criteria set out in paragraph 4 below. These loans will be paid back to Salix by direct debit on a six monthly basis over a period of five years.

Salix encourage PSBs to get in touch at the point they are considering using Salix funding for the project, to receive helpful guidance and feedback on the loan value that Salix could provide.

Salix encourage applications to be submitted as soon as the project scope is designed and approved by the PSB. The funding will be allocated on a first come first served basis. If a PSB is not yet at application stage, an expression of interest form can be completed to start early stage discussions about potential projects. This form is available [here](#) and on all the programme pages on the Salix website.

Projects are expected to be completed within an agreed timeframe from the commitment date, which is typically nine to twelve months. Salix is also able to support longer term projects such as large street lighting programmes, so please do get in touch to discuss those projects. Where projects have to be tendered, an application can be made in advance of this, and the funding can be reserved until tender is complete, providing confidence that funding is available.

The scheme is in two stages:

- The application, project assessment and commitment to fund the project from Salix.
- The completion of the project, with set up of the loan agreement and payment of the loan.

## 2. Support and advice

Salix have specialised programme teams for different areas of the public sector. Each funding programme has a dedicated page on the Salix website, including with the team members' contact details. The Local Authority team can be found [here](#), the NHS team can be found [here](#) and the Higher/Further Education team can be found [here](#). The general Salix contact details are [info@salixfinance.co.uk](mailto:info@salixfinance.co.uk) or 020 3102 6900.

In addition to the support provided by Salix for completing the application, further support may be available from private sector contractors, consultants and technology suppliers. If this support is in connection with implementing the energy-saving project, any costs associated with obtaining it can be added to the project cost in the loan application, as long as the project remains compliant.

## 3. Project criteria and eligibility

### Compliance criteria

The compliance criteria for the scheme is:

- The cost to save a tonne of CO<sub>2</sub>e over the lifetime of the project must be no more than £191<sup>2</sup>.
- The loan must be repaid to Salix in 5 years following completion of the project.
- Please note that Salix can part fund projects which do not fully meet these criteria.

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<sup>2</sup> The cost of saving a tonne of carbon over the lifetime of the project is calculated by the Salix compliance tool. The annual carbon savings is multiplied by the expected life of the technology or the site life entered by the PSB (whichever is lower). This gives the lifetime carbon savings, the Salix funding requested is then divided by this lifetime carbon saved.

## **Additionality criteria**

Projects are also required to meet the criteria of "additional". There are a number of criteria that are used to assess whether a project is "additional", including:

- Has it already started or has the full funding already been agreed from a different source? If so, it is "not additional".
- Is it required by Building Regulations, functioning of the site 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".
- Is the project being implemented for commercial gain (other than the reduction of costs through increased energy efficiency)? 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 scheme. Salix looks to self-certification for additionality, although it will be confirmed if an audit is undertaken of the project.

## **Minimum and maximum loan value**

The guideline for a minimum loan application value is £5,000 but please do still contact us if your project is smaller than that. The overall loan application can include multiple projects with the minimum value of £500 for any single project. There is not a maximum loan value that a PSB can apply for, although Salix may need to review very large applications to ensure deliverability and completion within the agreed timeframe. Large value projects such as street lighting can be delivered in phases and Salix can issue Reservation of Funding over a number of years for the continued phases of the project.

## **Eligible applicants**

Any PSB who receives the majority of their income directly from the public sector can apply to the scheme. Salix can only fund projects where the resultant energy savings go directly back to the PSB and the PSB gains a direct financial benefit.

An example of an ineligible project would be an outsourced estate management contract in which the outsourced supplier pays the energy bills and would benefit from any savings achieved from the project. However, if the energy bill was to pass through the PSB under the contract, and the PSB benefitted from the energy savings, then the project would be eligible.

## 4. The online application process

### Preparing the application

A single application can be made that incorporates more than one project.

The public sector applicant is expected to be project ready and have clear costs and savings identified with all internal approval needed in place to proceed. To complete the application, the applicant will need to ensure the following steps are completed:

### Five simple steps to apply:

1. Visit the Salix website [here](#) and register to login.
2. On-line application process
  - Complete contact information in the online application form.
  - Download, complete and attach the [Salix Compliance Tool and Business Case template](#).
  - Attach energy-saving calculations, to show how the pre and post kWhrs figures entered on compliance tool were calculated, evidence of project costs and technology specifications such as a product brochure.
3. Submit the application
4. An automated email is sent to the authorising official to which they need to reply and confirm their approval for the project to be assessed by Salix. Please note this is just approval for the assessment and is not final commitment to the scheme.
5. Application is assessed by our in-house technical team and a decision is typically made within two weeks.

Salix may part-fund projects which do not fully meet the compliance criteria, and a contribution is required from another source such as capital or PWLB borrowing to meet 100% of the project costs. This information and level of contribution should be declared when making the application.

## Compliance tool and business case

To help assess whether projects meet the carbon criteria (£191/tCO<sub>2</sub>e LT), Salix provides a compliance tool and business case template, downloadable from the Salix website [here](#). The project compliance tool tab is an easy-to-use *Excel* based tool which, once clients input basic information (project costs, fuel price, existing- and proposed-kWhr energy consumption, technology type and building life expectancy), automatically calculates whether the project is compliant<sup>3</sup>. For projects over £100,000, the business case page is also required to be completed. The compliance tool and business case template contains a list of all the technologies currently funded by Salix. This completed template should be submitted with the online application. If the tool says that the project is not compliant please still do get in touch with a member of Salix. Salix encourage PSBs to get in touch at the point they are considering using Salix funding for the project so that we can provide helpful feedback and guidance.

In order to complete the project compliance tool, the applicant will need to know:

- The date of expected start and completion dates of the project(s).
- The expected life of the building in which the project is due to be implemented.
- The value of Salix funding requested for each project.
- The value of Salix funding requested where a client is not asking Salix for the total value of the project.
- The energy price currently being paid.
- The average energy price expected to be paid over the payback period of the project up to 5 years. For example, if the project expects to payback within 3.5 years then the forecast fuel price should be the average expected fuel cost between year 1 and year 4.
- The current annual energy consumption in kWhrs used by the existing equipment prior to the project taking place.
- The predicted annual energy consumption in kWhrs after installation of the new technology.

Once this information has been entered, the compliance tool highlights the financial savings and payback of the project. It also calculates the cost per tonne of CO<sub>2</sub> equivalents saved over the lifetime of the project. For the project to be compliant the CO<sub>2</sub>e tonnes saved must be less than £191 (per tonne) over the lifetime of the project and that the project payback is shorter than the expected future life of the building. The final column indicates whether the project meets the compliance criteria. Please do get in touch with Salix if you have any questions about this. If your project is not 100% compliant please also get in touch with Salix as Salix may still be able to part fund the project.

All requested data must be completed on the project compliance tool or the application will not be successful. Provided a project meets the scheme's compliance criteria, project costs can include installation costs and the cost of project managing the installation if required, e.g. the cost of applicant's own expertise and/or a consultant to manage the design, implementation and completion of a project. Particularly 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. This is beneficial to support the future monitoring of actual energy consumption and associated savings, be it for internal or external verification.

If the PSB 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. For loan applications over £100,000, the business case is also required to be completed. There are detailed guidance notes, on completing the business case questions, available [here](#).

As part of the loan application assessment, the Business Case is assessed by the in-house Salix technical team as well as the external technical consultants Atkins, which provides added independent assurance that the project is deliverable and the savings are reasonably achievable. If there are any questions or further information required then the applicant will be contacted to request this, to help the application pass technical assessment. The assessed Business Case will be shared with the applicant and feedback, for further improvements, provided to the applicant for useful learning points.

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<sup>3</sup> This does not mean that the application will be approved or loan funding granted.

## 5. Assessment and award of funding

### Assessment process

Salix assess all application documents to ensure that the energy savings look realistic and both parties have the confidence that the PSB will be able to repay the interest free loan to Salix. To do this Salix carry out a technical assessment on all applications which may lead to a request for further information. Information such as saving calculations, internal business case paperwork and evidence of cost basis submitted with the application will speed up the technical check process. It will not be possible to progress the application further until this information is provided and agreed by Salix. Salix aim to process applications and inform the applicant of the outcome within two weeks.

### Commitment of funding

Following successful assessment, confirmation of the loan funding will be sent to the PSB in writing from Salix by way of a Commitment Letter. A copy of this letter must be signed by the authorising official and returned to Salix within ten working days.

### Reservation of funding

In addition to the completion of technical assessment of the application, in some circumstances Salix may also require the PSB to complete:

- Tender and procurement.
- Sign contracts.
- Obtain internal approval from Board, Finance or Capital Programmes team.
- Obtain external approvals, where applicable, on borrowing or adjustment to borrowing limits.

There is an opportunity for Salix to issue a Reservation of Funding Letter to the PSB to provide confidence that funding will be available to them. The reservation will be converted to funding commitment on confirmation of outstanding approvals being received.

The condition for requesting funding reservation is the submission and completed technical assessment of the application.

## 6. Delivery of the project

### Progress updates to Salix

PSBs are requested to update Salix regularly on achievement of key milestones during the delivery of the project. Where changes occur to the costs and scope of the projects, the PSB can apply for an amendment to their application by updating the project Compliance Tool and submitting it, along with updated supporting savings calculations, to their dedicated Salix contact.

Projects which increase in cost to the extent that they are no longer compliant with the scheme's criteria cannot be funded unless the PSB 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.

Once projects reach completion, applicants will be asked to submit to Salix a signed and authorised Completion Certificate for the final costs of the works. This should be supported with documentation evidencing costs to a reasonable level of the full amount. If these documents are not available at this time, they should be provided within 30 days of receiving the final payment. This certificate can be found on the Salix website or your contact at Salix will be able to provide it.

Where there are changes in the final costs and/or savings to be achieved then it will be necessary to submit a revised project Compliance Tool for reassessment before final payment is made.

### **Payment of the loan to the public sector body**

On submission of the Completion Certificate, and the updated project being passed by the Salix technical team where changes have occurred, Salix will issue the PSB with a Loan Agreement and Instruction of Payment form, which includes a Direct Debit Mandate. The Loan Agreement will outline the value of the loan, the financial and carbon savings of the project, the criteria under which it is being made and the repayment schedule. Samples of the loan agreement are available to review before an application is made, and Salix can provide feedback on the likely repayment schedule for the project.

Once the signed Loan Agreement and Instruction of Payment Form is returned to Salix with the PSB's bank account details, the funds will then be paid into this account and the loan set up. The PSB will be required to provide Salix with evidence of costs being incurred, in the form of invoices paid to the contractors, within 30 days of receiving the loan.

Salix may agree to provide interim/stage loan funding for a particular project(s) during implementation and before completion, to tie in with the payment profile which the applicant has agreed with their external suppliers. The applicant must let Salix know if this is required and, if agreed, Salix will provide the applicant with an Interim Payment Certificate to be completed. A Loan Agreement and Direct Debit Mandate, as part of the Instruction of Payment, must be entered into by the PSB and Salix before the first interim payment can be released. Salix will require evidence of the need for interim/stage payments in the form of invoices or cost estimates up to a reasonable level of the amount required. This evidence should be provided to your dedicated Salix contact via email within 30 days of any interim/stage payments made.

If a project does not complete or the commitment of funding is withdrawn, then all payments made by Salix to the PSB must be returned to Salix immediately.

### **Repayment of the loan to Salix**

The loans must be paid back to Salix by direct debit over 5 years in 10 equal half-yearly instalments. Repayments typically start six months after project completion. Large long-term projects such as street lighting programmes that span multiple years are typically split into phases. Each phase would have its own loan agreement and five year repayment schedule. Please ask your Salix contact for more information on these staggered repayment schedules for long-term projects.

## **7. Responsibilities and competence**

Salix 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 & development.
- Establishment of firm costs and calculated estimated savings.
- 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) following the applicant's procurement procedure.
- Project delivery including project management.
- Post project completion activities including any verification of savings.

The public sector applicant is responsible for ensuring that all contractors involved in the provision of services in relation to the proposed project(s) hold and maintain appropriate professional indemnity insurance cover to cover all the services to be carried out and that copies of the relevant certificates are obtained. The public sector applicant must also ensure that all professional consultants and/or

contractors provide invoices, receipted invoices and completion certificates (where appropriate) in relation to the services carried out on the project(s), as they may be required for audit of the project(s).

## 8. Audit

The Department for Business, Energy and Industrial Strategy (BEIS), the Welsh Government and the Scottish Government request Salix take reasonable steps to monitor projects and the PSBs' use of funds loaned from Salix.

The PSB is responsible for ensuring that, under audit, they would be able to demonstrate value for money and that they have followed their organisation's internal procurement guidelines and VAT policy. The PSB is also responsible for ensuring that all contractors involved in the provision of services in relation to the proposed project(s) hold and maintain appropriate professional indemnity insurance cover to cover all the services to be carried out and that the PSB obtain copies of the relevant certificates. The PSB must also ensure that all professional consultants and/or contractors provide invoices, receipted invoices and completion certificates (where appropriate) in relation to the services carried out on the project(s), as may be required for audit of the project(s).

Under the terms of the Salix Loan Agreement, a selection of PSBs are requested to assist Salix with a short audit of recently completed project which is confirmed in writing. This audit will either be through an onsite visit or by requesting certain papers which support the work in progress.

The Salix audit will consist of two parts:

1. Compliance audit - evidence to show that the project has gone ahead as documented
  - Confirmation from PSB on receiving three quotes for the project
  - Evidence of payments being processed to contractors, such as in the form of a bank statement, remittance advice, receipt of payment, or a screenshot of an internal transfer
  - A copy of PSB's internal VAT policy and confirmation of the policy having been followed for the audited projects
  - Photographs of the completed installation
2. Savings audit - evidencing the impact the project has had on the carbon and financial savings
  - For the second part of the audit, Salix will be looking at the project monitoring and what evidence the PSBs may have of carbon and financial savings.
  - Where the PSB has a plan in place to measure/monitor the energy savings from any of the projects, a copy/description of how savings have been monitored is to be provided to Salix
  - Providing information to Salix on the baseline<sup>4\*</sup> energy consumption
  - Providing information to Salix on the energy consumption post-project completion

Salix expect the above-mentioned types of documentation to form part of the PSBs internal project file, which will be kept and maintained by the PSB throughout the project implementation process and for the term of the loan.

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<sup>4</sup> The baseline consumption establishes the consumption before the energy efficiency measure was implemented and is used as the reference point to compare with post-project consumption performance. Baseline information can include fuel bills, metered data and can also account for 'adjustments' such as weather variability and/or changes in site usage.

## 9. Frequently asked questions

### Eligibility criteria

**Q: Where a project is underway or we have recently completed a project, can we still apply for a loan?**

**A:** This scheme is designed to enable new projects and unfortunately those projects already started or completed are not eligible as they do not meet the Salix additionality criterion.

**Q: Should VAT be included within the calculation?**

**A:** If you cannot reclaim VAT the disallowable element should be included as part of the project cost to be shown on the Project Compliance Tool. If VAT can be reclaimed, it should be excluded from the calculations, as the VAT paid to your suppliers can be reclaimed from HMRC.

**Q: What is the maximum amount a public sector body can apply for?**

**A:** There is no maximum application limit, although Salix may need to review very large applications to ensure deliverability and completion within the agreed timeframe. Large value projects such as street lighting can be delivered in phases and Salix can issue Reservation of Funding over a number of years for the continued phases of the project.

**Q: What if the funding allocated to this scheme is oversubscribed?**

**A:** In the eventuality of an oversubscription, the applicant will be informed of their application being placed on hold till a further round of funding is released.

**Q: Please can you advise if an Automated Monitoring and Targeting System falls within the parameters of the funding available? If so, which "technology type" should be applied?**

**A:** Unfortunately, automatic Metering M&T Systems (AMS) cannot be loan funded as a separate project ('Technology Type') on the Project Compliance Tool. Of themselves AMS do not save energy, they lead to the identification of projects which do. However, because of this they may be loan funded if combined with another energy saving project (by adding it to the capital cost of the existing project), providing that, overall, the project remains compliant.

**Q: We provide accommodation for our students; can we carry out energy efficiency projects in these areas?**

**A:** This will depend on who benefits from the energy saving projects. If the students gain from lower rents or energy charges, then these projects are not eligible. If the organisation benefits and it is not passed to the students, then the projects are eligible. However, if you are a Specialist Further Education College where the accommodation is seen as part of the learning process, this would be eligible.

**Q: I would like to do a project that will utilise the renewable heat incentive (RHI). Can I use that to repay the loan?**

**A:** Yes. OFGEM have advised Salix that the interest-free loan should not stop a client from applying for the RHI scheme however, each application for the scheme is assessed on a case-by-case basis by either OFGEM or the RHI Licensee. Further details can be found [here](#).

**Q: Do we have to go through a tender process with suppliers before submitting our application?**

**A:** While it isn't necessary to complete a tender process before submitting the application, it is generally recommended that the applicant does so. To be offered Commitment of Funding by Salix, it may be necessary to complete the tender process in order to finalise the scope and value of the application. In such cases, Salix typically issues a Reservation of Funding letter until its completion.

**Q: I am only authorised to go out to tender once I know that funding has been approved which could lead to the completion date being beyond 9-12 months from commitment.**

**A:** In such circumstances Salix will issue a Reservation of Funding letter which secures the funding, then once tender is in place, Salix will issue a Commitment Letter which is the final approval allowing the project to start on site.

**Q: Do we have to be totally accurate concerning our project costs on the application?**

**A:** It is hoped that if you obtain an estimate that this will be fairly accurate. However, payment will only be made against the final completion certificate submitted at the end of the project.

**Q: I am considering a project but I am not certain what I should include for this on the Compliance Tool and Business Case. If I have further questions, who should I ask?**

**A:** Salix have specialised programme teams for different areas of the public sector. Each funding programme has a dedicated page on the Salix website, including with the team members' contact details. The Local Authority team can be found [here](#), the NHS team can be found [here](#), Further Education team can be found [here](#) and the Higher Education team can be found [here](#). Alternatively, the general contact details are [info@salixfinance.co.uk](mailto:info@salixfinance.co.uk) or 020 3102 6900. Salix are there to support you and to help you complete your application, as well as provide technical support.

## Energy saving calculations

**Q: How do I calculate energy savings?**

**A:** The [Knowledge Share Area](#) on the Salix Website holds a number of calculation tools and good practice documents that can be used to estimate energy savings for energy efficiency projects. The [Carbon Trust energy efficiency guides](#) and the [Carbon Trust guidance on benchmarking](#) are resources which may be useful in helping you estimate savings covering technologies funded by Salix.

**Q: How do I calculate current energy use if a building is not metered?**

**A:** A first principle calculation which incorporates typical benchmarks for the type of building in question can be used to determine energy consumption. Alternatively, if energy bills are available these can be apportioned on a square meter basis.

**A:** Refer to [Carbon Trust guidance on benchmarking](#) which provides useful details to assist.

## Payment and repayment

**Q: Why is the money only being paid out at the end of the project?**

**A:** Loan is provided on completion of the project to incorporate any changes to project scope and/or costs that arise during installation. However, if part payment is required by contractors to enable the project work to begin, Salix can provide interim payments against reasonable evidence of these costs being incurred.

**Q: Can I use the savings I make (before repayments start) to invest in new projects?**

**A:** It is up to you to manage the funds locally and make the repayments on time – but after the Salix loan is repaid to continue re-allocating savings for further energy efficiency projects is encouraged whenever possible.

**Q: I want to apply for a large value project which can be completed within the agreed timeframe but my supplier is requesting interim payments. Are these available?**

**A:** The applicant can request interim/stage payments from Salix in order to enable project delivery. The documentation required in these instances will be different from that shown on the website and included as part of these application notes. Please contact your Salix main contact for further details.

## **Project completion and delays**

**Q: What if we complete earlier than the date we specified on the Compliance Tool and Business Case?**

**A:** You can submit your completion certificate at this earlier date and will receive payment.

**Q: Can the completion deadline be extended?**

**A:** Projects should complete within the agreed timeframe which is typically 9-12 months for most projects, if there are unforeseen delays please contact Salix with a valid reason for an extension request.

**Q: What if I apply to carry out a project but do not complete it within the timescale?**

**A:** In the business case application, you are asked to provide key milestone dates with sufficient contingency built in. For any reason, if there are unforeseen delays in achieving the project milestones as scheduled (e.g. equipment delivery), please apply to Salix for an extension. The commitment of funding will be at risk if it is not completed within 9-12 months of the commitment letter being issued from Salix, and no update or extension has been received. Please get in touch with your Salix contact to discuss this.

**Q: What if we find we cannot complete all of the projects submitted within the timescale**

**A:** You must advise Salix immediately of those projects that will not be completed within the timescale. You should continue with those that you are able to complete on time and submit a revised Compliance Tool and Business Case. You will be sent a new letter of commitment.

**Q: Having made an application, we find that we will not be able to complete any of the projects.**

**A:** You must advise Salix immediately, who will discuss the process of withdrawal with you.

## **Working with the private sector**

**Q: We are a consultancy firm who are working with a public sector body on energy efficiency. Are we able to submit an application on their behalf?**

**A:** Yes the consultancy can prepare the application and submit it on behalf of the public sector body with their permission, however the authorising official on the application form must be from the PSB, and they authorise Salix to evaluate the application. Salix charges no application fees so if the consultancy charges a fee for submitting the application this should be specified to the PSB.

**Q: The public sector body is using a consultant for identifying projects and assisting with the application, how are their costs included within the Compliance Tool and Business Case?**

**A:** Consultant costs can be included in the project cost on the business case, as long as the project remains compliant, or Salix can part fund projects that are not 100% compliant.

**Q: The public sector body is using a consultant to project manage the implementation of the project through to completion can this cost be included?**

**A:** The cost of a consultant to manage the successful completion and commissioning of a project can be included in the Salix loan application. As long as the project remains compliant, all of these costs can be included.

## Other

**Q: Is there any other documentation I can read about energy savings measures?**

**A:** We would also refer you to the [Carbon Trust energy efficiency guides](#) and the [Energy Services and Technology Association \(ESTA\) website](#).

**Q: What paperwork do I need to keep for audit purposes?**

**A:** You will need to keep all relevant documentation related to your procurement procedures and, for each project, the relevant supporting business case. Please refer to Section 8 – Audit.