



Permitted Spend: Guidance

Last updated version: February 2024

When can permitted spend be claimed for Public Sector Decarbonisation Scheme projects?

Permitted spend covers the costs which can be claimed for Public Sector Decarbonisation Scheme (PSDS) projects which abandon prior to the project completion. This applies to both payments which have already been made and payments which are yet to be claimed from Salix.

Permitted spend is defined as costs '*spent in good faith*', which were incurred prior to the knowledge of abandonment and where grant recipients reasonably believed the project would still complete in full. Permitted spend allows grant recipients to claim Public Sector Decarbonisation Scheme funding for costs incurred prior to abandoning the project, even if any completed portion of the project is no longer compliant as standalone works. There may also be projects that only partially complete, due to a late risk or issue which prevents them from completing all their works by their grant end date. This may include projects where late cancellation of part of the project makes them non-compliant with the scheme criteria (such as having a low carbon heating measure in each building included in application) or with the cost-per-carbon-ton criterion of the grant. Any costs which are incurred by grant recipients because works were continued despite knowing the project would abandon or is unable to complete in full, will not be considered permitted spend and will not be eligible to claim as Public Sector Decarbonisation Scheme funding.

Permitted spend only applies to projects which abandon prior to completion, or partially complete, due to a late risk or issue which prevents them from completing all their works by their grant end date and a change request is not possible. It is not applicable to any other circumstances (for example, where there is still sufficient time available to submit a change request and adjust the scope of the project). Where grant recipients are able to submit a change request and deliver a revised project, any costs claimed via the Public Sector Decarbonisation Scheme grant must continue to adhere to the scheme criteria.

Any claims made for permitted spend will require approval by Salix.

This applies even if the payments have already been made to you. Any costs not approved as permitted spend will not be paid out or may be reclaimed.

What is needed to request permitted spend?



Where a project is abandoned prior to any works completing on site, Salix requires all grant recipients to follow the abandonment procedure prior to any assessment of permitted spend. This requires a signed letter with the following:

- Addressed to Salix
- Headed paper with the Public Sector Organisation's letterhead
- Signed and dated by the Authorising Official
- Details the reason for abandonment
- Details the costs which have been claimed or are intended to be claimed, including a description of the works being claimed for

Following project abandonment, any future payment claims should be forecasted and submitted as usual (see the '*Requesting funds from Salix*' page on our website for further information).

Where measures have been installed on site but the project is only able to partially complete (and the measures installed do not meet the scheme criteria), grant recipients must inform their Salix relationship manager in writing as soon as it becomes clear the project is unable to complete.

Any payment claims which have already been paid out to grant recipients will be assessed by Salix upon receiving the abandonment letter or partial completion confirmation. Your Salix relationship manager will contact you to discuss this claim for permitted spend.

Any invoices being claimed as permitted spend should typically be dated prior to the decision to stop works on the project. Where invoices are dated after the abandonment date, Salix will require written confirmation that the works occurred prior to the decision to stop works. Salix may ask you to provide a clear decision-making timeline of the abandonment as supporting evidence.

Other supporting evidence that may be requested as part of Salix's assessment of your permitted spend include:

- Project risk registers
- Project programme
- Correspondence which evidences the decision to abandon the project e.g. emails or meeting minutes

In order to determine whether spend has been incurred in good faith, Salix must consider:

- Were costs incurred prior to the decision to stop works on the project?
- Was the expectation at the time of incurring the spend that the project would deliver in line with the grant requirements?



- Did the decision to commit to the spend take reasonable account of the known risks and issues that could affect completion in line with the grant requirements?
- Was the spend by the grant recipient on appropriate/eligible Public Sector Decarbonisation Scheme costs?

Distribution Network Operator permitted spend

Salix acknowledges that many Public Sector Decarbonisation Scheme projects require electrical upgrades from the Distribution Network Operator (DNO) which may require payment upfront. It is therefore possible that a project is abandoned prior to the DNO electrical upgrade works being completed, even though costs have already been incurred for these works. In this circumstance, grant recipients should contact their DNO to understand which works may be eligible for a refund. Grant recipients should then provide details of the response to Salix, as part of the consideration of permitted spend together with the project's abandonment date and timeline.

Any permitted spend value is **not guaranteed** until a decision is made by the Salix panel.

What conditions need to be cleared for permitted spend payments?

Typically, your project's conditions will not influence eligibility to claim permitted spend. However, this is something to remain aware of during project delivery and resolving conditions should be actively managed up to the abandonment date. For example, if the project is post-tender, then we would expect pre-design conditions to have been discharged.