

**SALIX RECYCLING FUND  
FUND MANUAL**

Last updated March 2022

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## 1. Introduction

The objective of the Salix Recycling Fund is to increase capital investment in projects that save direct carbon emissions and encourage Public Sector Bodies ("PSBs" or "PSB" where the context requires) to take a 'whole building' approach to their estate in order to reduce the sector's carbon dioxide emissions created on-site from burning fossil fuels.

Salix Finance Limited ("Salix Finance") provides ring-fenced funding in the form of a conditional repayable grant (the "Conditional Grant") which is matched by the participating PSB to create a low carbon fund, "the Local Fund", to pay for low carbon projects across the PSB's estate.

The financial savings made from projects are then paid back into the Local Fund to finance further energy-saving projects. Once a Local Fund is established it becomes self-sustaining as savings generated by completed projects are recycled to finance further projects.

The Local Fund can be used only to finance energy efficiency projects and low carbon heat projects that deliver long-term CO<sub>2</sub>e savings and financial savings. Projects must comply with one of the following criteria:

- **Scotland & Wales**

Local Fund projects in Scotland can apply for a payback period of 12 years or less with a cost of no more than £305 per tonne of life-time carbon saved.

Local Fund projects in Wales can apply for a payback period of 8 years or less with a cost of no more than £278 per tonne of life-time carbon saved.

Scotland & Wales Recycling Funds are unaffected by the changes outlined below.

- **England**

The Recycling Funds in England are due to close March 31<sup>st</sup> 2025, after which the grant needs to be repaid to Salix Finance. The seed money can either be repaid to Salix in one lump sum, or in annual portions to the value of the annual project repayments up to a maximum period of 8-10 years.

Projects must comply with the following criteria:

1. To be eligible projects must include either:
  - i. A measure that directly contributes to the heat decarbonisation of a building by installation of a low carbon heating technology and/or building fabric upgrades – see Appendix 2
  - ii. Or alternatively, justification for how electricity reduction measures, which do not directly contribute to the heat decarbonisation of a building but reduce overall energy demand, will support a wider heat decarbonisation project in the future.
2. The cost to save a tonne of carbon (CO<sub>2</sub>e) over the lifetime of the project must

be no more than £500/tCO<sub>2</sub>eLT, which will be automatically calculated on SERS.

3. Projects must comply with the following payback criteria:
  - i. University Revolving Green Fund (RGF 1 & 4) projects in England can apply for a payback period of:
    - Eight years or less when using their main fund; or
    - Ten years or less when using their client additional fund.
  - ii. Local Authority and NHS Recycling Fund projects in England can apply for a payback period of 10 years or less.
4. Fossil fuel heating technologies, such as boiler replacements and CHP, have been removed from the technology list.

To help assess whether projects meet these criteria Salix Finance provides project compliance tools. These are easy to use Excel based tools that, once the PSB submits basic information, automatically calculate whether the project is compliant (the "Project Compliance Tool"). More detailed information on project criteria is set out in section 6.

## **2. Establishing the Local fund**

Salix Finance will provide the Conditional Grant in tranches following the commitment and completion of projects ("completion" being the time when the project for which the PSB has used the Local Fund completes). The timing and value of the tranches will correspond with the completion of projects, and as set out in the Local Fund Specification. You will need to pay your match funding into a separate account or cost centre, which is 'ring-fenced' and can be easily identified as the Local Fund, within the agreed time stated within the Conditional Grant Award Letter (Appendix 1).

In order to claim tranches of the Conditional Grant, the PSB needs to commit and complete projects which comply with the conditions set out in the Conditional Grant Award Letter. A tranche payment will be made to the value stated in the Award Letter when sufficient projects are completed and a completed Conditional Grant Claim Form (Appendix 2) is submitted. The process of setting up the Local Fund is as follows:

- Application Form and Fund Manual are sent to the PSB to apply for funding;
- The Application Form and necessary supporting information are returned to Salix Finance;
- Upon approval from Salix Finance, the Conditional Grant Award Letter and the Conditional Grant Claim Form are sent to the PSB; and
- The PSB returns the Conditional Grant Claim Form, and thereafter Salix Finance will transfer the funds into the ring fenced account set up by the PSB.

## **3. Administration of the local Fund**

The PSB is responsible for administration of the Local Fund, and will need to appoint a fund manager (the "Fund Manager") who will be the main contact point for Salix Finance. The Fund Manager's contact details must be provided to Salix Finance. The PSB must also appoint a

sponsoring director, who will have oversight of the Fund Manager's management of the Local Fund.

The Fund Manager will assume overall accountability for the Local Fund over the life of the Conditional Grant Agreement (this Fund Manual and the Award Letter together being the "Conditional Grant Agreement"). The Fund Manager shall manage the Local Fund in accordance with the Conditional Grant Agreement. The Fund Manager will be required to maintain a project listing on the Salix Energy Reporting System (SERS), a web-based management information tool, which is used to provide the majority of the required reporting information set out in this Fund Manual.

The PSB shall ensure that the Fund Manager shall promptly comply with all reasonable requests or directions from Salix Finance with respect to the operation of the Local Fund. Changes to the identity of the Fund Manager should be notified in writing to Salix Finance as soon as practicably possible.

#### **4. Maintaining the Local fund**

Investment in projects will be made in the form of repayable interest-free internal loans. From a financial point of view the "loan" provided by the Local Fund is actually an "interest free internal advance". However, for ease of reference within this document internal advances are referred to as "Loan, Loans or Internal Loan Agreement(s)". The Fund Manager, will approve and prioritise the projects financed by the Local Fund.

##### **4.1 Devolved budgets**

For each project that is approved for funding, the Fund Manager needs to ensure that:

- A designated staff member ("the Loan Recipient Contact"), who will be the budget holder) is responsible for the project and understands their responsibilities under this Fund Manual; and
- An Internal Loan Agreement has been completed and signed by the Loan Recipient Contact prior to the commencement of the project.

If your organisation operates devolved budgets you will need a signed Internal Loan Agreement with the budget holder for each project. The agreement should include a summary of the project details together with the agreed "Loan Repayment Schedule". The information presented within the example loan summary can be automatically generated through SERS. Loan repayments must be credited back to the Local Fund annually, in accordance with the Loan Repayment Schedule in order to recycle the savings back into future projects. The first repayment must be no later than 12 months after the loan is drawn down or committed (not when the final account has been settled). The Loan Repayment Schedule should be agreed at the time the loan is agreed. We recommend that common repayment dates are established for all projects, with repayments being processed at the end of each quarter. If the recipient of the loan does not repay the loan, then you must recover funds from elsewhere to repay the project costs back into the Local Fund. Both capital cost and installation costs can be included in the project costs at your discretion, provided the project fits within the compliance criteria.

##### **4.2 Centralised Budgets**

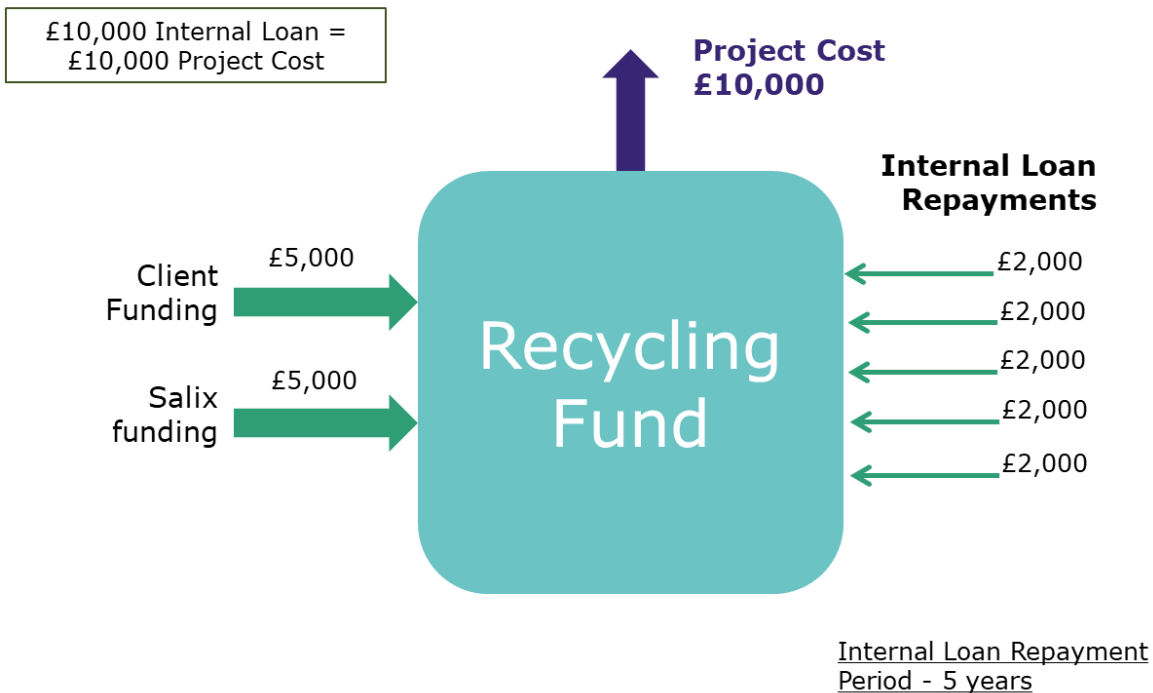
If your organisation operates a centralised budget, the Fund Manager will also be the Loan Recipient Contact. You should still generate a loan agreement from SERS for each project with

a Loan Repayment Schedule and follow the procedures set out above as this will make the Local Fund easier to administer.

### 4.3 Example of the Local Fund Structure

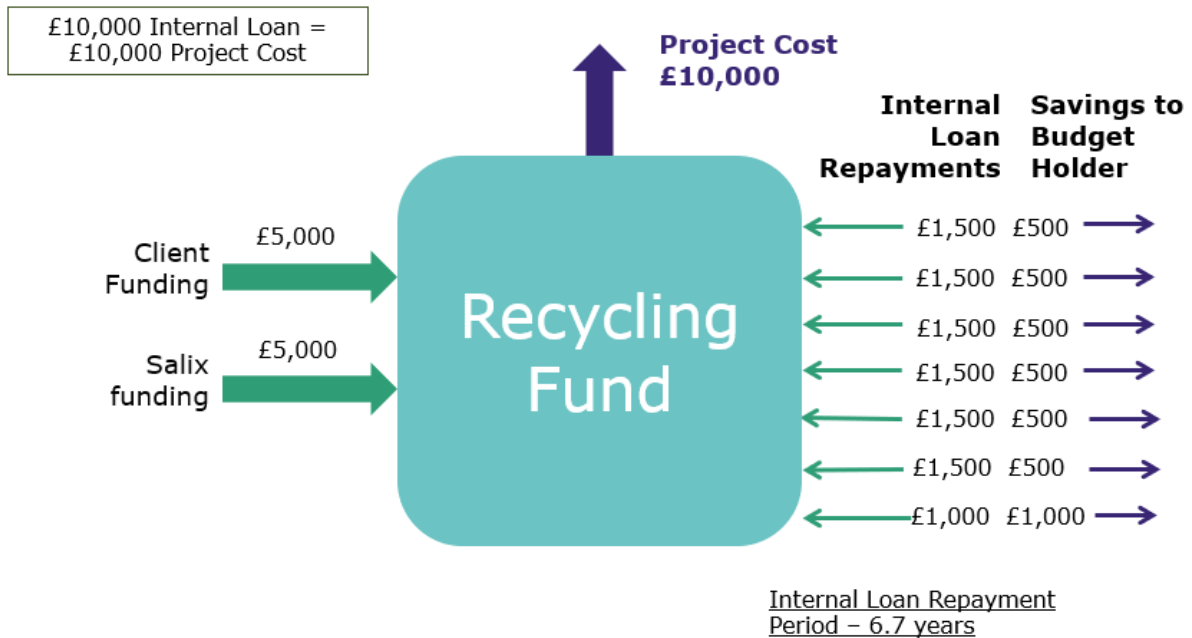
The following diagram (Example 1) illustrates the recycling process for a £10,000 project which has 5 year payback. The Fund Manager has chosen to repay the loan with five annual repayments of £2,000.

**Example 1 - £10,000 project, 5 year payback based on £2,000 annual project savings**



In the next diagram (Example 2) it shows exactly the same £10,000 project - however here the Fund Manager has chosen to retain 25% of the energy savings (to fund other energy efficiency projects). As a consequence, the duration of the loan extends from 5 years to 6.7 years.

**Example 2 - £10,000 project costs with 75% repayments exercised**



## 5. Additional Features

### 5.1 Management Charge

We recognise that PSBs will need to devote some resource to running the Local Fund so the scheme allows for an additional management charge of up to 15% to be levied on each project (the “Management Charge”).

The Management Charge can be varied from project to project up to a maximum agreed value of no more than 15%. The maximum value is agreed with the PSB when the Conditional Grant Agreement is signed and is set out in the Award Letter.

The Management Charge should be applied to the full project capital cost. It should be added to the loan and debited from the Local Fund. The loan repayments then cover both the project cost and the Management Charge.

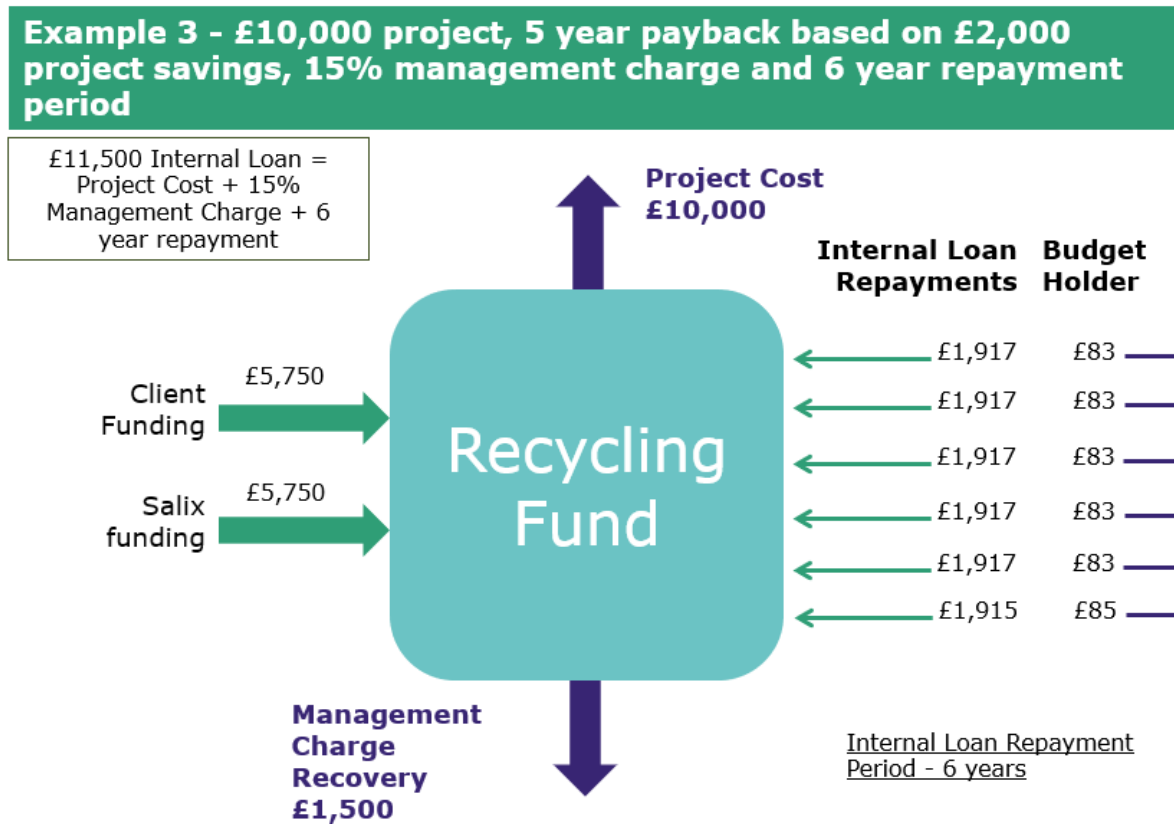
In addition to paying for resources to help manage the Local Fund, the Management Charge can also be used to support the following:

- Consultancy and energy audits;
- Investment in monitoring and targeting;
- Infra-red thermography technology;

- To make a separate non-compliant project compliant, by applying it as a non-repayable contribution (see section 5.2 for further detail); and
- To fund internal resource to run the Local Fund.

Example 3 illustrates the recycling process for a £10,000 compliant project with a 15% Management Charge applied and assumes the Fund Manager has chosen to use most of the annual savings to repay the loan. The project cost is made up of £10,000 for plant and installation plus £1,500 for the Management Charge.

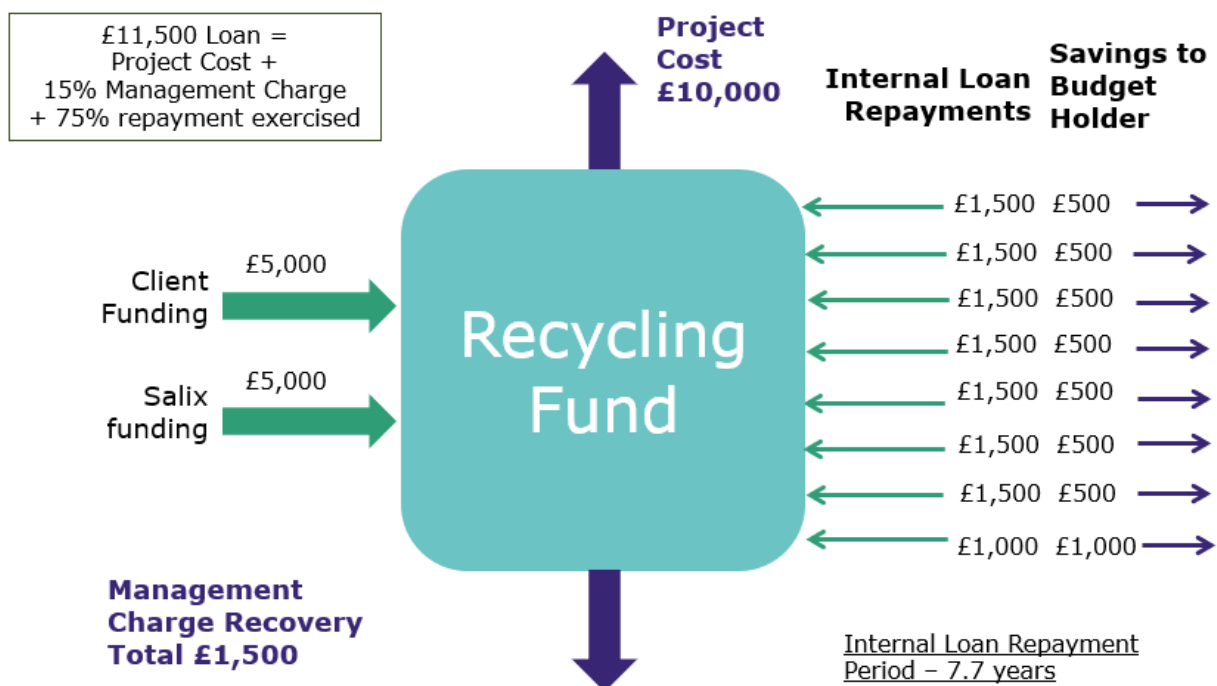
In this example the loan is repaid in 6 years with annual repayments of £1,917, with the loan recipient retaining £83 each year (as this is the difference between the last loan repayment and the annual energy savings).



In Example 4 the £10,000 project has a technical payback of 5 years, but the Fund Manager has chosen to retain 25% of the energy savings (to fund other energy efficiency projects) and exercised the 15% management charge. As a consequence, the duration of the loan extends from 5 years to 7.7 years.



**Example 4 - £10,000 project, 5 year payback based on 2,000 project savings, 15% management charge and 75% repayment**



It should be noted that whilst the management charge and annual repayment % can extend the repayment period, once the Funds are brought to a close in March 2025 Salix will recover the initial seed money over a maximum period of 8-10 years. The maximum repayment period is dependent on the % of match funding that was contributed when the funds were established.

### 5.2 Non-compliant projects

If you identify projects that do not comply with the scheme criteria, there is flexibility to add a non-repayable contribution to individual projects. In these cases all the CO<sub>2</sub>e savings from the project are attributed to the Local Fund.

## 6. Identification and Evaluation of Project Proposals

### 6.1 Project Assessment Criteria

Energy saving projects in private residential premises, (though halls of residence would be eligible, providing the University pays the energy bill) and transport projects cannot be financed from the Local Fund. Properties which have been outsourced and for which the PSB does not pay the energy bills are also excluded. Projects must deliver both CO<sub>2</sub> and revenue benefits. Priority should be given to projects which offer longer term CO<sub>2</sub>e savings. As an

example, cavity wall insulation will deliver CO<sub>2</sub>e over a longer period compared to user adjustable heating controls where performance tends to diminish after just a few years. As discussed in the introduction, projects must comply the following criteria:

Local Fund projects in Scotland can apply for a payback period of 12 years or less with a cost of no more than £305 per tonne of life-time carbon saved.

Local Fund projects in Wales can apply for a payback period of 8 years or less with a cost of no more than £278 per tonne of life-time carbon saved.

Local Fund projects in England:

1. To be eligible projects must include either:
  - i. A measure that directly contributes to the heat decarbonisation of a building by installation of a low carbon heating technology and/or building fabric upgrades.
  - ii. Or alternatively, justification for how electricity reduction measures, which do not directly contribute to the heat decarbonisation of a building but reduce overall energy demand, will support a wider heat decarbonisation project in the future.
2. The cost to save a tonne of carbon (CO<sub>2</sub>e) over the lifetime of the project must be no more than £500/tCO<sub>2</sub>eLT, which will be automatically calculated on SERS.
3. Projects must comply with the following payback criteria:
  - i. University Revolving Green Fund (RGF 1 & 4) projects in England can apply for a payback period of:
    - Eight years or less when using their main fund; or
    - Ten years or less when using their client additional fund.
  - ii. Local Authority and NHS Recycling Fund projects in England can apply for a payback period of 10 years or less.
4. Fossil fuel heating technologies, such as boiler replacements and CHP, have been removed from the technology list.

The new methodology and data set used to inform the £500 tCO<sub>2</sub>eLT reflects the new focus of the Recycling Funds in England. Accordingly, direct carbon emissions savings should be calculated based on the lifetime of each direct carbon emission saving measure, whereas indirect carbon emission savings are calculated based on the persistence factor for that technology.

Both direct and indirect carbon savings are calculated using the government published carbon conversion factors. The carbon factors are updated on our compliance tool each year.

PSBs are actively encouraged to include measures that reduce both direct and indirect carbon emissions, as well as other enabling measures to facilitate a 'whole building' approach to heat decarbonisation. The £500tCO<sub>2</sub>eLT limit is designed to give the Recycling Funds in England the flexibility to create bundles tailored to the needs of their estates.

How the cost per tonne should be calculated for all projects:

$$\text{£/CO}_2\text{e LT} = \frac{\text{Project Capital Cost}}{\text{Annual CO}_2\text{e savings X (Lifetime factor or Persistence Factor)}}$$

More details can be found in the Salix Finance Business Case.

All projects must be additional. For projects already part of the maintenance schedule, the Local Fund can only support the additional investment needed to select a more expensive energy saving option. There are a number of criteria that are used to assess additionality, including:

- i. Is the project required by legislation? If so, it is not additional.
- ii. Is the project common practice within the organisation? If so, it is not additional.
- iii. 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.

In addition to the compliance criteria outlined above, the following guidelines should be borne in mind when evaluating projects for funding:

- i. Funding cannot be offered for projects where an alternative source of funds is available for the full project cost.
- ii. There is no minimum size for a project, however, you may find it administratively easier to bundle together projects.
- iii. Any project with a value of £100,000 or over will require prior approval by Salix Finance and must be accompanied by a business case that has been prepared with sufficient detail to determine its viability without recourse to a site visit. A business case template can be found at on the Salix Finance website.
- iv. Proposals may be submitted for energy saving measures in new build or major refurbishment schemes when funding is not available within the original budget.
- v. Projects related to reducing water usage can be funded if the technology has an energy saving element, e.g. reducing the amount of hot water wasted.
- vi. All associated costs should be included in determining the £/ tCO<sub>2</sub>eLT, e.g. capital costs, project management costs.

Salix Finance reserves the right to introduce additional project approval criteria in the light of operational feedback.

## **6.2 Project Proposals**

All projects must be supported by a written proposal, which should include sufficient detail to enable the PSB to maintain a clear audit trail for each funded project. At a minimum, the project proposal should include:

- A description of the project;
- The project cost;
- Explanation of how the projected energy savings have been calculated;
- The implementation period;
- The level of expected CO<sub>2</sub>e savings (as calculated by the Project Compliance Tool);
- The proposed loan repayment schedule.

### **6.3 Project Files**

There must be a project file for each implemented project, which contains as a minimum the following information:

- Project description and outline implementation proposals;
- Derivation of expected energy, revenue, and CO<sub>2</sub>e savings, including pre-project consumption data wherever possible;
- Cost details such as contractor quotations or tender returns and subsequent tender analysis and reason for recommended quotation;
- Feasibility study where appropriate;
- Internal loan agreement and loan repayment schedule;
- Evidence of completion (email from supplier, final invoice); and
- Post project monitoring of savings wherever possible.

In addition, SERS must be completed with sufficient detail so that each project can be identified.

### **6.4 Energy consumption monitoring**

PSBs should have in place a monitoring strategy in order to assess potential savings. Where practicable we would recommend that a regime of monthly meter readings, or equivalent, be introduced for all project sites. Ideally you should aim for a minimum reading three months prior to project implementation and 18 months post project completion. For projects with a value of £20,000 or more, it is considered good practice for appropriate installation of AMR technology to take place.

## **7. Reporting Requirements**

The PSB is required to maintain full and accurate accounting records of income and expenditure in relation to the Local Fund. At the end of each financial year an "End of Year Local Fund Finance Statement" must be completed and certified by both the Chief Finance Officer and the Fund Manager. This statement is generated by SERS and, once signed, should be sent to Salix Finance as soon as possible, after the end of each financial year, and at the

latest, by the end of April following the end of the relevant financial year. Accounts for the Local Fund must be maintained for at least 6 years after the end of the financial year in which the Local Fund is ended.

### **8. Audit of the Local Fund**

Salix Finance has the right to appoint internal, external or other such government auditors to certify the records relating to the Local Fund through investigation of the PSB's internal procedures and the probity, economy, efficiency and effectiveness with which the PSB has used the Conditional Grant.

Upon reasonable notice, the PSB is required to allow Salix Finance or its auditors or representatives full access to the records, books, accounts, data and any other such information relating to the Local Fund throughout the Conditional Grant term and the following 6 years, which may be required to verify the expenditure of the Local Fund or any of the funded projects.

## Appendix 1. Conditional Grant Award Letter

### CONDITIONAL GRANT AWARD LETTER

[Address]

Date: X

Dear [            ]

#### **SALIX FINANCE LIMITED ("SALIX FINANCE") – RECYCLING FUND**

We are writing to you to acknowledge your application to Salix Finance for conditional grant funding to establish and operate a local energy saving fund to assist you in reducing the energy use and carbon emissions within your estate through the uptake of energy saving technologies. The objective of a Salix Energy Efficiency Recycling Fund is to enable PSBs to increase capital investment in energy efficient technologies.

Salix Finance has agreed to provide you with conditional grant funding to establish and operate a local energy saving fund ("the Local Fund"). This Local Fund is subject to the terms and conditions set out in this letter and in the schedules to this letter and the Salix Finance Fund Manual as amended from time to time, a current version of which can be found at <http://www.salixfinance.co.uk/home.html> ("the Fund Manual") (together, "the Conditional Grant Agreement").

Under the terms of the Conditional Grant Agreement you agree to provide cash funding ("the Match Fund") at a level agreed with Salix Finance, such payments are to be made in instalments equivalent to project costs at the time of project completion/commissioning as specified in Schedule 2 to this letter.

The Local Fund you are establishing shall be a ring-fenced self-sustaining fund whereby each compliant project (that complies with the rules set out in the Fund Manual) shall repay the relevant element of conditional grant funding provided by Salix Finance together with the Match Fund provided by you to the Local Fund to finance further compliant projects. The provisions of Schedule 2 to this letter illustrate how the various payments of the conditional grant will be made and the requirements of [Client name] to make up the Client Match Fund.

The following specific terms and conditions shall also apply to this conditional grant:-

1. The Conditional Grant Agreement will commence as soon as both Salix Finance and yourself have signed this letter and will continue until the Conditional Grant Agreement is terminated under the terms of the Fund Manual or until the conditional grant has been repaid by you (for whatever reason);
2. You shall comply with all relevant legislation in the operation of the Local Fund and in the operation and delivery of all projects and the Conditional Grant Agreement shall be governed by and construed in accordance with English law and shall be subject to the exclusive jurisdiction of the English courts;
3. No amendment or variation of the Conditional Grant Agreement shall be effective unless made in writing and agreed by Salix Finance;

4. This letter, its schedules and the terms of the Fund Manual constitute the entire understanding between yourself and Salix Finance in relation to the conditional grant and the operation of the Local Fund and shall supercede all prior agreements, negotiations and discussions between the parties relating to it;
5. Salix Finance may reduce, suspend or withhold any conditional grant payment or require all or part of any conditional grant repayment to be repaid if you fail to comply with any material term or condition of the Conditional Grant Agreement;
6. If any term of the Conditional Grant Agreement becomes illegal or unenforceable the remaining provisions shall remain in full force and effect. Salix Finance and yourself shall negotiate in good faith in order to agree the terms of a mutually satisfactory provision to be substituted which as nearly as possible validly gives effect to the intentions as expressed in the Conditional Grant Agreement;
7. Where you are unable to identify any more suitable compliant projects then you must notify Salix Finance in writing. Salix Finance shall then have sole discretion to either amend the specifications set out in Schedule 2 and/or the Fund Manual, or seek repayment of all or part of the conditional grant within 40 days.

Please sign and return one copy of this letter to confirm your agreement to the terms of the Conditional Grant Agreement.

Yours sincerely

**Annie Shepperd - Chief Executive**

For and on behalf of Salix Finance Limited

We acknowledge and accept the terms of this letter and the two appendices.

Signed: .....

For and on behalf of

**[Client name]**

Date

.....

## **Appendix 2. Specific Conditions of the Conditional Grant**

### **SCHEDULE 1**

#### **1. PROCUREMENT OF CAPITAL EQUIPMENT, GOODS AND SERVICES**

Procurement of all works equipment goods and services must be in accordance with the PSB's Standing Orders and Financial Regulations and with all relevant law including but not limited to the UK-EU Trade and Cooperation Agreement.

#### **2. CAPITAL ASSETS**

The Salix Energy Reporting System (SERS) must be completed with adequate details so as to identify the location and nature of each investment (i.e. an asset register) and this shall include highlighting Capital Assets.

The PSB is prohibited from selling, loaning or otherwise disposing of any Capital Asset purchased from the Local Fund without the prior written consent of Salix Finance whilst any element of the Conditional Grant used to procure it remains outstanding, other than a compulsory transfer of a school obtaining foundation or academy status.

Disposal of any Capital Asset whilst an element of the Conditional Grant used to procure it remains outstanding shall trigger the immediate repayment to the Local Fund of the balance of such internal loan monies (as such term is defined and as more particularly detailed in the Fund Manual) as relate to that Capital Asset;

Capital Asset means any item of equipment which:

- (a) on the date of its purchase has a useful life of more than one year; and
- (b) is purchased wholly or partly out of the Local Fund.

#### **3. RECEIPT OF OTHER FUNDING SOURCES**

The PSB is prohibited from accepting any other public sector or European funding in relation to the Local Fund without first obtaining the prior written consent of Salix Finance and the PSB shall not claim or use any part of the Conditional Grant for any purpose other than the operation of the Local Fund.

The PSB shall at all times comply with the subsidy rules in place in the United Kingdom from time to time in relation to the operation of the Local Fund and shall provide all reasonable assistance to Salix Finance in complying with Salix Finance's obligations to The Department of Business Energy and Industrial Strategy (BEIS) in relation to the Conditional Grant Agreement.

Salix Finance may, if required to do so by BEIS or any other Governmental or Public Sector Body, recover from the PSB, on demand, any Conditional Grant made in contravention of the subsidy rules in place in the United Kingdom from time to time in accordance with the rules in the United Kingdom on the recovery of unlawful subsidies.

The PSB shall, if requested by any Governmental or Public Sector Body, repay to such Governmental or Public Sector Body, any Conditional Grant made in contravention of the



subsidy rules in place in the United Kingdom from time to time in accordance with the rules in the United Kingdom on the recovery of unlawful subsidies.

The PSB recognises that recovery is an important remedial tool in the subsidy control system in place in the United Kingdom. As such, the PSB expressly agrees that: -

- (a) if any payment of the Conditional Grant is challenged and it is subsequently held that the decision to award the Conditional Grant is unlawful and contravenes the subsidy control rules in place in the United Kingdom and an order for its repayment is made, the PSB will repay the relevant part of the Conditional Grant within 15 working days of demand; and
- (b) subject to sections 2-5 (inclusive) and 7 and 8 of the Contracts (Rights of Third Parties) Act 1999, the provisions of this section may be enforced by any Governmental or Public Sector Body in its own right.

#### **4. PROHIBITED USE OF THE CONDITIONAL GRANT**

The PSB cannot claim or use any part of the Conditional Grant in respect of the following:

- any activity other than the operation of the Local Fund;
- any VAT recoverable on any taxable supplies from third parties in respect of the operation of the Local Fund;
- any amounts payable as a result of default of the PSB;
- any loss or damage resulting from an insurable risk; or

#### **5. PSB WARRANTIES AND REPRESENTATIONS**

The PSB is required to represent and warrant to Salix Finance that:

- the PSB is validly existing and that the execution on behalf of the PSB of the Conditional Grant Agreement has been validly authorised and the obligations expressed as being assumed by the PSB under the Conditional Grant Agreement constitute valid legal and binding obligations of the PSB enforceable against the PSB in accordance with their terms;
- neither the execution of the Conditional Grant Agreement by the PSB nor the performance or observation of any of its obligations under it will:
  - (a) conflict with or result in any breach of any law or enactment or any deed, agreement or other instrument, obligation or duty to which the PSB is bound; or
  - (b) cause any limitation on any of the powers whatsoever of the PSB or on the right of the PSB to exercise such powers to be exceeded;
  - (c) result in the PSB being in default under any law or enactment or under any deed agreement or other instrument or obligation by which it is bound so as to affect adversely its ability to perform its obligations under the Conditional Grant Agreement;
- no litigation or administrative or arbitration proceeding before any court, tribunal, Government authority or arbitrator is taking place, pending or (to the knowledge, information and belief of the PSB) threatened against any of the assets of the PSB which might have a material effect on its business, assets, condition or operation or might affect adversely the PSB's ability to perform its obligations under the Conditional Grant Agreement;
- all information documents and accounts of the PSB submitted to Salix Finance for the purposes of the Conditional Grant Agreement are true and accurate and no material

change has occurred since the date on which such information was supplied which renders the same untrue or misleading in any respect and that there has been no material adverse change in the assets, operations or prospects of the PSB since such information was provided;

- the PSB has disclosed to Salix Finance all information which would or might reasonably be thought to influence Salix Finance in deciding to award the Conditional Grant to the PSB or the amount thereof;
- no person having any charge or other form of security over the assets of the PSB has enforced or given notice of its intention to enforce such security;
- the PSB is not aware, after due enquiry, of anything which materially threatens the delivery and completion of any project in accordance with the Conditional Grant Agreement; and
- no event of default has occurred (as referred to in section 6 below) and is continuing.

The representations above will be deemed to be repeated by the PSB when each claim for an instalment of the Conditional Grant is submitted by the PSB as if made with reference to the facts and circumstances existing at such date and the PSB acknowledges that Salix Finance has relied on and will rely on this information in agreeing to pay the Conditional Grant.

If Salix Finance suffers any loss or damage as a result of any act or omission of the PSB, its employees, agents or contractors in connection with any provision of the Conditional Grant Agreement then the PSB shall fully indemnify Salix Finance.

## **6. TERMINATION AND EVENTS OF DEFAULT**

Without prejudice to any other rights to which it may be entitled Salix Finance may give written notice to the PSB terminating the Conditional Grant Agreement with immediate effect if any of the following events of default occur:

- the PSB fails to perform and observe any of its material obligations under the Conditional Grant Agreement;
- any representation or warranty made or repeated by the PSB pursuant to the Conditional Grant Agreement is incorrect when made or repeated;
- the PSB purports to assign or transfer its rights or obligations under the Conditional Grant Agreement; or
- the PSB:
  - (a) enters or proposes to enter into any arrangement, moratorium or composition with its creditors; or
  - (b) is dissolved, or ceases to exist (whether or not capable of reinstatement or reconstruction).

If the event of default is one that is capable of remedy by the PSB, Salix Finance shall give the PSB 10 business days to remedy the event of default to the satisfaction of Salix Finance (acting reasonably). If the PSB fails to remedy the event default to the satisfaction of Salix Finance (acting reasonably) or fails to respond within 10 business days of receiving written notice of the event of default the Conditional Grant Agreement shall terminate forthwith and Salix Finance shall seek repayment of the Conditional Grant paid to that date.

The PSB may at any time give written notice to Salix Finance terminating the Conditional Grant Agreement. Following service of such notice the Conditional Grant Agreement will terminate on the date falling 20 business days after the date of receipt of the notice and the PSB shall repay to Salix Finance the amount of the Conditional Grant paid to that date;

## **7. RECOVERY OF THE CONDITIONAL GRANT**

Salix Finance may reduce suspend or withhold all or part of the Conditional Grant if:

- (a) the PSB fails to comply with any material term or condition of the Conditional Grant Agreement;
- (b) the Conditional Grant is terminated in accordance with section 6 above;
- (c) any attempt is made to transfer or assign any rights, interests or obligations created under the Conditional Grant Agreement without the prior written consent of Salix Finance, other than the compulsory transfer of a school obtaining foundation or academy status;
- (d) the Conditional Grant has not been used for the purpose for which it was given;
- (e) the Conditional Grant has been used for illegal state aid; or
- (f) there is financial irregularity within the PSB which may impact upon the Local Fund and which is not rectified within the timescale specified by Salix Finance;

Salix Finance may require the relevant part of the Conditional Grant to be repaid if:

- (a) there has been an overpayment of the Conditional Grant; or
- (b) Salix Finance has to repay funding (for whatever reason and whether due to state aid rules, any provision of Salix Finance's agreement with BEIS or otherwise) from which the Conditional Grant was allocated;
- (c) With effect from the second 1<sup>st</sup> April after the final tranche of Salix funding is paid into the Local Fund, the PSB does not comply with the following rules for the minimum re-investment of repayments: *the PSB must commit in a given year a minimum of: 75% of any uncommitted funds, as recorded within the End of Year Local Fund Finance Statement, for the previous financial year, plus 75% of project repayments for the current year (i.e. 75% of total cash funds available for reinvestment).*"

The provisions of this section 7 are without prejudice to any other rights of Salix Finance including those set out in section 6 above.

## **8. REPLENISHMENT OF THE LOCAL FUND**

The PSB shall procure that the recipient of funding for each project shall repay the relevant element of the Conditional Grant to the Local Fund as detailed in the Fund Manual and the specifications set out in the letter in order to ensure that the Local Fund maintains its constant total value.

If the recipient does not repay the funding as detailed in the paragraph above to the PSB, then the PSB shall appropriate sufficient funds to the Local Fund in order to repay the relevant element of the Conditional Grant.

## **9. DATA PROTECTION**

Where any database is supplied by one party to the other under the Conditional Grant Agreement the recipient party shall comply with the requirements of all legislation in force from time to time including the Data Protection Act 1998.

## **10. FORCE MAJEURE**

For so long as such circumstances prevail, neither Salix Finance nor the PSB shall be liable for any failure or delay in the performance of its obligations and/or duties under the Conditional Grant Agreement to the extent that such failure or delay is caused by circumstances beyond reasonable control including, without limitation, an extraordinary meteorological occurrence, strike, lock-out, trade dispute, fire, civil riot, existence of war or act of terrorism.

#### **11. FREEDOM OF INFORMATION ACT REQUESTS**

If the PSB receives a request under the Freedom of Information Act to provide any information to a third party relating to any aspect of the Conditional Grant Agreement or the Local Fund that may be deemed to be confidential, the PSB must fully consult with Salix Finance before the PSB responds to the Freedom of Information request.

#### **12. REPUTATION**

The PSB shall not knowingly or recklessly do, permit or omit to do anything that may attract adverse publicity or damage the reputation of Salix Finance.

#### **13. PROMOTION OF THE PROJECT**

The PSB shall obtain Salix Finance's prior written consent (such consent not to be unreasonably withheld) to all promotional activity or public statements or press releases outside of the PSB in relation to the Local Fund.

## SCHEDULE 2 - LOCAL FUND SPECIFICATION

The provisions of the following points (a) to (f) and the table below illustrate how the various payments of the Conditional Grant will be made:

- a) Salix Finance total conditional grant to client **£[value]**
- b) PSB match funding **£[value]**
  
- c) Maximum Fund Management Cost as a % of a loan **15%**
  
- d) A conditional grant claim can only be made on reaching the milestones for project commitments and completions, outlined in Columns D and E, and the requirements of the milestone in Column F. The claim paid will be in line with the payment profile outlined in Column A.
  
- e) If the relevant milestones set out in columns D and E are not met, as identified under column C in the table below, then Salix Finance reserves the right to withdraw further conditional grant funding
  
- f) On achieving the final commitment milestone (in column D below) Salix Finance will not exercise conditional grant recovery procedures provided that 75% of the un-committed Local Fund, as recorded within the End of Year Local Fund Finance Statement for the previous financial year, plus 75% of project repayments for the current year, is committed by the PSB during the current financial year (i.e. 75% of their total funds available).

ID #	A	B	C	D	E	F
	Salix Finance Conditional Grant Payment	Example Council Payment	Latest Grant Claim Date	Fund Value to be Committed By Claim Date	Fund Value to be Completed By Claim Date	Milestone
1	£[value]	£[value]	[Date]	£[value]	£[value]	Appropriate personnel in place to manage fund
2	£[value]	£[value]	[Date]	£[value]	£[value]	Demonstration of Match Fund
	<b>£[value]</b>	<b>£[value]</b>				

## Appendix 2. Conditional Grant Claim Form

### SALIX FINANCE Ltd – SALIX RECYCLING FUND GRANT CLAIM FORM

Client Name			
Local Fund Manager			
Address (line 1)			
Address (line 2)			
Postcode			
Telephone			
Account Name			
Bank			
Sort Code			
Account Number			
Date			
Claim Number			
Claim Amount (£)			
Claim Amount (Words)			
Total amount claimed to date			
Spend review value			
<u>Committed</u>	<u>Commissioned</u>	<u>Fully paid</u>	<u>Total</u>

Reconfirmation that matched funding is in place (Y/N)	
Confirmation that SERS is up to date (Y/N)	
Confirm Internal Loan Agreements are in place on all committed, commissioned & fully paid projects (Y/N)	

### Declaration

In submitting this grant claim we certify that all the information contained in the Financial and Benefits Statement, and the loans funded through the Local Authority Energy Financing Scheme is carried out according to the Local Fund Manual, is accurate and auditable.

Signed	
Name	
Position	
Date	

Salix Finance Ltd undertakes to pay subsequent valid grant claims within 20 working days of receipt.

Salix Finance Authorisation – to be completed by Salix Finance only	
Signed	
Name	
Position	
Date	
Client Type	

