



Information pack

Phase 3c Public Sector Decarbonisation
Scheme – single year project delivery
guidance

Introduction

Congratulations on your successful Phase 3c Public Sector Decarbonisation Scheme (PSDS) application!

The purpose of this document is to provide a summary of the terms of the PSDS grant award and your responsibilities as the grant recipient.

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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 recipient contribution must increase to deliver the project.
- The grant period for your single year project is from the grant start date stated in your Grant Offer Letter (the date your Grant Offer Letter was signed and returned to Salix) 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. There is no stipulation on the order in which you spend grant funding or your internal match funding, therefore you may wish to reduce the risk of not being able to use your full grant allocation before the grant end date by drawing this down before using your recipient contribution.
- The grant has been awarded for the purpose of delivering your 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 your public sector body's risk.
- External contractors and consultants may deliver your project on a day to day basis, however your 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 your project as soon as these are identified so that we can discuss next steps.
- Communications and case studies are important to celebrate the success of PSDS projects, and we ask that you engage with us 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 consultants or contractors before submitting to Salix (see section 2).
- Set up a meeting to explain and review the conditions of funding with your consultants or contractors so they are aware these must be resolved in a timely manner throughout delivery of your project (see section 3).

- Set up a meeting to explain our invoicing requirements to your consultants or contractors so they are aware of what is needed for your payment requests to be accepted (see sections 4a and 4b).
- Schedule regular catch ups with your Salix relationship manager to discuss project progress.

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 your 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.

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 provide accurate reports to the scheme funders, the Department for Energy Security and Net Zero, on the status and progress of Phase 3c PSDS and to ensure effective stewardship of public money.
- Monthly monitoring reports must be returned by a contact at your public sector body, as the grant recipient is responsible for ensuring all information submitted to us 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.
- The report follows a standardised format so that these can easily be reviewed. At the start of your project, you will receive a tailored MMR template.
- All five sections of the MMR must be reviewed and updated, to ensure we are 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 your project scope, with optional commentary.
 - **Step 2 Report:** provides more in-depth information about your 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 3 Conditions:** provides a breakdown of your 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 4 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.
 - **Step 5 Completion:** provides guidance to support you through the completions process, with a checklist of what's required to receive your final grant payment and close your project.
- 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 your 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 your public sector body. If monthly monitoring reports are not provided in sequential months, an escalation letter will be issued to your named authorising official. We understand that extenuating circumstances may prevent submission and if this is the case please make your relationship manager aware as soon as possible.

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

3.Resolving conditions

As per Schedule 2 of your 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 therefore remains eligible for the full grant award in line with the scheme compliancy criteria.

Step 3 of the monthly monitoring report should be reviewed each month to provide updates on progress in gathering and providing to us 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 or funding reclaimed at the end of the project.

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. We recommend 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 payment of your minimum recipient contribution 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 intend to claim funding from Salix and does not need to reflect the monthly cashflow of your project. This means; if your 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 (no later than the grant end date of 31 March 2025). Additionally, any costs that are not being claimed from your PSDS grant, 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 (MMR) is to let us know when you intend to submit payment requests so that we can ensure funds are available to be paid out, as we are required to draw down funding from government in advance each month.

Each monthly monitoring report 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 receive invoices to evidence a claim, we recommend you forecast your payment requests 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 of your MMR prior to the deadline.

The scheme rules that we have 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 us 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.

Your payment requests should be submitted to your relationship manager and cc psds3payments@salixfinance.co.uk. In order to review and approve payment requests, we will require the below:

- Schedule 5 payment request – signed by your authorising official
- Statement of expenditure:
 - Excel version
 - PDF copy – signed by your authorising official
- Invoices and supporting evidence. Requirements for invoices are as follows:
 - Invoices addressed to your public sector body and dated within the grant period are required to evidence the project spend and draw down payment
 - Invoice descriptions must contain reference to your PSDS project, including the submission ID
 - Invoices must explicitly reference the sites/buildings where the works have taken place and the exact works which have been carried out

- The breakdown of works or valuation documents to accompany the invoice must be provided if the invoice does not provide sufficient detail

Further guidance documents are available to download from [our website](#), including examples of invoices that meet our requirements to approve payment requests and an invoice breakdown template.

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, DNO upgrades or minor commissioning costs:

- If equipment is ordered within the grant period you can claim these costs from your grant award, subject to sufficient evidence being provided in the form of invoices or vesting certificates. Detailed guidance on vesting certificates can be found on [our website](#).
- 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 your public sector body.

At the start of your project, we will send you two important documents to sign and return:

- a) Bank details verification form: this allows us to confirm your organisation's bank details ahead of your first payment, for fraud mitigation purposes.
- b) Specimen signature substitute: this confirms who else in your organisation has the authority to sign documentation such as a payment request, should your named authorising official not be available.

c. Retention

Overview:

- We recognise that 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 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.
- We will follow up in post completion activities to confirm any retention has been paid to third parties. This may require you to provide evidence such as redacted bank statements or ledger downloads.

d. Minimum recipient contribution

The terms and conditions of the grant require a minimum recipient contribution to the total project costs. The value of the contribution required from your public sector body can be found in your approved application form under 'Step 4 Support Tool', by subtracting the '12% Compliant Marginal Project Value' from your 'Total Project Costs'.

Please note: This value reflects the minimum recipient contribution for this project at the point of your grant award and is calculated as the like-for-like cost of replacing your existing heating system with a typical fossil fuel heating

system or at least 12% of your total project cost. In some cases, this may change during the delivery of your project if the scope or total project costs are amended. If you are unsure on what your latest minimum recipient contribution is, please speak to your relationship manager.

Evidence of payment of your minimum recipient contribution will be required as part of the project completion process and so that your final grant payment request may be approved. The statement of expenditure includes sections for reporting your minimum recipient contribution evidence as well as details of how any remaining contribution from your public sector body towards the total project costs has been spent. These should be completed for your final payment request, though you may wish to complete this as you go along to keep track of which invoices you are using as evidence for different sections.

We recommend that you take into account the potential for an increase in the minimum required contribution as your project progresses when agreeing the project budget and contingency for approval at the necessary levels of your public sector body.

5. Change requests

The grant has been awarded to your 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, namely when designs and tenders are complete. The deadline for submitting a change request for Phase 3c PSDS projects is to be confirmed but will likely be September 2024.

To assess a scope change request, we 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 your 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 your project 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 your PSDS allocation (with a small number of exceptions¹). However, we recognise that challenges may arise during project delivery and 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 completion processes. Further guidance on these will be made available on our website, and your relationship 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 completion process will be at your public sector body's risk and the final grant value may decrease as a result.

a. Standard completion

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

Upon completion of your Phase 3c PSDS project, we 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

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

once 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
- Warranty certificates for each PSDS funded measure (or Operation & Maintenance manuals covering all installed equipment)

b. Delayed commissioning

The delayed commissioning process applies where all physical installations are completed on site by the grant end date of 31 March 2025, but they are unable to be commissioned and operational by this date because other factors, outside your control, will prevent you from doing so (e.g. DNO works).

c. Delayed completion

The delayed completion process applies where projects are unable to complete fully by the grant end date of 31 March 2025, and the remaining works will be completed after this date using alternative funding. Please inform your relationship manager as soon as possible of any risk or confirmed delay to completion of your project. Any extension to the practical completion date is not guaranteed and 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, we will require:

- A letter from the authorising official at your organisation requesting an extension to the practical completion date, detailing what works are outstanding, the new expected completion date and the reasons for the delay and confirming that your public sector body is committed to providing the funding required in order to complete the works after the grant end date as per the approved scope.
- An updated project programme detailing the latest expected practical completion date.

Once the delayed completion request is approved, we will issue a Grant Amendment Letter detailing the revised practical completion date, for signature by your authorising official. We will require you to provide monitoring reports until all measures in your project are fully commissioned and operational.

d. Partial completion

The partial completion process applies if you are unable to complete your project to the agreed scope. This would be due to either completing partial but carbon compliant projects or by incurring permitted costs that make the project non-compliant against the scheme carbon criteria, for example due to late cancellations.

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 your public sector body's contribution to the project costs, then your project will unfortunately have to be abandoned.

A letter from your 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 believe it's important to share your stories, your challenges and celebrate your successes. This may relate to the carbon impact of your projects but also how your projects are making a difference in your community and to everyone who uses your buildings.

As you progress your decarbonisation journey, we're likely to be in touch to request your support in facilitating visits and providing reports, statistics, photographs and case studies that will assist promotional activities relating to your project. Photographs help to bring projects to life so 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 and media outreach about your project to maximise opportunities to celebrate your commitment to decarbonisation and the successful delivery of your project.

Please note: 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 us. This is referenced in the terms and conditions of the grant. So, once you have a draft press release, please do share it with us via your relationship manager or directly with our communications team at communications@salixfinance.co.uk for review before publication.

8. Additional resources

a. Key deadlines

Monthly monitoring reports:

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
Single year project completion	11-Mar-25 to 10-Apr-25	15-Apr-25

Forecasting and payments:

Payment period	Forecast submission deadline	Claim submission deadline	Funds received by
Period 1 - early spend	15-Mar-24	18-Apr-24	15-May-24
Period 2	15-Mar-24	18-Apr-24	15-May-24
Period 3	15-Apr-24	22-May-24	19-Jun-24
Period 4	15-May-24	21-Jun-24	17-Jul-24
Period 5	14-Jun-24	22-Jul-24	14-Aug-24
Period 6	15-Jul-24	22-Aug-24	18-Sep-24
Period 7	15-Aug-24	23-Sep-24	16-Oct-24

Period 8	13-Sep-24	23-Oct-24	20-Nov-24
Period 9	15-Oct-24	22-Nov-24	18-Dec-24
Period 10	15-Nov-24	06-Jan-25	29-Jan-25
Period 11	13-Dec-24	22-Jan-25	19-Feb-25
Period 12	15-Jan-25	21-Feb-25	19-Mar-25
FY 24/25 - accruals 1	14-Feb-25	TBC	TBC
FY 24/25 - accruals 2	14-Mar-25	TBC	TBC

b. Salix website

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

- [Monthly monitoring reports](#)
 - Your relationship manager can provide the template tailored to your project
- [Conditions of funding](#)
 - Detailed guidance document available to download
- [Project delivery guidance](#)
 - Guidance on good project governance and how we can work with you to share your project stories available to download
 - [DNO guidance](#)
- [Forecasting and requesting grant payments](#)

Available to download:

 - Statement of expenditure template
 - Payment breakdown template
 - Early spend guidance
 - Breakdown of works guidance
 - DNO costs guidance
 - Retention costs guidance
 - Vesting certificates guidance
 - Commissioning costs guidance
 - Like-for-like costs guidance
 - Permitted spend guidance
- [Change requests](#)

- Change request form template available to download
- [Completing your project](#)
 - Guidance on standard completion, delayed commissioning, delayed completion and partial completion processes available to download
- [Post completion annual carbon report](#)
 - Report template available to download
- [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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