

Scotland Energy Efficiency Loans Application Notes

1. The Salix energy efficiency loans scheme

The scheme allows eligible organisations to apply for an interest-free loan to finance up to 50% of the costs of energy-saving projects meeting the eligibility criteria set out in paragraph four below.

Eligible organisations are any public sector body which are subject to the Public Bodies Duties in the Climate Change (Scotland) Act 2009. This includes Scottish Government and its executive agencies (such as Transport Scotland and Scottish Enterprise) 32 local authorities, universities, and non-departmental public bodies.

Public sector bodies that are prohibited from borrowing may be offered conditional grants with similar criteria and conditions as the loans. If your organisation is unable to borrow but interested in this option, contact Salix directly.

We are seeking applications as soon as is possible and they will be approved on a first come first served basis until all loan funding has been allocated. Once all funding has been allocated, further applicants will be placed in a pipeline for future funding rounds.

For this scheme, we are able to offer extended compliance criteria of up to ten years payback and £278/tCO₂e lifetime for certain projects.

This will enable eligible organisations to use Salix funding to install the best possible energy efficiency technologies in their estates.

The repayment of the loan can be flexible up to a maximum of ten years, dependent on the project payback. The loans must be paid back to Salix by direct debit every April and October over the confirmed period.

Projects will then have to be completed within a nine-month timeframe from the commitment date. Where projects have to be tendered, after the agreement to fund, an allowance will be made for this.

The application process will be in two stages:

- The application, project assessment and commitment to fund from Salix.
- The completion of the project with set up of the loan and payment of the money (unless Salix agree to fund on an interim payment basis).

2. Background notes

- Applications will be dealt with on a first come first served basis. All payments should provide reasonable evidence to support the need for any interim or final payment within 30 days of receiving remittance advice. For larger projects, interim/stage payments may be possible, and this will be agreed on a case by case basis. If a project is not completed, then all interim payments made must be returned immediately.
- Salix will be monitoring progress of the projects once loan funding is agreed in order to ensure that project completion is progressing as expected.
- Projects which increase in cost to the extent that they are no longer compliant with the scheme's criteria cannot be funded unless the eligible organisation 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.
- Projects not completed within the timescale agreed will also not be loan funded unless valid reasons for a time extension are agreed to by Salix.

- In very rare circumstances, Salix 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.

3. Project criteria

Projects must comply with the following criteria:

- the project must pay for itself from energy savings within a maximum ten year period.
- the cost of CO₂e must be less than £278 per tonne over the lifetime of the project.

Projects are 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 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.

4. Eligibility

Any eligible organisation may apply. Only those projects where the resultant energy savings, over the lifetime of the project, go directly back to the organisation and where the organisation gains a direct financial benefit are eligible.

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

5. 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 your individual procurement procedure.
- Project delivery including project management.
- Post project completion activities including any verification of savings.

You are 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 you obtain copies of the relevant certificates.

You must also ensure that all professional consultants and/or contractors provide you with invoices, receipted invoices and completion certificates (where appropriate) in relation to the services carried out on the project(s), as you may be required for audit of the project(s).

6. The application process

Preparing your application

You can apply for loan 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](#) and register to login.
2. Online application process
 - Download, complete and attach the [project compliance tool](#).
 - For projects valued over £100,000 complete a [business case template](#).
3. Public sector body or supporting body (consultant) submits the application
4. An automated email is generated and sent to the authorising official which they need to reply to confirming their approval
5. Application is assessed by our in-house technical team and a decision is typically made within two weeks

Salix may provide loan funding for projects where the applicant makes a contribution to the cost in order to make the project compliant. This information and level of contribution must be declared when making the application.

7. Compliance tool

There is a minimum value for any single project of £500 and a total minimum application and loan value of £5,000. There is no maximum loan value.

To help assess whether projects meet the payback and £278/tCO₂e criteria, Salix provides a project compliance tool. [The project compliance tool](#) can be found on our website. It is an easy-to-use Excel based tool which, once clients input basic information (project costs, estimated savings, technology type and building life expectancy) automatically calculates whether the project is compliant¹.

- Should you wish to undertake several projects within the same building, then we would confirm that a specific project compliance tool is available, such as the 'Multiple Project Site' compliance tool. The main aim of this tool is to help you achieve and record as accurately as possible the maximum savings within a building and other benefits include:
 - The development of projects in a holistic way.
 - Combining and sequencing of projects that complement each other (such as heating and insulation).
 - The possibility to include a project which on its own may be non-compliant.

Clients are however asked to combine sensible technologies.

¹ This does not mean that the application will be approved, or loan funding granted.

If you wish to use this tool, please contact us with details of the measures you wish you apply for so the suitability of the project can be assessed.

8. Completing the project compliance tool

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

- The date of expected commencement and completion of the project(s).
- The expected life of the building in which the project is due to be implemented.
- Salix funding requested for each project including any appropriate sub-metering.
- Salix funding requested expressed as % contribution of the total project cost (where a client is not asking Salix for the full amount of the project).
- The average price expected to be paid for energy used in the project over the payback period of the project.
- 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.

Once you have inputted this information in, the project compliance tool tests that each project will pay for itself 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 or not the project meets the compliance criteria.

With regards to energy price, please bear in mind that over the course of the project payback period, energy prices may change and the figure used should be one you believe your organisation will be paying, on average, during that period.

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 this is required, e.g. the cost of the client's 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 be it 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.

9. Processing the application

Salix will assess your application, your business case and the projects submitted on the project compliance tool to ensure they are realistic. 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 information². It will not be possible to process the application until this information is provided and agreed by Salix.

² Information such as saving calculations, internal business case paper work and evidence of cost basis submitted with your application will help to speed up the technical check process.

Confirmation of the loan funding will be done in writing from Salix by way of a commitment letter outlining exactly what has been agreed. A copy of this letter must also be signed by the authorising official and returned to Salix within 10 working days.

Salix may, in certain circumstances, agree to provide interim/stage loan funding for a particular project(s) during implementation and before completion, perhaps to tie in with the payment profile which you, the applicant, have agreed with your external suppliers. You must let Salix know if this is something you require, and Salix will consider your application as such. If Salix does agree to provide such interim/stage loan funding and the application is successful, a loan agreement and direct debit mandate must be entered into by the eligible organisation 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 Client Support Officer via email within 30 days of any interim/stage payments made.

10. Processing the loan agreement

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 your final payment. This certificate can be found on the Salix website subject to the final costs remaining within project compliance criteria. A loan agreement will then be issued by Salix and sent for signature and return, (unless a loan agreement has been issued and entered into prior to this, in the case of agreed interim/stage payments), together with a direct debit mandate.

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

The loan agreement will identify the value of the loan, the criteria under which it is being made, and the dates on which the loan has to be repaid. Once the signed loan agreement and direct debit mandate are returned to Salix with the eligible organisations bank account details, the funds will be paid into this account and the loan set up.

The repayment of the loan will be a minimum of four years and can be flexible up to a maximum of eight years, dependent on the project payback. The loans must be paid back to Salix by direct debit every April and October over the confirmed period.

11. Support and advice

Salix has set up a support team to assist eligible organisations with their applications. This team will be able to provide advice on how to complete the forms, and how to work out the input figures needed for the project compliance tool.

Please email enquiries to info@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.

12. Audit

Salix is required to carry out an audit process for a selection of applications. This will take place once a project has been agreed and committed. The audit will either be through an on-site visit to check on project progress, or by requesting certain papers which support the work in progress.

Salix will need to check the supporting documentation for the project and the calculations which have been made to estimate the energy savings that each project is forecast to achieve. We expect this type of documentation to form part of the project file, which will be kept and maintained by you throughout the project implementation process and for the term of the loan. This will also include procurement details and appropriate external invoices. For a selection of clients, Salix will request post project data to understand the level of actual savings achieved against those forecasts, and to confirm project implementation.

13. Frequently asked questions

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: Where a project is currently underway or we have recently completed a project; can we still apply for the loan?

A: The loans scheme is designed for new projects only and unfortunately those projects already started or completed are not eligible.

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: Will there be any extension to the 9-month completion deadline?

A: All projects must be completed within nine months of the date of the commitment letter from Salix, unless a valid reason for an extension is agreed by Salix.

Q: What is the maximum amount an eligible organisation can apply for?

A: There is no maximum application limit, although Salix may need to review very large applications to ensure a fair spread of loan funding across the public sector. The total value of funding is also limited for this scheme which will determine the amount available.

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 eligible organisation 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 loan funded. As long as the project remains compliant, all of these costs can be included in the calculations.

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 as part of another energy saving project (by adding it to the capital cost of the existing project), providing that, overall, the project remains compliant.

Q: We are considering the installation of voltage management equipment on our site. Do you have any guidance on estimating the savings we will achieve using this technology?

A: The Carbon Trust guide [CTG045](#) covers voltage management and has information on where savings can be achieved using this technology and how to calculate them. A Salix information slide is provided on the website which sets out the maximum savings we can accept from various loads. In addition, there is a Salix voltage management calculation tool which clients are required to complete and submit with applications for voltage management projects

Q: We are wishing to replace oil fired boilers with gas ones. We have a rebuild programme which will commence soon. Any new boilers would be used to heat the current building and then used for any new build as it comes on stream. Under this programme is this allowable?

Q: If the new build is not ready in time, can measures such as 'office equipment improvements' or perhaps 'voltage management equipment' be applied to an existing building and then transferred to the new building when ready, assuming it is compliant?

A: Yes, if the equipment is suitable to be moved, then the lifetime of the building can be taken as the lifetime of the new building the equipment is moved to. In signing the application form however, the applicant will be self-certifying the reuse of the equipment and hence the extended lifetime.

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 rent 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.

A: 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: We are a consultancy firm who are working with an eligible organisation on energy efficiency are we able to submit an application on their behalf?

A: The application and the project compliance tool must be signed and submitted by the eligible organisation. It will not be considered acceptable if it comes from any other source. However, the consultancy can prepare the application and submit it to the eligible organisation for signing and submission.

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

A: If you have the time to carry out this process then it would be useful, but it is not essential for the application stage.

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 months from commitment.

A. In such circumstances Salix will issue a revised commitment letter allowing the nine months project completion time, providing this does not go beyond the final scheme payment closure date

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

A: Experience has suggested that there have been issues arising with project changes and changes in costs during implementation and it was therefore considered to be better from a control aspect to make payment against a completion certificate at the time of project completion.

Q: I want to apply for a large value project which can be completed within the 9-month deadline but my supplier is demanding interim payments. Are these available?

Q: The supplier requires some payment in advance how should this be met?

A: In certain circumstances Salix may agree to interim/stage payments in order to assist. The documentation required in these instances will be different from that shown on the website and included as part of these application notes. Contact Salix support for further details info@salixfinance.co.uk

Q: I would like to do a project that will receive feed in tariff. Can I use that to repay the loan?

A: No. Feed in tariff or Renewable Heat Incentive payment cannot be used for Salix loan repayments. Only the savings achieved from lower energy bills can be used to repay the loans. Projects that attract either FITs or RHI payments are not eligible for Salix funding.

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

A: If it is not completed within nine months of the date of the commitment letter from Salix, then funding will not be paid, unless an extension is agreed by Salix.

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

A: Unfortunately, if there is an oversubscription then projects will not be accepted, and funding will not be confirmed. However, Salix will build up a list of applicants for their next round of funding release

Q: I am considering a project but I am not certain what I should include for this on the Project Compliance Tool.

A: Please contact the Salix Scotland team by emailing info@salixfinance.co.uk

Q: If I have further questions, who should I ask?

A: Please make full use of Salix support by emailing info@salixfinance.co.uk. Salix are there to support you and to help you complete your application, as well as providing technical support.

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.

Q: What if we complete earlier than the date we specified on the project compliance tool

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

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. 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.

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 recycling internally on further energy efficiency projects is encouraged whenever possible.

Q: Which technologies are eligible for a Salix loan?

A: A list of over 100 eligible energy efficient technologies & persistence factors eligible for a Salix Finance loan can be found [here](#).