



Your partner for  
a low carbon future

## **Salix Finance Ltd**

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# Annual Report and Accounts 2022-23

# Salix Finance Limited

## Annual Report and Accounts 2023

(For the financial year ended 31 March 2023)

**Registered Office:**

10 South Colonnade  
Canary Wharf  
London, E14 4PU

**Registered Number:**

05068355

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# Strategic Report

## Who we are

Salix Finance Ltd (Salix) is a company limited by guarantee under the Companies Act 2006 and incorporated in England and Wales. Salix was re-designated as a non-departmental public body (NDPB) of the Department for Business, Energy, and Industrial Strategy (BEIS) in September 2020.

On 7 February 2023, the Prime Minister announced a major machinery of government change which redistributed the activities of BEIS, creating three new departments, the Department for Business and Trade, the Department for Digital, Science, Innovation and Technology, and the Department for Energy Security and Net Zero. Salix has been assigned to the Department for Energy Security and Net Zero (hereafter DESNZ or the Department) with Accounting Officer responsibilities formally transferred from 1 April 2023.

*"Salix has been assigned to the **Department for Energy Security and Net Zero.**"*

## What we do

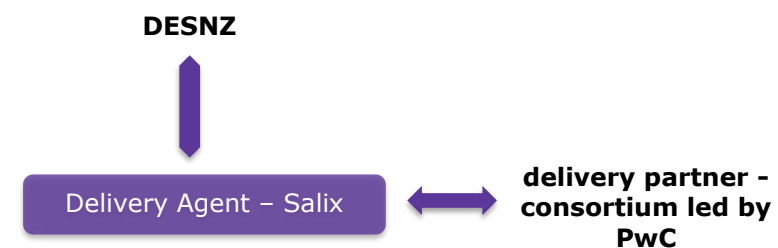
Salix's role is to support the UK Government in driving the transition to a low-carbon future by delivering and administering grant and loan funding schemes on behalf of DESNZ, the Department for Education (DfE) and the Scottish and Welsh Governments, to public sector organisations.

These schemes provide funding for energy efficiency and heat decarbonisation projects for public sector buildings and are dedicated to enabling the public sector to reduce carbon emissions in line with the UK Government's commitment to become net zero by 2050.

Salix plays a key role in increasing awareness of energy efficiency and heat decarbonisation across the public sector throughout the UK. We work closely with public sector bodies, establishing trust and long-term relationships, disseminating knowledge and providing technical and tailored support.

In January 2023 Salix's role expanded beyond the public sector; Salix was appointed as delivery agent for Wave 2 of the Social Housing Decarbonisation Fund (SHDF 2.1) and Home Upgrade Grant Scheme (HUG2) schemes. These two schemes provide funding for energy-saving measures for social housing rented homes (SDHF) and owner occupied and private tenanted low-income households (HUG).

Salix appointed a consortium led by PwC, and including Turner & Townsend and Arup, as our delivery partner to project manage the delivery of the projects being funded by the schemes.



Salix's aim is to become the UK Government's partner of choice in driving and delivering the UK Government's ambitions to reduce carbon emissions in the public and social housing sectors, and to be a major enabler and inspiration for local and national climate action in the transition to net zero. We aim to become a centre of excellence within the decarbonisation and energy efficiency sectors, to be responsive to the changing needs of government and society, and to remain a UK-wide organisation.

*"In January 2023 Salix's role expanded beyond the public sector; **Salix was appointed as delivery agent for Wave 2 of the Social Housing Decarbonisation Fund (SHDF 2.1) and Home Upgrade Grant Scheme (HUG2) schemes.**"*



## Chair's foreword

In 2024 Salix reaches its 20th year of operating and, as I write this foreword, I cannot help but reflect on the extraordinary difference we have made to energy efficiency and decarbonisation within the public sector. From launching revolving funds and loans to the grant schemes we are managing today; it has been an exciting journey. During this time Salix has never lost sight of its mission; to play a leading role in supporting the public sector in its transition to a low carbon future.

In recent years, Salix has navigated its way through the pandemic, launching a £1bn grant scheme during this time; becoming a non-departmental public body (NDPB), and continuing our transition in the role; and from April 2023, becoming the delivery agent for Wave 2 of the Social Housing Decarbonisation Fund (SHDF 2.1) and Home Upgrade Grant (HUG2) Schemes. This funding will provide £1.4bn for the social housing sector, which is split between £778m for the Social Housing Decarbonisation Fund (SHDF) and £630m for the Home Upgrade Grant (HUG). The housing schemes will bring new challenges and stakeholders into Salix's remit and will expand Salix's outreach. Salix already has an impressive success record in delivering a variety of schemes on behalf of the UK Government, helping public sector organisations commit to more than 22,000 projects by administering £3.3bn of funding (by 31 March 2023). A significant achievement.

I wish to thank my fellow non-executive directors for their continued support and wise counsel throughout the years. At the end of May 2022 John Edmonds retired as a non-executive director. On behalf of the Board and executive team I would like to thank John for his valued contributions. I would also like to welcome Tracy Vegro OBE who joined the Board as a non-executive director in August 2022.

There will be a number of changes in 2023-24; I will be stepping down as Chair and our Chief Executive, Annie Shepperd OBE will also be leaving Salix. We will be welcoming Emma Clancy to the role of Chief Executive.

As I depart, I leave behind a dedicated and committed team of people. They will continue to drive this critical agenda forward.

**Dame Teresa Graham DBE**  
Non-Executive Chair



**Teresa Graham DBE**  
Non-Executive Chair

*"I cannot help but reflect on the **extraordinary difference** we have made to **energy efficiency and decarbonisation** within the public sector."*

## Chief Executive's statement

What a year it has been: delivering £470m of completed projects, allocating £626m of new funding, and taking on new schemes. Salix continues to play a key role in the country's response to climate change and commitment to net zero. There continues to be a great need and huge demand for such schemes across the public sector.

In 2022-23 we launched and allocated £604m for Phase 3b of the Public Sector Decarbonisation Fund and £14m for Phase 3 of the Public Sector Low Carbon Skills Fund. We are proud to work with organisations across the public sector in England, Scotland and Wales, from schools to government departments, who are undertaking leading and innovative work to reduce their carbon emissions.

On another positive note DESNZ has chosen Salix to be the delivery agent for the Social Housing Decarbonisation Fund (SHDF) and Home Upgrade Grant (HUG) schemes. This moves Salix into an exciting new space.

In April 2023 we opened a second office in Manchester as a northern base for the housing schemes and we welcome the new team based there into the Salix family.

I am always inspired by our incredible staff, who have shown great tenacity to meet our objectives. I want to thank everyone for their hard work. It has been a challenging few years and our staff's welfare is always a priority. Since 2019 we have expanded to twice the size and employed talented staff who can take Salix into its next stage of growth.

The last few years have been a huge journey, and it shows no signs of slowing down in 2023-24. Our plans for the year focus on continuing to deliver both our existing and new funding schemes and establishing the right foundations for the future.

This will be my final annual report as I prepare to leave Salix and hand over to the incoming Chief Executive, Emma Clancy. It has been an honour and privilege to serve Salix and to have been given this opportunity to work with the Board and the amazing staff who are Team Salix. Their dedication has been a constant source of energy and inspiration. Thank you. My best wishes for the future.

**Annie Shepperd OBE**  
Chief Executive and Accounting Officer



**Annie Shepperd OBE**  
Chief Executive and Accounting Officer

**"£626 million of new funding, and taking on new schemes."**



# Salix at a glance

## Activities since 2004

**£3.3bn** | **22,000**  
*of projects administered\** | *projects funded\**

### Salix's key strategic objectives are to:

- Deliver significant reductions in carbon emissions and greenhouse emissions through the schemes we manage.
- Create a high degree of awareness at all levels across the public sector about the opportunities for reducing carbon emissions and energy costs.
- Use insights to influence funders to improve schemes.

### Our guiding principles

Our guiding principles, underpinning how we interact with our staff, clients, central government and other stakeholders, are as follows:

- to be an exemplar green company, embracing innovative technologies to achieve maximum efficiencies.
- to be effective stewards of public money.
- to operate in an open, honest, and transparent manner, building high levels of mutual trust.
- to be an equal opportunity employer, allowing staff maximum responsibility and individual respect.
- to ensure staff are well trained, and to ensure strong succession planning.

\*approximate figures at 31 March 2023

### Salix's role as delivery partner

As delivery partner Salix administers schemes on behalf of DESNZ and has a direct relationship with the beneficiary public sector bodies.

#### Our role includes:

- Designing and managing the scheme application, assessment, and funding allocation processes.
- Supporting and monitoring project delivery for successful applicants post funding allocation.
- Distributing funding and collecting loan repayments.
- Providing an audit role to ensure public money is properly used.
- Working closely with all stakeholders to ensure the smooth delivery of all projects.

We have a long history of working with public sector organisations and our role as delivery partner is based on strong relationships with these organisations. Our delivery model is built on expertise and trust. Regular client engagement is central to Salix's delivery management approach. We work with clients from the moment a scheme is announced, throughout the application and delivery stages to when a project is fully operational on site.

When a scheme is announced Salix runs several webinars (which are always popular and fully subscribed) to explain how and when schemes will launch and what processes are to be expected. Webinars are also run at all other key project junctures including application and project completion to support clients and prepare them for important tasks such as financial requirements.

### Programme and project support

Prior to and during the project delivery stages our programme team liaise directly with clients to monitor and support progress. Each project/programme has an assigned Salix delivery team member who quickly establishes a trusting relationship with the client. The programme team uses examples and experience from other projects and from the wider programme team in Salix to support the client with risk and issue resolution. For large scale projects a dedicated senior Salix delivery team member works closely with the client's key decision makers, this enables matters to be clarified quickly. In addition, regular site visits are carried out by the programme teams to meet with clients and to better understand their projects, the different types of technologies and the challenges they face.

### Carbon, energy and technical team support

Our professional carbon, energy and technical team provides ongoing advice and information to all clients generally and individually when required. The team also liaises extensively with our external technical consultants which ensures we are well placed to offer the best possible advice to clients.

### Case studies, lessons learned and client updates

The Salix website was revamped in 2022-23 and continues to highlight interesting and useful case studies, lessons learned, and regular client updates on important and current issues. The details of each scheme are set out fully in a dedicated area of the website so that clients always have them to hand with videos also available on our website.

### Salix's role as delivery agent

Unlike the above schemes where we are the delivery partner, for the SHDF and HUG schemes Salix has no direct relationship with the local authority and social housing landlord grant recipients because DESNZ itself awards the grants and pays them out. Instead, Salix has appointed a third-party delivery partner to project-manage the delivery of these projects. Our role is to manage the delivery partner and ensure the successful delivery of the schemes, drawing on our experience and expertise as delivery partner for the PSDS and PSLCSF.

#### Our role includes:

- Managing the delivery partner to ensure effective implementation of a grant administration service to the HUG and SHDF schemes.
- Providing guidance and advice to the delivery partner using the expert knowledge built up over several years across our technical, delivery and finance teams.
- Providing an Intelligent Client Function to DESNZ that draws from available evidence and experience across scheme delivery to recommend efficiencies and improvements that facilitates and enables continual improvement in scheme delivery and future schemes.

## Performance highlights in 2022-23

**Appointed as Delivery Agent** for Social Housing Decarbonisation Fund and Home Upgrade Grant.

Launched the next phases of the **Public Sector Decarbonisation Scheme** and **Public Sector Low Carbon Skills Fund**.

**Procured, selected and appointed a Delivery Partner** for Social Housing Decarbonisation Fund and Home Upgrade Grant.

**Allocated £604m of DESNZ grant funding** to 231 public sector organisations.

**Moved office** from 75 King William Street to 10 South Colonnade, Canary Wharf, London.

**Distributed £420m of DESNZ grant funding** to 231 energy saving projects.

**Opened a second office** in Manchester in April 2023.

## Performance analysis

### Performance against strategy

Our performance as delivery partner is measured by ensuring that the funding available for a particular scheme within a financial year is fully allocated and that projects are completed within the required timeframe. The uptake of available funding and completion of projects is dependent on clients' readiness. We work with our clients to identify any issues early to ensure projects are completed within the agreed timeframes. The table below shows funds delivered by Salix in this financial year.

*"We work with our clients to identify any issues early to ensure projects are completed within the agreed timeframes."*

### Value of grants and loans delivered by Salix between 1 April 2022 and 31 March 2023

Grants / Loans awarded by Salix on behalf of funding bodies<sup>1</sup>

Grants /Loans funded by Salix on behalf of funding bodies<sup>2</sup>

	£m	£m
Phase 3 Public Sector Decarbonisation Scheme (PSDS)	603.6	420
Phase 3 Public Sector Low Carbon Skills Fund (PSLCSF)	14.5	14.3
English Loan Schemes	-	22.1
Scottish Loan Schemes	4.5	1.3
Welsh Loan Schemes	3.4	12.3
<b>Total</b>	<b>626</b>	<b>470</b>

**Note 1** – Commitments/awards made in 2022-23 where the funding allocation may be over several financial years.

**Note 2** – Grants/ loans paid out during the financial year. These figures include amounts committed/awarded in previous financial years.

### Public Sector Decarbonisation Scheme (PSDS)

This scheme provides grant funding to public sector organisations to deliver capital energy efficiency and heat decarbonisation projects within public sector non-domestic buildings, including central government departments and non-departmental public bodies in England.

Phase 1 of this scheme was launched by Salix on behalf of BEIS in 2020 as part of the Chancellor's Plan for Jobs 2020 commitment to support the UK economic recovery from COVID 19. This was followed by Phase 2 in 2021.

Phase 3 PSDS was launched by Salix on behalf of BEIS in 2021 and provides up to £1.425 billion of grant funding over the financial years 2022-23, 2023-24 and 2024-25. This is through multiple application windows (3a, 3b and the newly announced 3c to be delivered in 2024-25) with the aim of reducing emissions from public sector buildings as set out in the 2021 Net Zero and Heat and Buildings strategies.

Phase 3a PSDS was launched by Salix on behalf of BEIS in 2021. The grant will be distributed over the financial years 2022-23, 2023-24 and 2024-25. £420m of grant funding was distributed in 2022-23 across 231 projects; 19 projects have allocated spend of £109.7m in 2023-24; 9 projects have allocated spend of £16.2m in 2024-25.

Phase 3b PSDS was launched by Salix on behalf of BEIS in October 2022. £603.6m has been allocated across 231 projects; £365.3m in 2023-24 and £238.3m in 2024-25.

### Public Sector Low Carbon Skills Fund (PSLCSF)

This scheme provides funding for public sector organisations to engage specialist and expert advice to develop heat decarbonisation plans for their estate.

Phase 3 was launched by Salix on behalf of BEIS, in April 2022 and provided £14.5m of grant funding. £14.3m of this grant funding was distributed during the year ended 31 March 2023 across 149 projects.

### English loan schemes (PSEELS)

This scheme closed to new applications on 31 March 2021. During the year ended 31 March 2023 Salix distributed £22.5m of loan funding, to fund 10 energy saving projects that had been committed in the financial year 2020-21.

### Scottish loan schemes

Salix manages the Scottish Public Sector Energy Efficiency Loan Scheme on behalf of the Scottish Government as part of their Green Public Sector Estates Decarbonisation Scheme. Eligible public sector bodies have access to two models of interest-free loan funding: a one-off loan or the Salix Recycling Fund. In 2022-23 two clients received top-ups to their Recycling Funds.

### Welsh loan schemes

Salix manages two loan schemes on behalf of the Welsh Government: the Wales Energy Efficiency Loans Scheme and the Wales Recycling Fund loan scheme. In 2022-23 eighteen clients received £7.6m of loan funding.

## New schemes

### Phase 3c Public Sector Decarbonisation Scheme

Phase 3c PSDS was announced on 12 July 2023 and is planned for launch in autumn 2023. The scheme will allocate the remaining Phase 3 PSDS funding to public sector organisations to be spent in the financial year 2024-25.

### Phase 3 Public Sector Low Carbon Skills Fund

Phase 4 PSLCSF launched in April 2023 and provides up to £17m of grant funding to be spent in the financial year 2023-24.

### Scotland's Public Sector Heat Decarbonisation Fund

On the 10 July 2023 the Scottish Government announced Scotland's Public Sector Heat Decarbonisation Fund. The fund will provide £20 million in 2023-24 aimed at helping the public sector decarbonise their heating systems.

### Homes Upgrade Grant (HUG) and Social Housing Decarbonisation Fund (SHDF) schemes

In March 2023, the government announced £1.4 billion would be made available to fund energy-saving measures for social housing and low-income households.

Wave 2.1 of the SHDF has allocated £778 million of funding for 107 projects in the social housing sector. Wave 2 of the HUG will provide £630 million to fund energy saving measures in low-income households. The funding will be distributed by DESNZ over the financial years 2023-24 and 2024-25.

### Engaging with our stakeholders

Great stakeholder engagement has always been a key enabler for ensuring successful outcomes for our clients and government. We continue to pride ourselves on building great relationships with all who are involved in or impacted by our schemes.

We hold webinars and regional meetings with potential grant recipients ahead of grant schemes being launched which helps public sector clients to prepare their applications. This is different to Salix's delivery agent role for the housing schemes where this will be undertaken by the delivery partner.

We engage continually with DESNZ and our government funders through mutually agreed meetings, events, and information.

## Awards and events

Entering industry-specific award schemes for funded projects is a significant activity for the in-house communications team. It means Salix can build strong client relationships when honouring the work achieved jointly. Awards received in 2022-23 included the ADE Decentralised Energy Awards for Net Zero Leader of the year, and the Greater London Enterprise Awards for Best Energy Efficient Initiative Funding Specialists 2022 hosted by SME News.

As part of our work in Wales, Salix won a sustainability award for the Wales Property Awards in partnership with Anglesey Council and the Welsh Government.

As part of our approach to raising awareness of Salix, we have attended and spoken at a number of conferences held across the UK including the IHEEM Healthcare Estates Conference 2022, Public Sector Sustainability Event, Smart Asset and Estate Management conference, Financing the Energy Transition (in Hungary), the Net Zero Scotland Projects Conference, the EAUC Scotland Conference as well as the Scottish Knowledge Exchange Awards.

We have also had the opportunity to attend official openings such as Hydro Ness by the Highland Council and the official opening by Welsh Government Climate Change Minister Julie James MS of Aberystwyth University's new £2.9m solar array.

Since 2019 Salix has held a gold Investors in People (IIP) award. Preparations have started for re-accreditation in 2023. In 2023 we have also been shortlisted for the following IIP awards: social responsibility; best use of technology and best purpose driven people community.

*"Awards received in 2022-23 included the ADE Decentralised Energy Awards for Net Zero Leader of the year, and the Greater London Enterprise Awards for Best Energy Efficient Initiative Funding Specialists 2022."*





### Change delivery – becoming the delivery agent for HUG and SHDF

In 2022-23 Salix began the preparation work to become the delivery agent for the department for the SHDF and HUG schemes. The domestic building sector is a new sector, and the role of delivery agent a new remit, for Salix. The funding will benefit local authorities, providers of social housing and charities to upgrade homes and off-grid households with energy efficiency measures. Salix will be responsible for managing the delivery partner who will be responsible for the day-to-day administration of the schemes rather than administering the schemes directly.

In addition to procuring the delivery partner and preparing the delivery partner mobilisation plan, the key area of focus in the financial year was the design and implementation of the Target Operating Model (TOM) for the housing team including defining the function, processes and roles required and the governance arrangements to ensure successful delivery of the schemes. The TOM built on Salix's experience from the delivery of the public sector schemes incorporating current best practice within Salix and integrating existing corporate functions that support the delivery of the public sector schemes. Recruitment of the new team commenced in the latter part of the year and the model will continue to be refined during the mobilisation of the delivery partner contract.

### Establishing an Intelligent Client Function

As well as taking on the role of delivery agent, Salix has been asked to act as an Intelligent Client on behalf of the department to collate, review and disseminate learning to inform future policy and schemes.

### Opening an office in Manchester

On 1 April 2023 Salix opened a second office based in Manchester. Initially this office is the base for the team responsible for managing the new housing schemes, and as we continue to grow, it will become Salix's northern base. We have fully integrated the new housing team into Salix, and will maintain 'one culture' across the organisation

### IT Transformation

We commenced our IT transformation in 2021-22 and have now brought all activities under one programme. The aim is to ensure our systems can both support the current needs of the organisation, including enabling effective data management and reporting, and provide agility and flexibility to take on new programmes and activities in the future.

The programme spans three financial years and is expected to complete during 2024-25 covering three areas: enhancing our delivery client relationship management (CRM) system; creating a new web portal; and implementing a new enterprise resource planning system to improve our corporate services starting with finance. Work achieved in 2022-23 includes requirements gathering, improved processes and workflows, and planning web portal and CRM integration.

### Cyber security

All staff and non-executive board members are required to undertake regular cybersecurity training. In addition, we secure critical information and maintain secure access to our network and cloud-based business applications by using industry expert service providers and experienced internal staff in information systems and office management functions. This approach ensures we apply the latest expertise and creates buy-in across the company.

### Fraud

Fraud is of course a permanent risk in all our work, both internally and across the grant schemes for which we are delivery partner or delivery agent. On recruitment all new staff attend fraud awareness training. Further communications on fraud, scams and cyber-security risks are issued to staff via our weekly staff newsletter.

There were two occurrences of corporate fraud in 2022-23, resulting in a net loss to Salix of £2,478. Both frauds were subject to a detailed investigation, in accordance with legislative requirements and Salix's Anti-Fraud Policy. The investigation findings were shared with Salix's Audit Risk and Assurance Committee and actions taken to address any control issues identified.

Given the continued growth and expansion of Salix's remit, Salix is establishing a dedicated fraud prevention team; a permanent Fraud Prevention Manager was appointed in June 2023.

## Our people

Our people are at the heart of everything we do. We aim to develop and maintain a highly skilled workforce and we want Salix to be a place where people feel engaged and inspired. We encourage staff to contribute ideas and solutions for continuous improvement.

In 2022-23, following consultation with staff, we implemented a new hybrid working policy allowing working from home within defined limits and whilst meeting the needs of the organisation.

In September 2022, we moved our London offices from King William Street to Canary Wharf. Staff representatives were involved throughout the process. The building is managed by the Government Property Agency and has state-of-the-art workspaces as well as providing meeting rooms and other facilities.

### Investing in our people - Salix, a learning organisation

We invest heavily in training to develop the skills and capabilities of our staff through a variety of training and development activities to enable them to undertake and new roles effectively. These activities include industry-specific and skills-based training delivered through a variety of means including online and in-person, and both internal and externally procured workshops. We also established two new professional training schemes and started work on developing our apprenticeship strategy.

### Recruitment and retention

We experienced very high turnover of 42% in 2022-23 (27% in 2021-22). This partly mirrors the nationwide trend of career moves and job market recovery post-Covid, but remains uncomfortably high in 2023-24. We are prioritising strategic measures (within public sector pay constraints) which should bring turnover both in 2023-24 and following years down to more manageable levels.

*"We aim to develop and maintain a highly skilled workforce and **we want Salix to be a place where people feel engaged and inspired.**"*



### Equality, Diversity, and Inclusion (EDI)

Diversity is one of our core values, and we are well aware that maintaining and supporting a diverse workforce gives us the best chance of developing the skills and capabilities we need. In 2022-23 our staff were drawn from 21 different nationalities and an even wider range of backgrounds, skills and experience, all of which contributes towards the positive working environment which characterises Salix.

### Corporate Social Responsibility

We remain committed to making a positive impact on the world we live and work in. Apart from the strong social commitment which underpins all our work towards public sector net-zero goals, staff individually continue to voluntarily support charity or community groups of their own choice. In 2022-23, Salix employees raised £3,254 which was distributed to six charities.

*"We remain committed to making **a positive impact on the world we live and work in.**"*



## Risk management

Robust risk management is a central theme of all that Salix does. The Chief Executive and the Director of Finance and Resources have overall responsibility for risk management. They are supported by the Board, the Executive team, and a dedicated risk manager. The Audit, Risk and Assurance Committee (ARAC) provides regular assurance on how risk management is conducted and in 2022-23 risk was given a higher profile at ARAC with the risk manager now attending each meeting.

Salix maintains risk registers at all levels of operation. The corporate risk register details the external and internal strategic risks identified by the Executive team (including horizon scanning), the Board or one of its committees and draws on risks identified across all Salix teams. Each corporate risk is owned by a member of the executive team. Separate risk registers are kept for each grant and loan scheme and within each operational unit. Salix follows a comprehensive risk management approach which includes risk identification, management and agreed processes for escalation.

In 2022-23 all staff received risk management training and the induction for all new starters includes risk management training.

In March 2023, a new Risk Management Framework was approved by the Board. The Risk Management Framework, risk training and processes align with the government's 'Orange Book: Management of Risk - Principles and Concepts' and the National Audit Office's 'Managing risk in government' good practice guidelines.

Proficient risk management has been a pillar of our success in delivering the grant and loan schemes to date. The new Salix Risk Management Framework will further embed collective ownership of and responsibility for risk across Salix and support the leadership team in growing risk management maturity and our risk management culture.

The executive team collectively consider risks at least monthly, and the Salix board receives an updated risk report each time it meets. This review process, alongside regular team meetings, supports informed decision making across the organisation and ensures that changes in risk to our objectives are identified and managed at the earliest opportunity.

Given our NDPB status, and the additional complexities of delivering the housing schemes, we have also set up regular meetings between the Chair and the department Ministers and senior officials. ARAC plays a key role in assessing and challenging the organisation's attitude to and tolerance for risk.

*"In 2022-23 all staff received risk management training and the induction for all new starters includes risk management training."*



## Strategic risks:

Risk	Mitigation	Status and trend
<p><b>Changing government policy and/or priorities</b></p> <p>The government cancel or reduce the funding available for the schemes or changes how the schemes are delivered.</p>	<p>We continue to engage with policy decision makers and can demonstrate our delivery of excellent outcomes for the current schemes and our cost effectiveness as a delivery partner.</p> <p>We have diversified our schemes, and we continue to build trust and support amongst our clients.</p>	<p><b>High Increasing</b></p>
<p><b>Fraud</b></p> <p>All grant programmes are susceptible to fraud and the housing schemes may increase risk in this area.</p>	<p>All staff are trained in fraud prevention. Robust controls are in place to prevent fraud or misuse of grant funding. Assurance is achieved through due diligence in determining applications, oversight of schemes and staged release of payments.</p> <p>We carry out project audits including in-cycle and post-completion on-site visits.</p>	<p><b>High increasing</b></p>
<p><b>Culture</b></p> <p>There are always risks around maintaining a strong culture in an organisation - these are heightened for Salix as we grow significantly, and we move to having two offices in different parts of the country.</p>	<p>We have ensured a high-quality office in Manchester with identical equipment to London.</p> <p>We continue to hold monthly all staff meetings.</p> <p>We are currently refreshing our values and associated behaviours.</p> <p>Investors in People Gold recognition has been secured until 2024 and work towards reaccreditation for 2024 is ongoing.</p>	<p><b>High Stable</b></p>
<p><b>Housing projects management and infrastructure</b></p> <p>The housing schemes require significant recruitment together with a new role and new sectors for Salix.</p> <p>Significant funds need to go to the delivery partner and change requests could impact the contract with the delivery partner.</p>	<p>We are working closely with central government and our delivery partner to ensure an effective operating model and delivery of the housing schemes, including expectations of all grant recipients around fraud prevention.</p> <p>We have developed processes for tracking change requests and frequently forecast costs.</p> <p>We also continue to scenario plan with DESNZ.</p>	<p><b>Medium Stable</b></p>



Risk	Mitigation	Status and trend
<p><b>Delivery of Phases 1 – 3a of Public Sector Decarbonisation Scheme (PSDS)</b></p> <p>There is a risk that Salix does not effectively deliver the PSDS programme if timescales are not adhered to, projects are abandoned, or funds are not spent.</p>	<p>The key focus during 2022-23 was ensuring delivery of all projects funded through the schemes within the required timeframes, minimising abandonments, or underspends.</p> <p>In 2023-24 we will continue to support and monitor projects and through Phase 3b ensure lessons learnt inform future phases.</p>	<p><b>Medium Decreasing</b></p>
<p><b>Resourcing – skills, workload, and wellbeing</b></p> <p>Salix has grown significantly over the last 30 months to meet the demands of delivering the PSDS schemes and the additional reporting and governance requirements of becoming an NDPB. The new Housing programmes present additional resourcing risks and challenges for Salix as the team undergoes rapid expansion.</p> <p>Salix has experienced difficulties in recruiting and retaining staff in some key areas because skilled, qualified, and experienced staff can command significant salary increases in the private sector.</p>	<p>As well as the addition of new roles to the housing team we are also expanding our corporate functions.</p> <p>We celebrate the non-remunerative benefits of working with Salix; the benefits to the planet, the skills and knowledge to be acquired in an area of increasing global importance; rapid growth of the organisation, flexible working, group events/communications to boost staff morale and engender a sense of loyalty and belonging.</p> <p>Salix commissioned a job evaluation exercise of all non-executive posts in 2022-23, which is still underway.</p> <p>Plans to launch an apprenticeship scheme are also in progress.</p>	<p><b>Medium Stable</b></p>
<p><b>Data and technology</b></p> <p>Salix does not improve how it manages data or does not improve its use of technology quickly enough to work smarter and have efficient and effective access to insights on scheme outputs.</p>	<p>We continue to invest in our in-house IT skills and to move to technology and data leadership at a corporate rather than scheme level.</p> <p>We are developing the capacity to accelerate delivery of improvements to Salix business systems and have joined up individual technology projects into a single technology programme.</p>	<p><b>Medium Increasing</b></p>
<p><b>Business continuity</b></p> <p>Unforeseen or unplanned events may impact our ability to achieve core objectives.</p>	<p>We have commenced reviewing and updating our Business Continuity Plan including it reflects the needs of our expanded business and business premises.</p>	<p><b>Medium Stable</b></p>

## Financial overview

The day-to-day operational expenditure of Salix is funded by DESNZ and the Scottish and Welsh Governments for the schemes that Salix delivers on their behalf. The total operational expenditure depends on the schemes being launched and delivered by Salix during a reporting period and any additional work Salix plans to do during the year, for example delivering the IT Transformation programme.

Robust financial management is applied to ensure that commitments are managed within budgeted levels of spend and the required timing for collection of third-party revenue.

The budget for 2022-23 was £15.23m with a total operating expenditure of £11.32m. In 2021-22 the budget and total operating expenditure were £10.98m and £9.53m respectively. This increase in budgets and operating expenditure reflects our expansion to take on the new role as delivery agent for the SDHF and HUG schemes.

**"£15.23 million"**

*The budget for 2022-23 was £15.23m with a total operating expenditure of £11.32m."*



# Sustainability report

Salix is committed to taking forward our sustainability ambitions. In 2022-23 we set up a green team to lead on embedding sustainability across our workplace. The team have started to explore actions that will encourage more sustainable decision making.

In the first half of 2022-23 Salix was based in a fully serviced office in central London. We moved into government managed offices in Canary Wharf London, in September 2023. This report focuses on our Canary Wharf office, where we are at the early stages of understanding our environmental impact.

## Greenhouse gas emissions

We have no Scope 1 emissions to report as we do not own any fleet vehicles, air-conditioning, boiler, or generators.

## Energy/utilities usage (Scope 2 emissions)

Our greenhouse gas emissions principally derive from the gas and electricity used in our London office which is shared with other government departments and agencies. The property is leased and managed by government, so our input into decisions relating to energy and utilities usage within our London office is limited.

We have started to engage with the building facilities team and there is a monthly sustainability meeting, the outputs of which are shared. The Display Energy Certificate of the building is currently F, which is primarily due to the building being heated with electricity. There are several feasibility studies planned for 2023: BMS upgrade; submetering; upgrading some remaining areas to LED, dimming potential, solar PV/thermal and heat pumps to replace gas boilers.

## Commuting and business travel (Scope 3 emissions)

Most staff enjoy taking advantage of our hybrid working model and work from the office at least two days a week. Most of our work can be conducted from the home or office bases. Most staff use public transport to travel to work, and several staff cycle to work; we have cyclist-friendly facilities available for staff and visitor use. Business travel is by public transport. We plan to engage further with teams to calculate our scope 3 emissions.

## Paper and recycling

Most documents are generated and stored electronically, with negligible printing. The office facilities provide ample recycling facilities and collections.

## Resilience to climate change

Our business continuity plan addresses extreme weather. Practical advice has also been given to staff to improve the resilience of their homes and workspaces and support their working and wellbeing during periods of hot weather. We are exploring how we can advise staff to improve the resilience of homes to extreme weather events.

## Social and economic sustainability

### Procurement

We follow Crown Commercial Service procurement principles and support procurement that is open and competitive. We require grant recipients to require their suppliers to ensure their operations comply with all applicable environmental and anti-corruption law, regulation, and best practice.

### Supply chain assurance

We expect our clients to treat their supply chain fairly. They should not divest reasonable levels of risk, should pay invoices promptly and should engage with the supply chain to ensure value for money for public funds. Grant Offer Letters, issued by Salix on behalf of the DESNZ, contain provisions to uphold human rights and prohibit discriminatory practices.

Signed on behalf of the Board



**Annie Shepperd OBE**  
Chief Executive and Accounting Officer

30 October 2023

*"In 2022-23 we set up a green team to lead on embedding sustainability across our workplace. The team have started to explore actions that will encourage more sustainable decision making."*

# Accountability Report

## Corporate Governance Report

1. The Corporate Governance Report contains three sections:
  - Directors' Report
  - Statement of Accounting Officer's responsibilities
  - Governance Statement
2. It describes Salix's structure and governance framework and includes information about Board members' and directors' significant interests. It describes the Accounting Officer's responsibilities and how they have been assured. It also describes risk management arrangements.
3. The report covers the financial year between 1 April 2022 to 31 March 2023. It also includes relevant and significant information relating to the period from 1 April 2023 up to the date of publication.

### Directors' report

4. Salix is a company limited by guarantee and a non-departmental public body (NDPB) sponsored by DESNZ. We provide a range of services to our funders, all of which are public bodies. Whilst changes to our funders' strategies have potentially significant implications for the Company, our prime objectives remain the same - to deliver efficient, effective and value for money services.
5. The directors present their Annual Report on the affairs of the company, together with the financial statements and Auditor's Report for the year ended 31 March 2023. The company's registered number is 05068355.
6. Salix is led by its Chief Executive Officer (CEO), Annie Shepperd. She was appointed when Salix was a private company independent of, but linked to, DESNZ. The CEO is accountable to the Board for the operations of Salix, and accountable to Parliament through the Secretary of State for Business, Energy, and Infrastructure Strategy. Her duties are set out in full in Salix's corporate governance framework.

### Executive leadership team

At the year end the executive management team comprised:

- Annie Shepperd, Chief Executive Officer
- Helen Powell, Director of Finance and Resources
- Ian Rodger, Director of Programmes
- Paul Smyth, Director of Strategy and Technical Services
- Carol Brown, Director of Human Resources
- Richard Wilson, Interim Director of Delivery Agent Housing (from 15 September 2022 to 4 August 2023)

Jonathan Edwards joined as Director of Housing on 23 June 2023. Nick Painter was Director of Strategy and Technical Services (interim) to 10 October 2022 and Marcia Forde was Director of Corporate Services to 31 October 2022.

7. Members of the leadership team had the following interests in 2022-23:

Name	Organisation	Role	Organisation Type
Annie Shepperd OBE	i) Lucy Faithfull Foundation;	Trustee	Charity
	ii) The Lord Mayor's Big Curry Lunch Committee;	Member	Charity Event Committee
	iii) Chartered Institution of Water and Environmental Management	Chair (as Trustee) (from August 2023) (Acting Chair from 18 April 2023)	Professional Body/ Registered Charity

### Board

8. Salix's Board comprises five directors. Two are executives (the Chief Executive and Director of Finance and Resources) and three are non-executive directors (NEDs). Dame Teresa Graham DBE is Chair of the Board. The Board had the following membership during the year:

Name	Organisation Type
Dame Teresa Graham DBE	Chair and Non-Executive Director
Michael Stark	Non-Executive Director
Tracy Vegro OBE	Non-Executive Director (from 1 August 2022)
John Edmonds	Non-Executive Director (to 31 May 2022)
Annie Shepperd OBE	Chief Executive Officer/ Accounting Officer
Helen Powell	Director of Finance and Resources

### Audit, Risk and Assurance Committee

9. The ARAC had the following membership during the year:

Name	Notes
Teresa Graham DBE	Chair
Michael Stark	Member
Tracy Vegro OBE	Member from 1 August 2022
John Edmonds	Member until 31 May 2022

The ARAC Terms of Reference permit the appointment of specialist advisers on a temporary basis. Since 27 July 2023, Helen Lister and Jay Doshi of the Infrastructure and Projects Authority have joined the ARAC committee on this basis.

10. Board and committee members reported the following directorships and other significant interests for between April 2022 and up to the date of this report:

Name	Organisation	Role	Organisation Type
Dame Teresa Graham	i) RSM's Public Interest Committee (now the Audit Oversight Board) (this is not an office);	Chair/ Non-Executive Director	Auditor
	ii) SME Advisory Group of UK Finance (not an office);	Chair	Interest Group
	iii) Pagefield Communications Ltd;	Chair	PR Consultancy
	iv) Space Man Ltd t/a The Lexi Cinema;	Chair	Cinema (profits donated to charity)
	v) Council of Newcastle University up to July 2022;	Member	University
	vi) Awards committee of Women of the Year;	Member	Awards Body
	vii) HMRC's Administrative Burdens Advisory Board;	Chair	Advisory Group
	viii) Board of Treasury's OTS (OTS to be abolished under the Finance Act 2023);	Observer	Advisory Group
	ix) Steering Board of Bankers for Net Zero	Member	Interest Group
Tracy Vegro OBE	i) Solicitors Regulation Authority (up to 25 August 2022);	Executive Director	Regulatory Body
	ii) Chartered Institute of Securities and Investment (from 5 September 2022);	CEO	Professional Body
	iii) Lawtech UK's Regulatory Response Unit (from February 2023).	Chair	Legal Sector
	iv) Financial Services Skills Commission (FSSC)	Board Member (from April 2023)	Technology - Collaborative Forum Independent Body

Name	Organisation	Role	Organisation Type
Michael Stark	i) Educators International (reg. charity no 1156412);	Director and Trustee	Charity
	ii) UK Government Cross-Departmental Overseas Volunteering Project	Head	Government
Annie Shepperd OBE	As above		

### Directors' third-party indemnity provisions

- The Company has Directors' and Officers' Liability and Corporate Liability insurance which includes cover for third party liability in accordance with the Companies Act 2006.

### Auditors

- So far as each person who was an executive director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow executive directors and the company's auditor, each executive director has taken all the steps that he/she are obliged to take as an executive director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.
- The NAO on behalf of the Comptroller and Auditor General has expressed its willingness to remain in office. The Board and the Audit, Risk & Assurance Committee consider the performance of the auditors and assess their reappointment on an annual basis. The Comptroller and Auditor General (National Audit Office) was re-appointed as auditor during the period, under Section 487 of the Companies Act 2006.

### Statement of Directors and Accounting Officer's responsibilities

- The Secretary of State for the Department for Business, Energy and Industrial Strategy appointed Salix's Chief Executive Officer as Accounting Officer. The Accounting Officer must make sure that Salix operates with regularity and propriety and that resources are spent effectively to secure value for public money and also complies with applicable Cabinet Office controls. This is set out in Managing Public Money (*MPM*) published by HM Treasury and *Cabinet Office Controls*, published by the Cabinet Office.
- The Accounting Officer is responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations. Company law requires directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the company financial statements in accordance with international accounting standards (in conformity with the requirements of the Companies Act 2006) and in accordance with applicable law. Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period.
- Accounts are prepared on an accruals basis and present a true representation of Salix's income and expenditure, Statement of Financial Position, and cash flows for the financial year.
- In preparing the accounts, the Accounting Officer is required to comply with the requirements issued in the Government Financial Reporting Manual (FRoM) is so far as they do not conflict with the Companies Act 2006 provisions and, in particular to:
  - Select suitable accounting policies and then apply them consistently.
  - Make judgements and accounting estimates that are reasonable and prudent.
  - State whether the applicable IFRS has been followed, subject to any material departures disclosed and explained in the financial statements.
  - Prepare the accounts on a going-concern basis unless it is inappropriate to presume that the company will continue in business.



18. The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.
19. Each of the directors, whose names and functions are described herein, confirms that to the best of his or her knowledge:
  - a. The financial statements, which have been prepared in accordance with international accounting standards (in conformity with the requirements of the Companies Act 2006), give a true and fair view of the assets and liabilities, financial position and the profit or loss of the company, and
  - b. The Directors' Report and the Corporate Governance Report include a review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that it faces.
20. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. The directors consider that the Annual Report and Accounts, taken as a whole, are fair, balanced, and understandable and provide the information necessary for the stakeholders to assess the company's position, performance, business model and strategy.
21. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Salix's assets, are set out in 'Managing Public Money'.

As Accounting Officer and on behalf of the Board of Directors, as far as I am aware there is no relevant audit information of which Salix's auditors are unaware. I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information. I can confirm that the Annual Report and Accounts as a whole are fair, balanced and understandable. I take personal responsibility for the judgements required to ensure this.

**Annie Shepperd OBE**  
Chief Executive and Accounting Officer

30 October 2023

## Governance Statement

### Introduction

- 23.1 Salix Finance Ltd (Salix) is a key partner in helping the Government deliver on its commitments, reaffirmed at COP27, to reduce carbon emissions and limit climate change impacts. This Governance Statement sets out the governance, risk management and internal control arrangements for Salix and applies to the financial year 1 April 2022 to 31 March 2023 and up to the date of approval of the Annual Report and Accounts.
- 23.2 Salix's Accounting Officer is its Chief Executive. The Accounting Officer has responsibility for maintaining and reviewing the effectiveness of Salix's governance arrangements, risk management and internal control arrangements. The Accounting Officer is personally responsible for safeguarding the public funds entrusted to Salix, and for ensuring propriety and regularity in their handling.
- 23.3 Specifically, the Accounting Officer is tasked with ensuring that Salix:
  - delivers its mission of managing Government funding entrusted to Salix aimed at reducing the emission of greenhouse gases and other climate change and environmental policies;
  - acts as the department's delivery agent, contracting with a delivery partner for energy-saving schemes targeted at social housing and low-income households;
  - perates, in terms of governance, decision-making and financial management, to the standards set out in Chapter 3 and Annex 3.1 of HM Treasury's *Managing Public Money* (May 2023);
  - meets the requirements of the Freedom of Information Act 2000 and data protection legislation.

### 24. Our Governance Framework

- 24.1 Salix is a company limited by guarantee<sup>1</sup> and a non-departmental public body (NDPB). Its sponsoring government department was until 7 February 2023 the Department for Business, Energy and Industrial Strategy, thereafter the Department for Energy Security and Net Zero (the department). A Framework Agreement<sup>2</sup> regulates the relationship, including requirements to comply with *Corporate governance in central government departments: code of good practice* (the Code), other governmental general guidance documents, and Salix's own Articles of Association. The triennial review of this Framework Agreement has commenced.
- 24.2 Salix is governed by a **Board of Directors** comprising two executive directors (the Chief Executive and Director of Finance and Resources) and three non-executive directors (NEDs).

<sup>1</sup> Company number 05068355 England & Wales

<sup>2</sup> Framework Agreement: published on Salix website and registered Person with Significant Control (PSC)

24.3 The membership of the Board for the Financial Year 2022-23 and to date is as follows:

Dame Teresa Graham (Chairperson) – NED
John Edmonds – NED <sup>3</sup>
Michael Stark – NED
Tracy Vegro – NED <sup>4</sup>
Annie Shepperd – Executive Director/Chief Executive Officer (Accounting Officer)
Helen Powell – Executive Director/Director of Finance and Resources

24.4 The Board is collectively responsible for providing leadership and oversight of the company and its activities. The Board sets the company’s strategic direction, ensures that the necessary financial and human resources are in place for the company to meet its objectives, monitors risks and reviews progress.

24.5 The Board is supported by an Executive Team which has appropriate delegated management authority for running the business and managing risks.

24.6 The Board has two committees: the Audit, Risk & Assurance Committee (overseeing the financial reporting process, the audit process, the company’s system of internal controls and compliance with laws and regulations); and the Remuneration Committee (managing Executive remuneration).

24.7 The Board generally meets monthly. The Audit, Risk & Assurance Committee meets at least quarterly and the Remuneration Committee at least bi-annually; both Committees report directly into the Board.

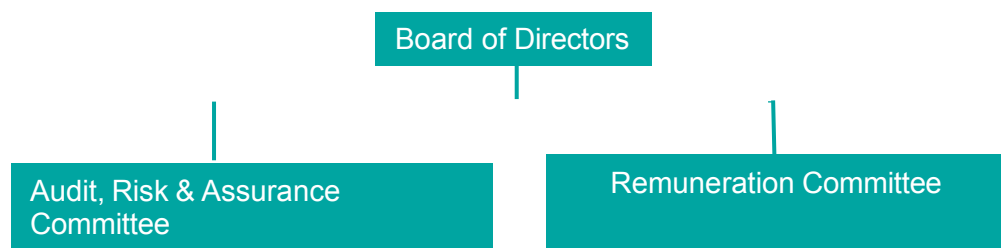


Diagram - Salix’s Governance Structure

24.8 Under clause 12.3 of the Framework Agreement and as Salix’s sole member, the department is entitled to send an observer to any meeting of the Board or its committees, and to receive associated papers. The observer is not a member of the Board and hence has no rights to vote, count in the quorum or sign written resolutions.

24.9 Salix has no subsidiaries or related companies.

24.10 Attendance at meetings during the financial year 2022-23 was as follows:

Directors	Board Meetings attended out of those eligible	Audit, Risk & Assurance Committee Meetings attended out of those eligible
Dame Teresa Graham (Chairman)	10 out of 10	5 out of 5
John Edmonds	2 out of 2	1 out of 1
Michael Stark	10 out of 10	5 out of 5
Tracy Vegro	7 out of 7	4 out of 4
Annie Shepperd	10 out of 10	5 out of 5 <sup>5</sup>
Helen Powell	10 out of 10	5 out of 5 <sup>5</sup>

24.11 Organisational structure



The executive management team (EMT) meets at least once a month. The EMT is responsible for developing the strategic plan for Salix, taking a longer-term view of the objectives that the company needs to achieve, and risks and issues that will need to be managed. The EMT also ensures that Salix operates its business in a manner which complies with its strategic and operational aims, its compliance requirements, and is aligned with Civil Service requirements. The EMT attend Board meetings as and when required.

The senior leadership team (SLT) meets at least every fortnight, unless an EMT or CMT meeting is scheduled. It is currently comprised of the members of EMT, staff who report directly to members of EMT, and the Head of Internal Audit. SLT provides EMT with direct support and assistance to ensure the management of Salix’s ongoing activities is being delivered in line with the strategic objectives and Salix’s values. SLT have an oversight of operations and the remit to hone and provide input into EMT’s objectives.

The corporate management team (CMT) meets at least every three months, and currently comprises EMT, members of the SLT and senior managers who report directly to members of the SLT. The meetings provide an opportunity for senior managers to influence key organisational decision-making and provide a link between EMT/SLT and all staff. CMT promotes knowledge sharing and brings broader experience and expertise to the decision-making processes across Salix.

<sup>3</sup> Up to and including 31 May 2022

<sup>4</sup> With effect from 1 August 2022

## Board performance and corporate governance

24.12 The Board is committed to good governance and compliance with the Code and incorporates what would be considered company best practice. Salix's inaugural formal Board Effectiveness Review since becoming an NDPB will take place during 2023. (An earlier planned annual review had to be postponed as a consequence of Covid restrictions and delays in appointing new non-executive directors. Recruitment of a new Chair is underway and the inaugural Effectiveness Review was deferred until the new leadership is in place).

24.13 The Chairman and Chief Executive work closely together, holding pre and post-meeting reviews and feedback discussion before and after each Board meeting. Whilst the Board is the formal occasion that brings everyone together in one place, Board Members are kept continuously informed of significant matters as they arise. In addition there is regular liaison between Board members on an individual basis.

24.14 For part of the year under review, Salix's Internal Audit function was insufficiently resourced. This impacted upon the effectiveness of Salix's systems for monitoring and assessing internal controls and raised the risk of mis-statement. An effective system has been restored following the appointment of a new permanent Head of Internal Audit, who has reviewed the internal audit reporting earlier in the year to mitigate the risk of any errors. A robust and reliable Internal Audit Plan is now in place.

24.15 The Board has provided leadership for the major strategic priorities over the last twelve months. Highlights have included:

- Becoming the department's delivery agent for wave 2 of the Social Housing Decarbonisation Fund (SHDF 2.1) and Home Upgrade Scheme (HUG2) schemes):
  - Salix undertook the procurement and selection of a delivery partner to administer these two schemes. This involved the rapid development of a new operating model. An intelligent client function is being developed in tandem, to inform and improve future policymaking.
  - In line with the Government's Levelling-Up agenda, Salix opened a new office in Manchester as a base for the housing team. This new team has been recruited and onboarded with full co-operation and collaboration between the two offices. The new team has specialist procurement and contract management skills. Plans to launch an apprenticeship scheme are also under way.
- Completing Phase 1 and Phase 2 of the Public Sector Decarbonisation Schemes (PSDS):
  - For Phase 1, of the 205 projects that received an extension to 2022-23, 75% of grant recipients completed their projects within 2022-23 (153 projects). A further 5% projects have completed since 31 March 2023 (10 projects) and 20% of projects have been granted extensions and are completing after 31 March 2023 (42 projects).
  - In respect of Phase 2, of the 25 projects that received an extension to 2022-23, 68% of grant recipients completed their project by the end of 2022-23 (17 projects). 32% of projects have been granted extensions and are completing after 31 March 2023 (8 projects).
- Delivering Phase 3a of the Public Sector Decarbonisation Scheme (PSDS):
  - 77% of grant funding has been paid to grant recipients in 2022-23. 41 projects reached final commissioning, while 39 projects were abandoned.

- Launching and completing the allocation of Phase 3b of PSDS, to be delivered in 2023-24 and 2024-25.
- Launching and delivering Phase 3 of the Public Sector Low Carbon Skills Fund (PSLCSF):
  - 99% of grant funding was deployed within 2022-23. Phase 4 was launched on 28 March 2023.
- Managing the Recycling funds:
  - At the end of 2022-23 there were 73 active Recycling Funds under management (£22.1m); 17 funds (£2.5m) closed during the year.
- Enhancing our work with the devolved administrations, which included supporting the Welsh Government with the launch and delivery of the Low Energy Grant Pilot.
- The organisation responded positively to the post Covid-19 landscape. Staff numbers have continued to grow over the financial year 2022-23. Staff have responded enthusiastically to hybrid working.
- By the end of August 2022 Salix had successfully completed a London office move from 75 King William Street to 10 South Colonnade with no adverse impact on service.
- Salix's work is entirely domestic and neither our objectives nor resources to fulfil them have required revision following the UK's departure from the European Union. Our clients and business partners have been more directly affected by component, supply and staff issues that have arisen since Brexit, but there has been no tangible impact on our planned programmes. We are monitoring the passage of the Retained EU Law (Revocation and Reform) Bill to assess any impact on our operations.

24.16 Highlights of activity conducted by the Audit, Risk and Assurance Committee (ARAC) include:

- reviewing the Financial Statements and Annual Report and supporting documents, providing independent challenge and oversight before their recommendation to the Board for approval;
- considering and monitoring the implementation of Internal and External Audit plans and recommendations arising;
- reviewing key documents governing ARAC's activities, audit roles and responsibilities, including Terms of Reference, Internal Audit Charter and Anti-Fraud Policy;
- reviewing and recommending to the Board a new Risk Management Framework;
- considering an inaugural Head of Internal Audit Annual Opinion. This gave 'reasonable assurance' in respect of five audits completed for 2022-23.

The Board and Executive acknowledge that rapid growth in recent years had resulted in some immaturity in its control framework. These control issues have been identified and addressed and we are confident that our processes and lines of defence are continuing to improve.



- 24.17 The work of the Remuneration Committee is covered in the Remuneration and Staff Report which is included in the next section.
- 24.18 This Governance Statement has been written in accordance with the requirements set out in HM Treasury's "Managing Public Money". Salix is conscious of its duty to protect public funds both in terms of grants distributed (see Risk Register above) and administrative costs incurred. In terms of ensuring accountability for the grants administered, Salix operates rigorously, to the extent that it is able, its processes for checking the alignment of claims with projects completed and will conduct additional audit activity where required. We are continuously seeking to improve accountability through review of conditions and engagement with the department to feed into policy. We are mindful of the principles of the Alexander Report on our treatment of any off-payroll staff.
- 24.19 Salix aims to ensure full compliance with the good governance code and all other relevant governance guidance, which we have committed to follow under Appendix 2 of our Framework Agreement. Whilst there is currently already good compliance, this will be kept under continuous review. As Accounting Officer, it is my assessment, and that of the Board, that Salix has complied with the requirements of the code and we are not aware of any material instances of non-compliance at the reporting date. I am mindful of my direct accountability to Parliament as Accounting Officer, embodied in the Framework Agreement.

### 25. Data quality

- 25.1 Board members receive a comprehensive pack of papers in advance of their meetings, which they are confident provides them an appropriate level of analysis and advice to inform their strategic discussions and facilitate informed decision-making. Standing items are scheme performance, operational performance and risk registers. Other matters are covered in the Chief Executive's report or separate papers depending on the depth of coverage required.
- 25.2 Board members are satisfied with the quality of the underlying information and data, which is subject to rigorous review and checking processes at different levels. Delivery risk registers are updated continuously in real time across the business. 25.3 Salix has been a non-departmental public body (NDPB) since September 2020. In September 2022, two years later, the organisation was selected for arm's length body review. The review team concluded that Salix remains relevant and required as an NDPB, particularly given its identification as the preferred choice to deliver two high profile net-zero related schemes. In view of these additional delivery responsibilities, the team advised and the department has confirmed that Salix will proceed to a full-scale arm's length body review at the end of financial year 2023-24.
- 25.4 Salix will co-operate with the department in the analytical modelling in line with appropriate Quality Assurance models, as anticipated in the Macpherson report. Accordingly AQuA book assurance is not applicable.

### 26. Risk management

- 26.1 Salix follows a comprehensive risk management process which includes risk identification, management and agreed processes for escalation. Risk management and internal control processes are embedded within the organisation and integrated within Salix's day-to-day management and strategic planning. A new Risk Management Framework was approved by the Board in March 2023. It is being implemented and rolled out to staff to ensure collective ownership of and responsibility for risk.

- 26.2 The Chief Executive and the Director of Finance and Resources are primarily responsible for compiling and maintaining a register of key risks. However, all members of staff are engaged in identifying these risks. Given Salix's relatively recent acquisition of NDPB status, and the additional complexities of delivering the housing schemes, we have also set up regular meetings between the Chair and the department Ministers and senior officials. ARAC plays a key role in assessing and challenging the organisation's attitude to and tolerance for risk. The Executive Team consider risks at their monthly meeting and the Salix Board receives a monthly report. This review process supports informed decision making within the organisation and ensures that changes in risk to our objectives and work programmes are identified and then managed at an early stage.
- 26.3 The corporate risk register is included under the risk management section above.

### 27. Conflicts of interest

- 27.1 Board Members and staff work closely with a wide range of organisations and stakeholders. This is necessary to ensure Salix has access to the expertise needed to effectively deliver the organisation's statutory duties. The relationships which follow from these connections have many benefits but also create a risk that conflicts of interest may arise.
- 27.2 Salix has clear guidance on managing potential conflicts. Board Members and the Executive Team must disclose activities which might give rise to actual or perceived conflicts of interest via a register of interests published on our website.

### 28. Whistleblowing

- 28.1 Salix operates a whistleblowing policy which complies with the key elements of the Civil Service Employee Policy 'Whistleblowing and Raising a Concern'. The policy is published on our website.

### 29. Customer satisfaction and complaints

- 29.1 Salix is proud to report excellent customer satisfaction ratings in terms of helpfulness and expertise from all customer surveys carried out since November 2020. In May 2022, PSLCSF clients reported 100% trust ratings and 99%; Phase 2 PSLCSF clients scored Salix for being helpful and friendly and gave 90% ratings for support and technical expertise. Phase 2 PSDS clients surveyed rated Salix's service at 92%, 100% for being helpful and friendly; and expertise at 92%. PSDS Phase 3 clients surveyed in March/April 2022 scored 90% for its excellent service, 100% for being helpful and friendly and 87% for its expertise. Source: Report to Salix Board June 2022 - Customer Surveys.
- 30.2 An annual complaints report is presented to the Board. Salix has a two-stage formal complaints process with a right of appeal to the Parliamentary and Health Services Ombudsman. There were six complaints in total, all at stage 1, three each relating to PSDS 3a and PSLCSF 3 in the financial year 2022-23. Stage 1 is the first level of internal review and conducted by members of the complaints team who have had no previous dealings with the matter. An escalation to internal stage 2 can be required by complainants that are dissatisfied with the outcome of Stage 1.



## Governance Statement

### 30. Information and cyber security

30.1 No reportable data loss incidents occurred during the financial year 2022-23. An internal data breach was reported to the Information Commissioner's Office in the current financial year. Salix continues to take a proportionate approach to the management of security risks in line with the low volume of sensitive and personal information handled, ensuring that the right level of defence is in place. Staff and Board Members are trained in responding appropriately to cyber-attacks such as phishing, malware, and all other aspects of data security.

### 31. Functional standards

- 31.1 Salix has adopted the Government Functional Standards that apply to its business. These standards set expectations for the consistent management of central functions across government. With effect from September 2021, the Cabinet Office has required all government departments and their NDPB's to implement mandatory elements of each applicable functional standard.
- 31.2 We have developed an internal framework for monitoring the relevant Functional Standards, both mandatory and advisory elements. The framework identifies actions required to comply with the standards across the business, and departmental leads monitor progress against them.

### 32. Overall compliance

I confirm that, as far as I am aware, all legal and regulatory requirements are met.

**Annie Shepperd OBE**  
Chief Executive and Accounting Officer

30 October 2023

## Remuneration and staff report

### Remuneration report part A: audited

#### Remuneration committee

33. During 2022-23 Salix's remuneration committee comprised of non-executive directors Dame Teresa Graham (until 31 October 2022), John Edmonds (until 31 May 2022), Michael Stark and Tracy Amanda Vegro (from 1 November 2022). The responsibilities of the committee include:
- Setting the overall remuneration policy of the company in consultation with the HR Director and Chief Executive, in line with the civil service pay remit.
  - Setting the salary for executive directors and senior management, in line with senior civil service pay guidance.
  - Ensuring the remuneration package for employees and salary levels are appropriately benchmarked.
  - During the period the committee met three times and discussed the performance of the executive directors and senior management performance awards and agreed salary bands for senior practitioners for the year ended 31 March 2023, all within annual pay remit limits for staff and SCS.

Attendance at remuneration committee meetings during 2022-23 was as follows:

Directors	Remuneration Committee Meetings attended out of those eligible
Dame Teresa Graham (Chairman) <sup>1</sup>	1 out of 1
John Edmonds <sup>2</sup>	N/A
Michael Stark (Chairman) <sup>3</sup>	3 out of 3
Tracy Vegro	2 out of 2

#### Appointing non-executive board members

34. As a NDPB, the Secretary of State for the Department for Energy Security and Net Zero (previously BEIS) appoints non-executive directors to the board. These appointments are made in accordance with the Code of Practice for Ministerial Appointments to Public Bodies issued by the Office of the Commissioner for Public Appointments.
35. Non-executive chairs and committee members are appointed for a fixed period of up to three years. Remuneration is fixed and not performance related.

#### Appointment of the Chief Executive and Executive Directors

36. Executive board members and their tenure during the reporting period are shown in the Governance Statement.
- Appointments are made in accordance with Salix recruitment and selection policy and principles. The principles set out that appointments must be made on merit and on the basis of fair and open competition.

<sup>1</sup> Until 31 October 2022

<sup>2</sup> Resigned 31 May 2022

<sup>3</sup> From 1 October 2022

## Remuneration and staff report

37. To ensure business continuity all senior appointments are subject to minimum notice periods: the Chief Executive must give six months' notice, and other executive directors and members of the senior management team must give three months' notice.

### Remuneration policy

38. Our remuneration policy is governed by public service pay controls, pay remits and guidance. Within these constraints we aim to provide compensation and remuneration packages to attract and motivate suitably able and qualified individuals and retain them.

## Remuneration report part B: audited

### Non-executive remuneration

39. The remuneration of non-executive Directors was as follows:

Name	2022-23 Salary (£'000)	2021-22 Salary (£'000)
Dame Teresa Graham	40-45	40-45
John Edmonds <sup>1</sup>	0-5	15-20
Michael Stark	10-15	15-20
Tracy Amanda Vegro <sup>2</sup>	5-10	0

### Remuneration of executive board members

40. The remuneration of executive board members was as follows:

Name	Salary (£'000)		Bonus payments * (£'000)		Pension - inc cash supplements (£'000)		Total (£'000)	
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
Annie Shepperd	165-170	165-170	5-10	15-20	15-20	15-20	190-195	200-205
Helen Powell	105-110	100-105	5-10	10-15	10-15	10-15	120-125	125-130

41. In line with all employees, executive board members, and the Executive Management Team, have access to a defined contribution scheme. All executive board members and senior management were contributing members to the scheme.

<sup>1</sup> Resigned 31 May 2022

<sup>2</sup> Appointed 1 August 2022

### Fair pay disclosure

42. Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce and this is shown in the table at paragraph 47. Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments or employer pension contributions.
43. 'Salary' includes gross salary, recruitment and retention allowances, and other allowances to the extent that they are subject to UK taxation.
44. In line with Salix's approach to pay, bonus payments are based on performance and are made as part of the appraisal process.
45. The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs (HMRC) as taxable emoluments.
46. All employees have access to a defined contribution pension scheme. The Company will contribute 6% into the scheme if the employee contributes a minimum of 3% and offers an enhanced pension contribution on a 2:1 basis up to a maximum of 10%.
47. Employee Remuneration ratios are shown in the table below.

2022/2023	Salary (£)	Other (£)	Total Remuneration (£)	Ratio to highest paid director's remuneration
25th percentile	28,000	0	29,900	5.9
Median percentile	33,000	1,700	34,800	5.1
75th percentile	45,000	3,800	46,100	3.9
Change from the previous FY in respect of the highest paid Director	0%	-58.3%	-5.2%	
Average change from the previous FY in respect of the employees of the entity taken as a whole	2.9%	-26.4%	1.1%	

2021/2022	Salary (£)	Other (£)	Total Remuneration (£)	Ratio to highest paid director's remuneration
25th percentile	28,100	1,100	31,100	6
Median percentile	32,500	3,200	35,500	5.3
75th percentile	39,900	3,900	43,000	4.4
Change from the previous FY in respect of the highest paid Director	0%	-2.9%	-2.8%	
Average change from the previous FY in respect of the employees of the entity taken as a whole	6.5%	-16.2%	4.4%	

## Remuneration and staff report

48. The banded remuneration of the highest-paid director in the organisation in the financial year 2022-23 was £175k-£180k (2021-22, £185k-£190k). The relationship between the mid-point of this band and the remuneration of the organisation's workforce is disclosed above.
49. The banded remuneration of the lowest-paid staff in the organisation in the financial year 2022-23 was £20k-£25k (2021-22, £20k-£25k). The relationship between the mid-point of this band and the remuneration of the organisation's workforce is disclosed above.
50. The grading structure is different to the traditional Civil Service grades AO to SCS.

### Exit packages

51. No severance payments were made in the financial year 2022 – 2023, (2021-22: nil).

### Compensation for loss of office

52. No compensation for loss of office payments were made in 2022-23 (2021-22: nil).

## Staff report part A: audited

### Staff numbers

53. The number of staff at the end of the financial year was:

	2022-23 Total	2021-22 Total
Executive Board members	2	2
Senior Management (Directors)	4	5
Corporate Management Team	19	15
APT	105	82
<b>Total</b>	<b>130</b>	<b>104</b>

54. (APT) Administrative, Professional and Technical staff comprises all members of staff below the corporate management level.
55. During 2022-23, Salix assumed the role of delivery agent for DESNZ to deliver the Social Housing Decarbonisation Scheme and the Home Upgrade Grant. This, coupled with an expansion of core services in support of these and existing schemes has resulted in an expansion of staff numbers, as detailed in the table above.

### Off-pay roll engagements

56. We are required to publish information on highly paid and/or senior staff off-payroll appointments. Off-payroll appointments are those that are not on Salix's payroll.

#### Temporary off-payroll worker engagements as at 31 March 2023, where individuals were earning at least £245 per day:

No. of existing engagements as at 31 March 2023	4
<b>Of which....</b>	
No. that have existed for less than one year at time of reporting	4
No. that have existed for between one year and two years at time of reporting	0
No. that have existed for between two and three years at time of reporting	0
No. that have existed for between three and four years at time of reporting	0
No. that have existed for between four or more years at time of reporting	0

#### Temporary off-payroll workers engaged at any point during the year ended 31 March 2023, where individuals were earning at least £245 per day:

No. of engagements during the year ended 31 March 2023	8
<b>Of which....</b>	
No. determined as in-scope of IR35	0
No. assessed as out-of-scope of IR35	8
No. of engagements reassessed for compliance or assurance purposes during the year	0
Of which: no of engagements that saw a change to IR35 status following review	0
No. of engagements where the status was disputed under provisions in the off pay-roll legislation	0
Of which: no. of engagements that saw a change to IR35 status following review	0

#### Off-payroll engagements of board members and/or senior officials with significant financial responsibility, between 1 April 2022 and 31 March 2023

No board members or senior staff were engaged off-payroll. No. of off-payroll engagements of board members and/or senior officials with significant financial responsibility, during the financial year.	0
Total no. of individuals on payroll and off-payroll that have been deemed board members and/or senior officials with significant financial responsibility, during the financial year. This figure includes both on payroll and off-payroll engagements	6

### Consultancy and temporary staff

57. Salix hired consultants to carry out various professional services required on a short-term basis where Salix did not have the skills required or where the requirement fell outside core business or where an external, independent perspective was required. Costs incurred appear in the table below:

	2022-23 (£)	2021-22 (£)
Consultancy	325,289	117,132
Temporary and agency staff	529,681	144,375
<b>Total (incl. VAT)</b>	<b>854,970</b>	<b>261,507</b>

The costs are inclusive of non-recoverable VAT.

## Staff report part B

### Staff composition by gender

As at 31 March 2023, Salix directly employed 130 staff in England. Their gender was as follows (headcount):

	Female	Male	Total
Executive Board	2	0	2
Senior Management (Directors)	1	3	4
Corporate Management Team	13	6	19
APT staff	65	40	105
<b>Total</b>	<b>81</b>	<b>49</b>	<b>130</b>

## Employee matters

### Sickness

58. During the year ended 31 March 2023 the average number of working days lost due to sickness absence was 1.75 per full time equivalent employees (2021-22: 2.04 days). These figures exclude two members of staff on long-term sick leave. Salix endeavors to provide a safe and supportive work environment and with robust employee assistance programmes.

### Staff turnover

59. The staff turnover rate was 41.7% (calculated as leavers as a percentage of the average number of staff during the year). The equivalent figure for 2021-22 was 26.9%. Most leavers cited pay and economic factors as the major reason for their seeking alternative employment.
60. Exit interviews held with departing staff are reviewed to identify any emerging trends and/or new insights. This is discussed at executive level to address concerns raised where possible and to develop more appropriate retention strategies.

### Diversity and inclusion

61. Salix is fully aware of its duties as a public body to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between different people when carrying out their activities and this is embedded in its relationships with business partners and staff. This duty is embedded into staff training and recruitment processes with appropriate assistance and encouragement such as in respect of promotion opportunities. Exit interviews are scrutinised for issues that may impact on diversity. Flexible working is fully supported.

62. The gender pay gap is the difference in average (mean or median) earnings of men and women in an organisation. Salix' mean gender pay gap for 2022-23 was 8.7% (2021-22: 9.2%) in favour of men; the equivalent median pay gap figures were 10.6% (2021-22: 11.7%).
63. Salix actively encourages job applications from candidates with disabilities, using targeted communications routes to ensure access to the widest pool of talented people. Supporting disabled people at recruitment and throughout their employment is important to Salix, and we support reasonable adjustments in both office and home working environments where required.
64. We support disabled staff or staff with long-term health conditions. There were no declarations of disabilities from existing staff during the accounting period. Disability awareness training for staff is currently being reviewed by our equality and diversity team.

Disability (Employed during FY)	2022-23 No. of staff	2021-22 No. of staff
No	167	130
Prefer not to disclose	7	5
Yes	3	4

### Supportive employment practices

65. Salix offers all staff training in resilience, stress management, mental health talks, health campaigns and disability awareness. Staff also have access to the employee assistance programme for confidential counselling and advice in respect of concerns arising in the workplace and personal issues. Salix have two staff trained as Mental Health First Aiders who provide first line support to those who seek help due to mental health concerns.

Salix monitors our employee policies, practices and training, noting in particular any adverse impact on particular groups. An Equality, Diversity and Inclusion Report is scheduled for the Board's consideration annually.

### Trade Union facility time

66. Salix is a non-unionised organisation.

**Annie Shepperd OBE**  
Chief Executive and Accounting Officer

30 October 2023



## Parliamentary accountability and audit report: audited

### Losses and special payments

	2022-23		2021-22	
	No of cases	£	No of cases	£
Assets disposed outside policy	1	15,664		
Irrecoverable Payments	2	3,278		
Fruitless payments			1	117,751
<b>Total</b>	<b>3</b>	<b>18,942</b>	<b>1</b>	<b>117,751</b>

72. In the course of the 2022-23 laptops to the value of £15,664 were disposed of outside of the fixed asset policy. These assets had been covered by warranties to cover any repairs necessary to continue operating.
73. During the 2022-23 year, two external frauds were carried out against Salix that involved small amounts of money being paid by Salix incorrectly. A small amount of money relating to one incident was retrieved.
74. Fruitless payments relate to costs incurred from 2018 in the development of Salix's Energy Reduction System (SERS2) that was abandoned in 2022 following significant delays. In the meantime, BEIS's had ended the products SERS2 would have serviced. The English loan scheme was stopped in March 2020 and BEIS made a decision in June 2021 to end the recycling fund in March 2025. Having only received a viable product in August 2021, Salix allowed work to continue to repurpose the system source code, the intellectual property we owned. This proved unsuccessful and in 2022, Salix made the decision to terminate all work. In accordance with the FReM and managing public money, we are required to disclose payments which were legally due to recipients but with no due benefit received for which a liability ought not to have been incurred, or where the services in question could have been cancelled in time to avoid further liability.

## Independent Auditor's Report

### Opinion on financial statements

I have audited the financial statements of Salix Finance Ltd for the year ended 31 March 2023 under the Companies Act 2006.

The financial statements comprise Salix Finance Ltd's

- Statement of Financial Position as at 31 March 2023;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the UK adopted International Accounting Standards.

In my opinion the financial statements:

- give a true and fair view of the state of Salix Finance Ltd's affairs as at 31 March 2023 and its comprehensive net expenditure for the year then ended;
- have been properly prepared in accordance with the UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), applicable law and Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I am independent of Salix Finance Ltd in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

## Independent Auditor's Report

### Conclusions relating to going concern

In auditing the financial statements, I have concluded that Salix Finance Ltd's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Salix Finance Ltd's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### Other information

The other information comprises the information included in the Annual Report but does not include the financial statements and my auditor's report thereon. The directors are responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

### Opinion on other matters prescribed by the Companies Act 2006

In my opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

### Matters on which I report by exception

In the light of the knowledge and understanding of Salix Finance Ltd and its environment obtained in the course of the audit, I have not identified material misstatements in the Strategic Report or the Directors' Report.

I have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires me to report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and staff report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit.

### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the directors are responsible for:

- maintaining proper accounting records;
- preparing financial statements, which give a true and fair view, in accordance with the Companies Act 2006;
- ensuring such internal controls are in place as directors determine are necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- preparing the Annual Report, which includes the Remuneration and staff report, in accordance with the Companies Act 2006; and
- assessing Salix Finance Ltd's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and report on the financial statements in accordance with the applicable law and International Standards on Auditing (UK) (ISAs (UK)).

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

### Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of Salix Finance Ltd's accounting policies;
- inquired of management, Salix Finance Ltd's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Salix Finance Ltd's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including Salix Finance Ltd's controls relating to Salix Finance Ltd's compliance with the Companies Act 2006 and Managing Public Money;
- inquired of management, Salix Finance Ltd's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations; and
  - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within Salix Finance Ltd for fraud and identified the greatest potential for fraud in the following areas: posting of unusual journals, complex transactions, and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of Salix Finance Ltd's framework of authority and other legal and regulatory frameworks in which Salix Finance Ltd operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of Salix Finance Ltd. The key laws and regulations I considered in this context included Companies Act 2006, Managing Public Money, employment law and tax Legislation.

### Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management and the Audit and Risk Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my report.

### Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.



**Susan Clark**  
(Senior Statutory Auditor)

31 October 2023

For and on behalf of the

#### **Comptroller and Auditor General (Statutory Auditor)**

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

# Financial statements

## Statement of comprehensive net expenditure for the year ended 31 March 2023

	Note	2022-23 £	2021-22 £
Revenue from contracts with customers	7	(587,437)	(553,468)
<b>Total operating income</b>		<b>(587,437)</b>	<b>(553,468)</b>
Staff costs	6	5,746,623	5,292,226
Purchase of goods and services	6	5,091,620	3,227,588
Depreciation	6	542,959	1,005,710
<b>Total operating expenditure</b>		<b>11,381,202</b>	<b>9,525,524</b>
<b>Net operating expenditure</b>		<b>10,793,765</b>	<b>8,972,056</b>
Finance expense	16	731	7,754
<b>Net expenditure for the year</b>		<b>10,794,496</b>	<b>8,979,810</b>
Loss on disposal of Fixed Assets	8	15,664	-
<b>Comprehensive net expenditure for the year</b>		<b>10,810,160</b>	<b>8,979,810</b>

All operations are continuing operations.

The notes on pages 59 to 76 form part of these accounts.

\*Income and receipts are reported in brackets within SoCNE above.



Statement of financial position as at year ended 31 March 2023

	Note	31 March 2023 £	31 March 2022 £
Non-current assets:			
Property, Plant and Equipment	8	93,427	587,085
<b>Total non-current assets</b>		<b>93,427</b>	<b>587,085</b>
Current assets			
Trade and other receivables	13	273,560	554,326
Cash and cash equivalents	12	820,214	1,011,603
<b>Total current assets</b>		<b>1,093,774</b>	<b>1,565,929</b>
<b>Total assets</b>		<b>1,187,201</b>	<b>2,153,014</b>
Current Liabilities:			
Trade and other payables	14	(1,533,030)	(1,428,190)
Lease liabilities	9	-	(458,269)
Dilapidation provision	15	-	(55,000)
<b>Total current liabilities</b>		<b>(1,533,030)</b>	<b>(1,941,459)</b>
Long-term Liabilities			
Dilapidation provision	15	(74,091)	-
<b>Total long-term liabilities</b>		<b>(74,091)</b>	<b>-</b>
<b>Total Liabilities</b>		<b>(1,607,121)</b>	<b>(1,941,459)</b>
<b>NET (LIABILITIES)/ASSETS</b>		<b>(419,920)</b>	<b>211,555</b>
<b>Taxpayers equity and reserves</b>			
Opening Balance	SoCTE	211,555	506,363
General reserve	SoCTE	(631,475)	(294,808)
<b>TOTAL EQUITY</b>		<b>(419,920)</b>	<b>211,555</b>

The notes on pages 59 to 76 form part of these accounts.

The financial statements were approved by the Board of Directors on 30 October 2023 and signed on its behalf on 30 October 2023 by:

**Annie Shepperd OBE**  
Chief Executive and Accounting Officer

Statement of Cash Flows for the year ended 31 March 2023

The Statement of Cash Flows shows the changes in cash and cash equivalents of the company during the reporting period. The statement shows how Salix generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by income from the recipients of Salix's services or on whose behalf Salix carries out those services. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to future public service delivery.

	Note	2022-23 £	2021-22 £
<b>Cash flows from operating activities:</b>			
<b>Comprehensive net expenditure for the year</b>		<b>(10,810,160)</b>	<b>(8,979,810)</b>
Decrease / (increase)/ in trade & other receivables	13	280,766	(79,629)
Increase in trade & other payables	14	104,840	550,489
Use of provisions	15	(59,570)	-
Interest on lease liabilities	16	731	7,754
Unwinding discounting KWS	15	130	508
10 SC Lease Provision	15	74,091	-
Loss on disposal of assets	8	15,664	-
Depreciation	6	542,959	1,005,710
<b>Net cash outflow from operating activities</b>		<b>(9,850,549)</b>	<b>(7,494,978)</b>
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment	8	(60,525)	(33,614)
			-
<b>Net cash outflow from investing activities</b>		<b>(60,525)</b>	<b>(33,614)</b>
<b>Cash flows from financing activities:</b>			
Cash from sponsoring departments		10,178,685	8,685,002
Payment of lease liabilities	9	(458,269)	(903,649)
Payment of interest on lease liabilities	9	(731)	-
<b>Net cash inflow from financing activities</b>		<b>9,719,685</b>	<b>7,781,353</b>
<b>Net (decrease)/increase in cash and cash equivalents in the period</b>		<b>(191,389)</b>	<b>252,761</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>12</b>	<b>1,011,603</b>	<b>758,842</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>12</b>	<b>820,214</b>	<b>1,011,603</b>

The notes on pages 59 to 76 form part of these accounts.

## Financial statements

### Statement of changes in taxpayers' equity for the year ended 31 March 2023

This statement shows the movement in the year on the general fund reserves held by Salix, which reflect a contribution from the consolidated fund. The general reserve represents the total assets less liabilities of Salix.

	Note	General Reserve £
<b>At 1 April 2021</b>		506,363
Grants from sponsoring department		8,685,002
Net operating expenditure for the year		(8,979,810)
<b>Balance at 31 March 2022</b>		<b>211,555</b>
Grants from sponsoring department		10,178,685
Net operating expenditure for the year		(10,810,160)
<b>Balance at 31 March 2023</b>		<b>(419,920)</b>

The notes on pages 59 to 76 form part of these accounts.

## Notes to the financial statements

### 1. Authorisation of financial statements

The financial statements of Salix Finance Ltd (the "company") for the year ended 31 March 2023 were approved with a resolution of the board on 30 October 2023 and authorised for issue on the same date as the independent auditor's report. The company is a company limited by guarantee, incorporated and domiciled in England. During the reporting period, the company's registered office and principal place of business changed in September 2022 from the sixth floor, 25 Farringdon Street, London, EC4A 4A and 75 King William St, London, EC4N 7BE to 10 South Colonnade, London, E14 4PU. The company is unlisted and for most of accounting period was wholly owned by the Secretary of State for Business, Energy and Industrial Strategy (BEIS) (the "sole member") making it the company's ultimate controlling party. On 7 February 2023, the prime minister announced a major machinery of government change which redistributed the activities of several existing government departments, including BEIS, and created three new departments, the Department for Business and Trade, the Department for Digital, Science, Innovation and Technology, and the Department for Energy Security and Net Zero. Salix Finance Ltd has been designated to the Department for Energy Security and Net Zero (DESNZ) with Accounting Officer responsibilities formally transferred from 1 April 2023.

### 2. Principal activities

Salix Finance Ltd was established to act as an agent for the Department for Energy Security and Net Zero (DESNZ) formerly known as the Department for Business, Energy and Industrial Strategy (BEIS) in administering and disbursing funding solutions to public sector bodies for use in the deployment of low carbon initiatives. The company undertakes other activities that the board considers to be consistent with its functions, duties, obligations, and constitution.

### 3. Statement of significant accounting policies

#### 3.1 Basis of preparation

These financial statements are presented in Pounds Sterling and all values are rounded to the nearest Pound (£).

Salix Finance Ltd has made an accounting policy decision to apply relevant requirements of HM Treasury's Financial Reporting Manual (FRoM) when preparing the financial statements, to the extent this is consistent with the Companies Act 2006. The accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. This application of the FRoM extends to the financial statements only, except for the inclusion of the following specific FRoM-derived disclosures within the Annual Report: those areas of the Remuneration and staff report that are subject to audit.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts. Estimates are continually evaluated and are based on historical experience and other factors that are believed to be reasonable under the circumstances. There are no judgements or key sources of estimated uncertainty that have a significant effect on the amounts recognised in the financial statements other than as disclosed in the financial statements.

### 3.2 Going concern

The directors have a reasonable expectation that the company has adequate resources to continue to operate for the foreseeable future. The financial statements are, therefore, prepared on a going concern basis. The company's liabilities due after 31 March 2023 will be paid for through funding from our sponsoring department DESNZ (BEIS). Our estimated requirement for funding in the financial year 2023-24 has been included in His Majesty's Treasury Main Estimate, which has been approved by Parliament.

In forming this view, the directors note that the company:

- (i) applies prudent financial management in order to ensure that its commitments are accommodated within the timing of the allocated budget; and
- (ii) undertakes a robust annual business planning and budgeting process to establish its operational cost requirements for each financial year;

The directors have carried out a going concern assessment and concluded that it is appropriate to adopt the going concern basis for the preparation of the financial statements. This assessment is based on Salix's role in the delivery of future phases of the Public Sector Decarbonisation Schemes and the Public Sector Punblic Sector Low Carbon Skills Fund, the introduction of two new housing schemes (Home Upgrade Grant and Social Housing Decarbonisation Fund) for which Salix acts as delivery agent, and its continued relationship with the Scottish and Welsh Governments.

### 3.3 Accounting convention

The accounts are prepared under the historical cost convention, modified to account for the revaluation of non-current assets, where material, at their value to the business by reference to their current costs, replacement costs or relevant indices.

### 3.4 New accounting standards adopted in the year

No new accounting standards have been adopted in these financial statements.

### 3.5 Accounting standards in issue but not yet effective

IFRS 17 – 'Insurance Contracts' replace IFRS 4 – 'Insurance Contracts'. The IASB announced the deferral of IFRS 17 until 1 January 2023 and therefore, the effective implementation date in the public sector was extended to the earliest of 1 April 2023. The Financial Reporting Advisory Board (FRAB) has since agreed to a further two-year deferral to require adoption on 1 April 2025.

The scope of the standard covers insurance contracts issued, and reinsurance contracts issued or held. Salix does not have any insurance contracts under IFRS 4 and does not expect to recognise any contracts under IFRS 17. Review work will be undertaken to provide assurance over this in advance of the effective date.

### 3.6 Revenue

Funding from DESNZ (BEIS) is accounted for on a cash basis in line with the FReM, and recognised as grant-in-aid through reserves.

Revenue from contracts with customers consists mainly of income received for the administration of grant and loan schemes, and project management services to the Welsh Government and the Scottish Government. Salix also receives revenue from other organisations and from other government departments to provide funding programme support.

Salix recognises revenue from contracts with customers in accordance with IFRS 15. The standard sets out that the point of recognition is based on when performance obligations of a contract are satisfied, and the benefits are fully received by the customer. The table below sets out the approach to income recognition for the main customer contract types:

Contract type	Point-of-revenue recognition	Judgements applied
<b>Provision of grants and loan schemes administration services and other project management delivery</b>	Revenue to be recognised over a period-of-time	Salix assesses that its obligations are fulfilled by providing the services over the period that the scheme covers. Revenue from contracts (agreements) is recognised when services are rendered on behalf of the principals at an amount that reflects the consideration which Salix expects to be entitled to in exchange for those services. Therefore, the revenue received for these services should be recognised proportionately annually. IFRS 15 requires Salix to treat as one single contract any linked contracts that have similar features, such as the timing and commercial purpose. Therefore, revenue received for loan, grant schemes and project delivery management services is apportioned and recognised evenly over 12 months.
<b>Management Services</b>	Point-in-time recognition	Salix has contracts with customers to provide professional services for example, management expertise in assessing applications for the Scottish Funding Council Universities' Financial Transaction Programme support. The performance obligation is to carry out the related activity to completion (i.e. upon delivery of services to the customer) because this is when the customer benefits from Salix's professional services.

#### (i) Significant financing component

Salix applies the practical expedient for short-term advances received from the funders. The promised amount of consideration is not adjusted for the effects of a significant financing component. The contracts are not discounted using prevailing interest rates if the period between the transfer of the promised service and the payment is one year or less.

#### (ii) Trade receivables

Salix recognises a receivable if an amount of consideration that is unconditional is due from the customer (i.e., only passage of time is required before payment of the consideration is due).

## Financial statements

### (iii) Contract liabilities and assets

Salix recognises a contract liability in the form of deferred income if a payment is received from a customer before Salix performs the related services. A contract asset is recognised if payment is due from a customer after Salix completes its obligations under the contract. Contract liabilities are recognised as revenue in the statement of income and comprehensive expenditure when Salix performs under the contract.

### 3.7 Valuation of non-current assets

#### Property, plant and equipment

Property, plant and equipment are initially recognised in the statement of financial position at their current value in existing use, which is calculated as the cost of the asset less its accumulated depreciation, at the reporting date.

#### Intangible non-current assets

In 2022-23, Salix did not have intangible assets which would have comprised of internally developed software for internal use (including such assets as under construction), software developed by third parties and purchased software licences.

Any development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by Salix are capitalised if they meet the criteria specified by IAS 38 'Intangible Assets'.

Other development expenditure that does not meet these criteria is recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in the subsequent period. Expenditure on research is treated as an operating cost in the SoCNE.

Purchased software licenses would be recognised as intangibles if it were probable that future service potential would flow to Salix for more than 12 months following purchase and the cost of the license could be measured reliably. Such licenses would initially be measured at cost. Software-as-a-service would be expensed unless Salix could determine that it has control over the software.

Subsequent to initial recognition, any intangible assets would be measured at fair value. As no active market exists for the intangible assets for Salix, fair value is assessed as replacement cost less any accumulated amortisation (the proportion of the asset value charged to SoCNE) and impairment losses (when the value of an asset falls below its carrying value).

The threshold for capitalising non-current assets is £500 (including irrecoverable VAT). Individual items are not grouped unless they are components of a single asset.

### 3.8 Depreciation

Depreciation is provided on all non-current assets on a straight-line basis to write off costs (less any estimated residual value) evenly over the asset's anticipated life. Depreciation is charged from the month following acquisition or use.

Asset lives are in the following ranges:

- Information technology – typically three to five years. Assumptions on remaining asset lives are reviewed annually and may be adjusted in line with revised expectations.

### 3.9 Impairment

An impairment reflects a diminution in value of an asset as a result of a clear consumption of economic benefits or service potential. Assets are reviewed annually for indications of impairment. Where impairment indicators exist, relevant assets are tested for impairment by comparing the carrying value of those assets with their recoverable amount.

Where the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and value-in-use. Impairment losses are charged directly to the Statement of Comprehensive Net Expenditure (SoCNE) unless the asset was previously revalued, in which case the loss is charged to the revaluation surplus to the extent of the surplus available. Decreases in excess of the available revaluation surplus are charged to the SoCNE.

### 3.10 Leases

#### IFRS 16 leases

The definition of a lease under IFRS16 is applied to assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, Salix considers whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset.
- Salix has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use.
- Salix has the right to direct the use of the asset. Salix has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, Salix has the right to direct the use of the asset if either: Salix has the right to operate the asset or Salix designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a land and building contract that contains a lease component and where Salix is the lessee, Salix has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Salix applies the IFRS 16 cost measurement model to right-of-use assets as a proxy for current value in existing use or fair value.



### Right-of-use asset – initial recognition and subsequent measurement

Salix recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset recognised is initially measured at the present value of future payments to be made under the lease, adjusted by the amount of any prepaid or accrued lease payments, plus any initial direct costs incurred, an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received at the inception of the lease.

Right-of-use assets are subsequently measured using the IFRS 16 cost measurement model adapted in the FReM, as a proxy for carrying value in existing use or fair value.

The asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets is determined on the same basis as those of property and equipment. In addition, right-of-use assets are periodically reviewed for impairment and adjusted for certain remeasurements of the lease liability.

### Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted at rates promulgated under HM Treasury guidance.

During the financial year 2022-23 Salix treated its previous accommodation at 75 King William Street as a lease under IFRS16. This lease was terminated in September 2022. The new lease at 10 South Colonnade was assessed and treated as an operating lease.

### 3.11 Value Added Tax

Salix does not engage in business activities for VAT purposes and therefore, most of its activities are outside the scope of VAT. In general output tax does not apply except for those activities that are deemed vatable.

Input tax on most purchases funded by grant-in-aid is not recoverable unless the VAT has been incurred in the course of contracting out those services listed in the HM Treasury's 'Contracting out of services' directions. Irrecoverable VAT is charged to the SoCNE or included in the capitalised cost of fixed assets in the Statement of Financial Position (SoFP). Income and expenditure are otherwise shown in net of recoverable VAT.

### 3.12 Employee benefits

#### Employee accruals

The annual leave year has been aligned with the financial year from 1 April 2023. Employees are encouraged to take all their annual leave entitlement within that period as it will not be carried over into the next financial year. Annual leave accruals are processed only in exceptional circumstances where the employee cannot take annual leave due to sickness or maternity leave. Accruals are also processed for bonuses relating to individual performance during the year.

#### Defined contribution pension scheme

Under a defined contribution scheme, Salix's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. Salix recognises contributions payable as an expense in the year in which they have been incurred.

### 3.13 Provisions

Provisions are recognised in accordance with IAS 37 'Provisions, contingent liabilities, and contingent assets.'

The amount recognised as a provision is the best estimate of expenditure required to settle the present obligation at the SoFP date. Provisions expected to materialise more than one year from the SoFP date are discounted at the rates set annually by HM Treasury.

Provisions are recognised as a liability on SoFP and as an expense on SoCNE in the same period when they are reasonably estimated.

### 3.14 Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recognised in the SoFP.

A contingent liability is disclosed when the possibility of an outflow of economic benefits to settle the obligation is more than remote. A contingent asset is disclosed when an inflow of economic benefit is probable.

In addition to contingent liabilities disclosed in accordance with IAS 37, Salix discloses for Parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of 'Managing Public Money' and 'Government accounting'. 3.15 Cash and cash equivalents

In the statement of financial position, cash and cash equivalents comprise bank accounts. Bank accounts managed on behalf of third parties are not included as they do not meet the definition of an asset and are not considered to be the assets of Salix Finance Ltd.

### 3.16 Financial instruments

Salix holds the following financial assets and liabilities:

- cash
- trade and other receivables – current
- accrued income – current
- trade and other payables – current
- liabilities e.g. accruals – current and non-current

Financial assets and liabilities are accounted for under IFRS9 Financial Instruments, and IFRS 7 Financial instruments: disclosures.

#### Financial assets

Financial assets are recognised initially when Salix becomes a party to the contractual provisions of the instrument, at the amount of consideration that is unconditional. They are subsequently measured at amortised cost, being, transaction amounts less amounts settled and any impairment losses. The simplified approach under IFRS 9 allows Salix not to impair financial assets if they fall due within 12 months. Cash balances are measured as the amounts received in Salix's bank account. Salix does not have available-for-sale assets and securities, nor does it have cash equivalents or derivative financial instruments.

#### Financial liabilities

Financial liabilities are recognised initially when Salix becomes a party to the contractual provisions of the instrument, at nominal value (transaction price if due within one year) and does not include a financing component. Subsequent measurement is at amortised cost, being the transaction price less any amounts settled. Salix does not have borrowings. Financial liabilities do not include provisions.

## Financial statements

### 3.17 Estimation techniques used and changes in accounting estimates

Salix applies estimation techniques for the following:

- Calculating provisions – property dilapidations are estimated based on third party estimate.

### 4. Reported revenue and expenditure

The only income and expenditure reported in the company's financial statements is in respect of Salix's administration of grant and loan schemes. Salix does not have control over the schemes' criteria. Salix has concluded that it is an agent in its revenue arrangement because it does not typically control the services it undertakes on behalf of the principals.

### 5. Operating segments

Salix administers schemes to finance the delivery of energy efficiency and de-carbonisation projects in two main markets:

- public sector non-domestic buildings, including central government departments and non-departmental public bodies in England.
- Social homes and low-income households in England.

Management's decision to segment financial and operational performance information into these two activities reflects the differences between these markets in risk profile, cost structure and Salix's delivery roles.

Activity relating to social homes and low-income households did not exist in the previous year. Consequently, this is the first year in which Salix has deemed it appropriate to present a segment report to reflect its distinct activities.

2022-23	Public sector non-domestic energy efficiency (£)	Household energy efficiency (£)	Total (£)
Revenue from contracts with customers	(587,437)	-	(587,437)
<b>Total operating income</b>	<b>(587,437)</b>	<b>-</b>	<b>(587,437)</b>
Staff costs	5,432,880	313,743	5,746,623
Purchase of goods and services	4,219,005	872,615	5,091,620
Depreciation	542,959	-	542,959
<b>Total operating expenditure</b>	<b>10,194,844</b>	<b>1,186,358</b>	<b>11,381,202</b>
Finance expense	731	-	731
<b>Net expenditure for the year</b>	<b>9,608,138</b>	<b>1,186,358</b>	<b>10,794,496</b>
Loss on disposal of Fixed Assets	15,664	-	15,664
<b>Comprehensive net expenditure for the year</b>	<b>9,623,802</b>	<b>1,186,358</b>	<b>10,810,160</b>

### 6. Total operating expenditure

	2022-23 £	2021-22 £
<b>Staff Costs</b>		
Wages and Salaries	5,004,582	4,432,364
Social Security Costs	565,680	479,868
Apprenticeship Levy	10,186	5,654
Pension Costs	306,057	281,269
Annual Leave	(139,882)	93,071
<b>Goods and Services</b>		
ICT – outsourcing, maintenance and support of infrastructure, and telecoms	554,533	435,438
Estates costs including rent, rates, facility management and security	525,424	95,136
Contracted professional services	2,117,879	1,139,803
Travel and subsistence costs	42,035	15,092
Legal Fees	143,950	92,957
Recruitment, training and staff-related costs	700,888	567,749
Stationery, printing, postage and office equipment	2,810	6,938
Advertising, Marketing and Business Development	75,007	137,774
Irrecoverable VAT	845,614	652,837
Service costs	13,480	10,864
Auditor's remuneration and expenses	70,000	73,000
<b>Non-cash items</b>		
Depreciation	68,967	66,605
ROUA Depreciation Charge	473,992	939,105
<b>Total</b>	<b>11,381,202</b>	<b>9,525,524</b>

Estates costs include rent payments of £173,530 relating to the occupancy of Salix's new office space (at 10SC) following the termination of the King William Street lease.

The VAT on expenditure is shown separately as irrecoverable VAT.

\*Includes non-executive director costs

## 7. Total operating income

### 7.1 Revenue from contracts with customers

	2022-23 £	2021-22 £
Scottish Government	(229,241)	(185,000)
Welsh Government	(350,000)	(350,000)
Scottish Funding Council	(8,196)	(18,468)
<b>Total</b>	<b>(587,437)</b>	<b>(553,468)</b>

### 7.2 Details of contracts with customers

The following additional disclosure provides users of the accounts with more detailed information regarding the nature of Salix's contracts with customers.

Contract	Scottish Government
Contract details	Salix recovers from the Scottish Government the costs the company incurs in administering the Scottish Energy Efficient Loans.
Performance obligations	The performance obligations identified below are combined into one to recognise correctly the revenue earned. Administration process (Drawdown requests) Application of designated Account Funds Reporting Data Protection
Contract duration	Annual
Revenue recognition	Revenue is recognised annually over a period of time during which the service is provided.
Contract values	Contract 1 - £185,000 Additional revenue to contract 1 for 2022-23 - £44,241)

Contract	Welsh Government
Contract details	The Welsh Government pays Salix to administer the Wales Energy Efficiency Loans on its behalf.
Performance obligations	The performance obligations identified below are combined into one to recognise correctly the revenue earned. Administration process (Drawdown requests) Application of designated Account Funds Reporting Template Loan Documents Commitment Letter Form of Project Loan Summary Data Protection
Contract duration	Annual
Revenue recognition	Revenue is recognised annually over a period of time during which the service is provided.
Contract values	£350,000

Contract	Scottish Funding Council
Contract details	Provision of professional services for SFC's Financial Transactions Programme
Customer details	Scottish Government public body
Performance obligations	The performance obligations identified below are unbundled to recognise correctly the revenue earned from contract. 1. recommendations on priority projects 2. annual programme reports
Contract duration	Contract 1 - December 2019 to September 2022 Contract 2 - September 2022 to 2025
Revenue recognition	Fixed amount at a point in time
Contract values	Contract 1 - £55,860 (incl. VAT) Contract 2 - £28,977.62 (incl. VAT)

## 8. Property, plant and equipment

Property, plant and equipment comprises IT hardware and a Right-of-Use Asset.

2022-23	Information Technology (£)	Right-of-Use -Asset (£)	Total (£)
<b>Cost or valuation</b>			
At 1 April 2022	344,846	1,408,656	<b>1,753,502</b>
Additions in year	60,525	4,440	<b>64,965</b>
Termination of lease contract	-	(1,413,096)	<b>(1,413,096)</b>
Disposals	(48,365)	-	<b>(48,365)</b>
<b>At 31 March 2023</b>	<b>357,006</b>	-	<b>357,006</b>
<b>Depreciation</b>			
At 1 April 2022	(227,312)	(939,105)	<b>(1,166,417)</b>
Charge in year	(68,968)	(473,991)	<b>(542,959)</b>
Termination of lease contract	-	1,413,096	<b>1,413,096</b>
Disposals	32,701	-	<b>32,701</b>
<b>At 31 March 2023</b>	<b>(263,579)</b>	-	<b>(263,579)</b>
<b>Carrying Amount - 31 March 2023</b>	<b>93,427</b>	-	<b>93,427</b>

2021-22	Information Technology (£)	Right-of-Use -Asset (£)	Total (£)
<b>Cost or valuation</b>			
At 1 April 2021	311,232	1,354,164	<b>1,665,396</b>
Additions	33,614	54,492	<b>88,106</b>
<b>At 31 March 2022</b>	<b>344,846</b>	<b>1,408,656</b>	<b>1,753,502</b>
<b>Depreciation</b>			
At 1 April 2021	160,707	-	<b>160,707</b>
Charged in year	66,605	939,105	<b>1,005,710</b>
<b>At 31 March 2022</b>	<b>227,312</b>	<b>939,105</b>	<b>1,166,417</b>
<b>Carrying amount at 31 March 2022</b>	<b>117,534</b>	<b>469,551</b>	<b>587,085</b>
Restated Carrying amount at 1 April 2021	150,525	1,354,164	1,504,689

In accordance with IFRS 16 Buildings are deemed to be a Right-of-Use Asset. Other expenditure recognised in the year in respect of leases (i.e. short term and leases of low value items) is deemed as immaterial.

## 9. Lease liabilities

	2022-23 £	2021-22 £
<b>Cost or Valuation</b>		
At 1 April	(458,269)	(1,354,164)
Lease liability recognised	-	-
Finance Charge	-	(7,754)
Repayments	458,269	903,649
<b>At 31 March 2023</b>	<b>-</b>	<b>(458,269)</b>
Due within one year	-	(458,269)
2 - 5 years	-	-
	-	<b>(458,269)</b>

Lease liabilities under IFRS 16 are recognised at the present value of the future lease payments not paid at the lease inception date and discounted at rates promulgated under HM Treasury guidance. The lease liability balance at 31 March 2023 is nil because Salix has entered into a new accommodation contract which is not under IFRS 16.

### Discount rate (nominal rate)

For leases commencing or remeasured in the 2022 calendar year	For leases commencing or remeasured in 2023 calendar year
0.95%	3.51%

### Maturity analysis of contractual undiscounted lease payments

	2022-23 Office Accommodation £	2021-22 Office Accommodation £
Not later than one year	-	459,000
One to five years	-	-
Over five years	-	-
<b>Undiscounted lease liabilities at 31 March 2023</b>	<b>-</b>	<b>459,000</b>



Lease liabilities in the Statement of Financial Position

	2022-23 Office Accommodation £	2021-22 Office Accommodation £
Current	-	458,269
Non-Current	-	-
<b>Discounted lease liabilities at 31 March 2023</b>	<b>-</b>	<b>458,269</b>

Amounts recognised in Statement of Net Income and Expenditure

	2022-23 Office Accommodation £	2021-22 Office Accommodation £
Interest on lease liabilities	731	7,754
ROUA Depreciation Charge	473,992	939,105
<b>Total amount recognised in the SoCNE at 31 March 2023</b>	<b>474,723</b>	<b>946,859</b>

Cash Outflow for Leases

	2022-23 Office Accommodation £	2021-22 Office Accommodation £
Principal repayments for leases for the year ended 31 March 2023	458,269	895,895
Interest repayments for leases for the year ended 31 March 2023	731	7,754
<b>Total amount recognised in the Statement of Cash flows at 31 March 2023</b>	<b>459,000</b>	<b>903,649</b>

10. Capital and other financial commitments

Salix has entered into non-cancellable contracts (which are not a lease or private finance initiative contract) for IT, rent, office services and other capital commitments. The maturity analysis of committed payments is as follows.

	2022-23 £	Restated 2021-22 £
Not later than one year	1,020,967	367,574
Later than one year and not later than five years	1,271,567	-
Later than five years	379,765	-
<b>Total</b>	<b>2,672,299</b>	<b>367,574</b>

The comparative financial year balance for Capital and other financial commitments has been restated from £826,574 to £367,574 due to a misstatement in relation to a lease liability of £459,000. The lease liability has been disclosed separately in financial year 2023.

The commitment for IT services are recurring monthly costs which are expected to incur over the next 3-5 years but are not contractually obliged.

11. Financial instruments

Salix's cash requirements are met through the Estimates process. Therefore, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. As a result, Salix's exposure to credit, liquidity or market risk is limited.

12. Cash and cash equivalents

	2022-23 £	2021-22 £
Balance at 1 April 2022	1,011,603	758,842
Net change in cash and cash equivalents	(191,389)	252,761
<b>Balance at 31 March 2023</b>	<b>820,214</b>	<b>1,011,603</b>

	2022-23 £	2021-22 £
The following balances at 31 March 2023 were held at:		
Government Banking Service	820,214	1,011,603
<b>Balance at 31 March 2023</b>	<b>820,214</b>	<b>1,011,603</b>

Salix operates as an agent for DESNZ and manage funds of £10.9m in separate accounts other than those for the operating activities of Salix Finance belong to DESNZ.

### 13. Trade and other receivables

	2022-23 £	2021-22 £
<b>Amounts falling due within one year</b>		
Trade Receivables	96,164	109,662
Deposit and Advances	813	160,187
Prepayments	176,213	280,470
Other receivables	370	4,007
<b>Amounts falling due more than one year</b>	-	-
<b>Total Trade &amp; Other Receivables</b>	<b>273,560</b>	<b>554,326</b>

Trade Receivables at 31 March 2023 include £90,492 due from Scottish Government (2021-22 (Nil)).

### 14. Trade and other payables

	2022-23 £	2021-22 £
<b>Amounts falling due within one year</b>		
Trade Payables	(285,882)	(598,598)
Tax and social security	(191,275)	(166,929)
Accruals	(1,054,447)	(631,107)
Deferred income	-	(31,556)
Other payables	(1,426)	-
<b>Amounts falling due more than one year</b>	-	-
<b>Total Trade and Other Payables</b>	<b>(1,533,030)</b>	<b>(1,428,190)</b>

### 15. Provisions for liabilities and charges

	2022-23 Property Dilapidations £	2021-22 Property Dilapidations £
<b>Balance at 1 April 2022</b>	<b>55,000</b>	-
Provided in year	78,531	54,492
Provisions utilised in the year	(59,570)	
Unwinding of discount)	130	508
<b>Balance at 31 March 2023</b>	<b>74,091</b>	<b>55,000</b>

### Analysis of expected timing of discounted flows

	2022-23 Property Dilapidations £	2021-22 Property Dilapidations £
Not later than one year	-	55,000
Later than one year and not later than five years	74,091	-
Later than five years	-	-
<b>Balance at 31 March 2023</b>	<b>74,091</b>	<b>55,000</b>

#### 15.1 Property dilapidation

Salix leases its office accommodation under a Licence to Occupy agreement with the Government Property Agency (GPA). It is a standard contractual requirement that the lessee returns the leased estate in good order at the end of the lease period and makes good any dilapidations. These costs will be payable at the end of the lease.

### 16. Finance expense

	2022-23 £	2021-22 £
Current Right-of-Use Asset	-	-
Ceased Right-of-Use Asset	731	7,754
<b>Balance at 31 March 2023</b>	<b>731</b>	<b>7,754</b>

### 17. Contingent liabilities

Salix has no contingent liabilities to disclose.

### 18. Contingent assets under IAS 37

Salix has no contingent assets to disclose.

### 19. Related party transactions

#### 19.1 Transactions between Salix and other government departments

Salix is a non-departmental public body of DESNZ (BEIS), which is regarded as a controlling related party. Salix's primary source of funding is grant-in-aid, based on approved expenditure that is voted for by Parliament. The total amount of funding received from DESNZ for the period ended 31 March 2023 amounted to £10,178,685 (2021-22 £8,685,002). In addition, Salix had transactions with other funders during the year: Welsh Government - £350,000 (2021-22 £350,000) and Scottish Government - £229,241 (2021-22 £185,000). See Note 13-Trade and Other Receivables for more information on receivables from Scottish Government at 31 March 2023.

## Financial statements

### 19.2 Transactions between Salix and Board members and key managers

The accounts provide disclosure of all material transactions with those who are recognised as key management personnel as per IAS 24 'Related Parties'. This is taken to be all of Salix's Board members as included in the Remuneration and Staff Report. There are no additional disclosures due to related parties.

## 20. Pension arrangements

The Salix Group Personal Pension Plan is provided by Royal London and is a defined contribution scheme. Employees pay into the scheme and Salix contributes to this scheme.

To remain in the plan, employees must make a minimum monthly contribution of 3% of their basic salary. The contributions are shown in the following tables:

Employees Contribution	Salix Contribution	Total Contribution
3%	6%	9%
For enhanced contributions of 2:1 up to a maximum of 10% of basic salary		
4%	8%	12%
5%	10%	15%

Salix reserves the right to vary the contributions at any time, subject to the company meeting minimum statutory requirements.

## 21. Events after the reporting period

In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Independent Auditors Report. In January 2023, Salix was appointed as delivery agent to manage the delivery of the Social Housing Decarbonisation Fund and Home Upgrade Grant on behalf of the Department for Energy Security and Net Zero.

On 1 April 2023 Salix opened a second office based in Manchester as a base for the housing team and entered a 6-year office lease commitment.

On 15 May 2023, Salix appointed a consortium led by PwC and including Turner & Townsend and Arup, to deliver the schemes as delivery partner.

On 1 July 2023, Salix made a payment of £166k to employees in cost of living support payments.

There have been no other events after the reporting period requiring an adjustment to the financial statements.





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