

Permitted Spend

At Salix Finance we are always keen to help guide our clients through the Public Sector Decarbonisation Scheme funding journey.

This means we understand that, as you progress your projects, there will be times when you need extra support and guidance. We also understand that all projects face a unique set of circumstances which is why we always encourage our clients to contact their Salix Finance relationship manager whenever they need further help.

We are publishing this guidance because Salix Finance and BEIS are aware of the risks to project delivery from Covid, supply chain issues, as well as the individual factors in each of the projects, and the possible impact these might have on project delivery. We are particularly aware that some grant recipients are concerned about the financial risk to their organisation should their project(s) not fully complete or have to be abandoned.

To ensure grant recipients can continue to manage this financial risk, Salix Finance has agreed with BEIS that, where project(s) do not fully complete or have to be abandoned, and a grant recipient has spent grant money or committed to spending grant money in good faith, in the expectation at the time the decision was taken that their project would deliver in line with the grant requirements, this would be covered by the grant funding. This means that grant recipients would not be required to repay that money or expected to cover it from other sources of funding. This is known as permitted spending. All grant spending must still be for works that take place on or before **31 March 2022**. Salix Finance cannot fund any works that take place after this date.

As with all other PSDS grant spending, grant recipients will still need to be able to account for all grant expenditure and demonstrate the spend was based on evidence of need.

Our guidance for assessing permitted spending is as follows:

Requirement	Suggested Evidence
Was the spend committed to in good faith by the client, in the expectation, at the time, that their project would deliver in line with the grant conditions?	<ul style="list-style-type: none"> • Project Plan when the spend was committed showing the project was on track to complete on time and in line with grant requirements. • Contract with the supplier which shows that the spend aligns with the project programme and grant requirements.
Did the decision to commit to the spend take reasonable account of the risks and issues that could affect completion in	<ul style="list-style-type: none"> • Project Risk Register when the spend was committed showing that, after planned mitigating actions are considered, the risks and issues that might affect the project were manageable.

line with the grant requirements?	
Was the spend by the client in line with grant rules?	<ul style="list-style-type: none"> • Contractor invoices and proof of payment by the client.

If you have any concerns about being able to provide this evidence or further questions on the process, please contact your relationship manager.

Where practical, it will be beneficial to agree what will be allowed as permitted spending with Salix Finance before committing to the spending.

Projects are still subject to audit, and grant recipients may want to consider their own governance arrangements to help establish at what stage decisions in respect of the project(s) are taken.

Scheme rules: a reminder

1. All grant spending must be for works that take place on or before **31 March 2022**. Salix Finance cannot fund any works that take place after this date. There are limited exceptions where the final grant payment may cover payments that will be made after 31 March, as set out below:

Retention payments. Payments held back by the client to ensure that the works undertaken by the contractor have been completed to the desired standard and/or to fix issues that arise after the project has been completed, including snagging. To be eligible for retention payments, you must provide evidence 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. Retention payments for Section 98 clients will be made as part of the final payment on completion.

Please note that for retention payments, you need to speak to your Salix Finance relationship manager and agree these before you commit to them. Salix Finance will ask to see the evidence to support your final payment before agreeing to any plans for these. Clients should provide firm evidence of both before their final payment is issued.

Commissioning. As a client you may find that you have completed all the project works by 31 March 2022, but for reasons outside the projects' control, e.g., you may be awaiting DNO works to complete or there are other works at the site that prevent the system being switched on and tested. If this is the case, please speak to your Salix Finance relationship manager.

2. **Processing of grant payments after 31 March.**

Salix Finance is aware that clients may not receive invoices for works completed in March 2022 until after 31 March 2022. In order to continue to process payments to S98 clients for works completed by 31 March, please provide the following information to Salix Finance:

- An **initial estimate / forecast** of the amount you will be claiming in April 2022 by Friday 25 February 2022 within an updated Schedule 3 Payment Profile; this should only include costs expected to be incurred by 31 March 2022.
- A **final estimate** of the amount you will be claiming by **25 March 2022 [Please note this is an earlier date than previously advertised]**; this should only include costs which will be incurred by 31 March 2022 and should be submitted using the usual Statement of Expenditure Form.
- Submit a **final claim**, accompanied by all supporting evidence, by 14 April 2022, for costs which have been incurred by 31 March 2022. If you cannot meet this deadline, you must contact your relationship manager as the earliest possible opportunity to agree an extension. Salix Finance cannot accept any payment requests received after 29 April 2022; any payment requests sent after this date will not be paid.

Clients must ensure that when submitting a payment request to Salix Finance that all invoices and any other supporting evidence provided clearly show when the works were undertaken. Payment requests with supporting invoices dated after 31 March 2022 will only be accepted if it states the works were completed by 31 March 2022.

3. Funding works after 31 March 2022 from alternative sources

- Please note that any works that take place after 31 March 2022 must be funded by the client from alternative funding sources. If you have informed us of the intention to complete the project after 31 March 2022 using alternative funding, Salix Finance will need your Accountable Officer to commit to this in writing, confirming that alternative funding will be available to complete the project.
- **Projects cannot pre-fund any works by paying contractors up-front, or for works that will take place on site after 31 March 2022** However, some contracts are structured so that works/equipment is paid for in instalments. Providing the instalments and works occurs before 31st March 2022, payments can be made by Salix Finance when the invoices and evidence in support is received.
- Where grant funded equipment (all or part funded) is being delivered after 31 March 2022 the client is required to provide a Vesting Certificate. This is common practice and contractors will be used to supplying this. This should be provided by the clients as part of their completions process evidence. For more info on Vesting Certificates, please visit this [link](#).
- The project must remain compliant with the scheme rules as set out in the scheme Guidance Notes. However, this does not mean that a project being funded beyond 31 March 2022 must be compliant on that date if the project plan and funding is in place and evidenced to show that the project will be compliant on final completion.

- For retention payments, where a client is funding works after 31 March 2022, Salix Finance will only pay the retention payments due on the work that has been completed 31 March 2022.

4. Options for projects at risk of non-completion

There are options available for clients that are at risk of non-completion or have informed Salix Finance they cannot complete on time.

- **Only complete compliant works.** Consider rescopeing the project to reduce the works being delivered to those that can be completed on time. The works being completed must still mean the overall project is compliant.
- **Replace non-compliant elements of the project with alternative works.** You may consider rescopeing the project by removing elements that cannot complete on time and replacing them with alternative works that can be. If this is the case, contact your Salix Finance relationship manager and they will work through a Scope Change Request with you. Remember, the overall project must remain compliant. The last date we can accept any scope change requests is 25 Feb 2022.
- **Provide alternative funding.** You may wish to consider funding the works that will take place after 31 March 2022 from an alternative funding source. To approve this, Salix Finance we will need to ensure the client's Authorising Official confirms in writing to Salix Finance, that alternative funding will be available to complete the project. Salix Finance is happy to talk through your options. All extension change requests for projects completing after 31 March 2022 with alternative funding will need to be submit by 18th March 2022.
- **Halt the project.** If you cannot rescope your works or commit to alternative funding, then you should consider whether to cease work on your project.
- **Prioritising high value works.** If you can confirm that you have alternative funding available to fund works after 31 March 2022, you may wish to consider whether there is any ability to schedule higher value works earlier in the programme and before 31 March 2022.
- **Pre-ordering equipment.** We have found that some clients are facing long lead in times for key equipment. There may be a benefit to ordering equipment early to ensure delivery before 31 March 2022. However, bear in mind that the rules of the scheme about what Salix Finance can fund remain unchanged, so this can only be done if there is a realistic expectation at the time the equipment is ordered, that:

- a. The equipment will be on site by 31 March 2022 or be covered by a Vesting Certificate. Be prepared to provide evidence for this. This may take the shape of a letter from your supplier/contractor stating when they expect the equipment will be delivered.
 - b. The equipment can still be installed, and all works complete after the equipment is reasonably expected to be on site by 31 March 2022. The only exception to this is if the client has agreed in writing to fund any works after 31 March 2022.
- **Changing or reducing project scope.** For those clients who have no ability to fund additional works beyond 31 March 2022, the only contingency plan available will be to reduce or change your project scope. Please consider this early rather than later and discuss with Salix Finance as early as possible. It is helpful to consider what options might possible, should one of your risks materialise and the potential timescales.