

Like-for-like Cost: Guidance

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Phase 3 Public Sector Decarbonisation Scheme (PSDS) grant recipients are required to contribute the like-for-like costs of their project using their own funding, to demonstrate their commitment towards a low-carbon heating system.

What is a like-for-like cost?

Like-for-like costs are the costs that would be incurred by the grant recipient, should the existing heating system be replaced with a typical fossil fuel heating system of the same type and size. In most cases this will be equivalent to the costs of replacing the system with a conventional boiler. The like-for-like contribution for 3a projects can be found in 'step 3.2 Heating system' and for 3b projects this can be found in 'Step 4: Support tool'.

For Phase 3a, the like-for-like costs are as a minimum, the equivalent to the full costs of replacing the existing heating system on a like-for-like basis.

For Phase 3b and 3c, the like-for-like costs must be a minimum of 12% of the total project costs and like-for-like costs over 12% must be contributed by the grant recipient in full.

e.g. if the like-for-like costs are *less than* 12% of the total project costs, the grant recipient is expected to contribute and evidence 12% of the total project costs.

e.g. if the like-for-like replacement cost comes out at 15% of total project costs, then the grant recipient must contribute and evidence the 15%.

Example:

A Public Sector Decarbonisation Scheme project that costs £500,000 and is expected to save 1,000 tonnes of carbon. In the application the cost to replace the gas boiler with a new gas boiler is indicated to cost £75,000 (this means it's a 15% like-for-like cost). In this instance, to ensure the project remains within the £325/tCO₂e for the grant funding, the Public Sector Decarbonisation Scheme grant cannot exceed £325,000 (325 x 1,000). As the like-for-like costs being contributed by the grant recipient is £75,000, therefore the grant recipient will need to make a further client contribution of £100,000 to cover the remaining costs.

What are the like-for-like cost requirements?

At application stage

Applicants are expected to evidence the cost for a like-for-like replacement of the existing fossil fuel plant using either previous project costs; quantity



surveyor estimates; quotes or contractor estimates. The like-for-like costs should include the cost of auxiliary works within the plant room only, including but not limited to:

- New controls
- Pumps
- Flue systems
- Expansion vessels
- Pipework and insulation
- The cost of removing the end-of-life heating plant
- The cost for installing the fossil fuel heating plant
- Commissioning work

At project completion

Prior to receiving final payment, all Public Sector Decarbonisation Scheme 3 grant recipient must have provided invoices to demonstrate a contribution equivalent to the value of the like-for-like costs outlined in their application. These invoices must be for costs related to measures listed in 'Step 4 Support Tool' of your application form. This can include enabling and ancillary works.

A list of these invoices must be added to the Final Payment Statement of Expenditure in 'Step 2' and submitted along with the invoices as part of your final payment request.

If you wish to use invoices that have already been claimed as part of your Public Sector Decarbonisation Scheme grant draw down in earlier payment submissions, but were only part claimed, then the relevant invoice numbers and amount you wish to evidence as like-for-like costs should be added to 'Step 2' of the Final Payment Statement of Expenditure. Where invoices are being part claimed for both your Public Sector Decarbonisation Scheme payment claim and like-for-like evidence, grant recipient must clearly state which costs are being claimed for each in the 'comments' column.

Salix will be unable to make final payments to any grant recipient where the like-for-like costs have not been sufficiently evidenced.

What if the client contribution towards the project is more than the like-for-like replacement costs (including if like-for-like costs are > 12%)?

The like-for-like costs are the minimum contribution which are outlined in your application. For Phase 3b and 3c applicants, if the like-for-like costs are less than 12%, then you will need to evidence 12%.

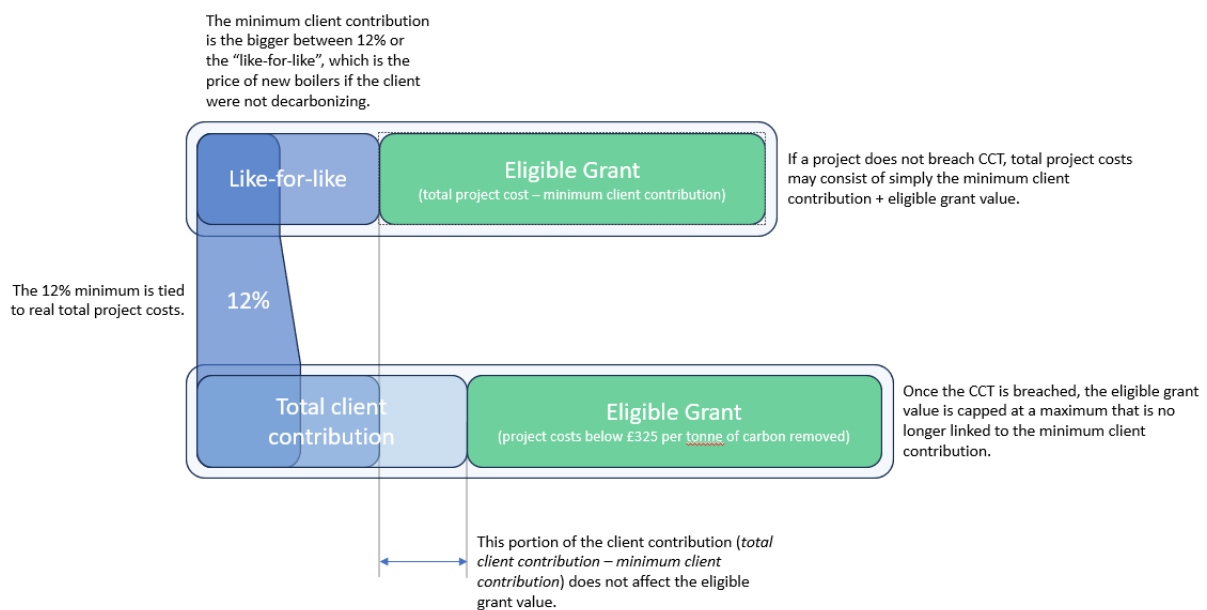
Any project spend above the minimum amount, or spend that is above the £325/tCO₂e compliancy is referred to as 'client contribution'. **Spend above £325/tCO₂e cannot be used as like-for-like costs.**

- Grant recipients only need to evidence the like-for-like costs with invoices

- Client contribution should be added to Step 3 of the 'Final Payment Statement of Expenditure' to provide information on the spend but does not need to be evidenced with invoices

What if the eligible grant value changes following a change request?

If a change request changes the Carbon Cost Threshold (CCT) of a project, then the grant recipient may be required to contribute further project costs if the costs over the £325/tCO₂e have increased as this will not be eligible grant expenditure or like-for-like costs.



What if, at completion, the total project costs have reduced?

If a project has reduced in scope or costs are less than expected on completion, the like-for-like contribution cannot be decreased which may mean the final payment is reduced.

For example, College A were awarded a grant of £250,000 and their compulsory like-for-like contribution was £50,000. On completion of their scheme to the same scope, the total project spend was lower than expected at £285,000. The College would still need to contribute £50,000. Therefore, the eligible grant funding amount would be reduced to £235,000.

What if the project scope changes?

In the case of a scope change which affects the low carbon heating (LCH) solution, the like-for-like costs will be reassessed and confirmed by the Salix Energy and Carbon Technical Team (ECT). In such cases, the Salix will inform



the grant recipient of the revised contribution. Any costs above £325/tCO₂ criteria will still need to be covered by the grant recipient's additional client contribution.

What if the final payment occurs ahead of full completion of the project?

If the project completion is delayed beyond the grant end date, then Salix acknowledges that grant recipients may not have enough invoices to evidence like-for-like costs prior to final payment. In this scenario, Salix can make final payment without the like-for-like evidence, but the grant recipient must provide this upon the project's practical completion. This is only applicable to projects which are delayed completions. All projects which are completing within the eligible grant period must evidence their like-for-like costs prior to final payment.

Your Salix relationship manager will request you to provide full invoices to evidence the like-for-like costs on completion of the project. Failure to provide this evidence may result in your eligible grant value being reduced and funding reclaimed from you.