

salix



Scottish Government
Riaghaltas na h-Alba

Phase 2

Scotland's Public Sector Heat Decarbonisation Fund

Guidance Notes

March 2025



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Scotland's Public Sector Heat Decarbonisation Fund

1. Introduction

The Heat in Buildings Strategy sets out the Scottish Government's vision for the future of heat in buildings and the actions that must be taken in the buildings sector to deliver on climate change commitments, maximise economic opportunities, and ensure a just transition, including helping address fuel poverty.

Scotland's public sector buildings account for around 2.5% of the country's greenhouse gas emissions. We must therefore reduce emissions from 23,000 public sector buildings to help end Scotland's contribution to climate change by 2045.

The public sector must demonstrate its commitment to transforming Scotland's buildings by taking early and sustained action to decarbonise the public sector estate and improve the energy performance of all public buildings.

Scotland's Public Sector Heat Decarbonisation Fund ('The Fund') will provide grant funding for local authorities, universities and arms-length external organisations to progress whole building approach projects that decarbonise heating systems and improve the overall energy performance of their buildings.

1.1 Strategic objectives

The Fund has two strategic objectives:

- To support projects that will replace existing polluting heating systems with clean heating systems.
- To support energy efficiency projects where they can demonstrate that they are part of a whole building retrofit approach or broader strategy for heat decarbonisation (including connections to heat networks).
 - A key resource to assist in achieving a whole building approach in your project design is the Net Zero Public Sector Buildings Standard, which is a voluntary standard, owned by the Scottish Government. The standard acts as a guide for organisations who are participating in publicly funded new build and major refurbishment projects to develop and improve buildings to achieve a step change improvement in Net Zero Operational Energy, and to take action on embodied carbon, whole life emissions and indoor and other environmental aspects. For more information, please visit the Net Zero Standard website or contact info@netzerostandard.scot

Annex C has examples of projects that would be eligible under The Fund. Please be aware that this list is designed to be indicative and is not exhaustive; if there is a project design that you believe may be eligible but is not clarified by this list, please contact the Salix team on ScotlandGrants@salixfinance.co.uk with the full details of the project.

1.2 What is new for Phase 2 of The Fund

The changes made to Phase 2 of Scotland's Public Sector Heat Decarbonisation Fund are intended to maximise the impact of The Fund within the Scottish public sector, as well as to ensure the

feasible delivery of projects within the grant delivery period. The main changes to The Fund are as follows:

- The scheme is launching in financial year 25/26, therefore, to allow sufficient time to develop applications and ensure the due diligence is carried out during the assessment, Grant Offer Letters are expected to be issued from August 2025.
- Concept applications have been removed from Phase 2 of The Fund. Due to a reduced funding window, there is not enough time for concept applications to develop within the grant period.
- Each assessment criteria must achieve a minimum score of 65%. This is to tighten the previous scoring system ensuring that applications that pass meet a minimum standard in all aspects and are deliverable within the grant period.
- Please note that there has been an update of some key terminology. Zero Direct Emission Heating system (ZDEH) is now referred to as clean heating system (CHS), and fossil fuel systems are now referred to as polluting systems. Please be aware that a number of our forms may still carry the previous wording.

You can find extra information on the above changes in their respective sections throughout this document.

2. Application type

Applicants can submit one application per financial year. Multiple buildings, measures and/or projects can be included in one application provided that the application is compliant with The Fund criteria.

The Fund welcomes applications for capital projects that can be delivered by 31 March 2026.

Applications will follow a single assessment approach, and if successful will have capital funding confirmed via a Grant Offer Letter (GOL).

Due to the reduced funding window in FY25/26 the decision has been made to remove concept applications from Phase 2 of The Fund. Therefore, we will only be accepting detailed applications.

3. Eligibility criteria

3.1 Eligible organisations

Public sector bodies that are subject to the Public Bodies Duties in the Climate Change (Scotland) Act 2009 are eligible to apply for The Fund.¹ These organisations remain subject to the existing procurement rules such as the Public Contracts (Scotland) regulations 2015.

Eligible bodies include:

- Local authorities (this includes the local authority estate as well as any educational facilities within their ownership)
 - *Please note: schools will not be able to make a separate application; this should be covered within the relevant local authority's application)*
- Local authority arms-length external organisations (ALEOs)
 - *Please note: these bodies should take a strategic approach to their whole estate and ensure that the same sites are not included in applications submitted by both the ALEO and their parent local authority*
- Universities

¹ These organisations have previously been eligible to apply for the Scottish Energy Efficiency Loan Scheme (SEELS) as they are not influenced by borrowing restrictions.

Please note that the following organisations are currently not eligible for this scheme:

- Private sector organisations
- Public bodies classified by the Office for National Statistics (ONS) as Scottish central government: NHS Health Boards, further education colleges and central government departments (these organisations can access the [Scottish Central Government Energy Efficiency Grant scheme](#) instead, subject to available funding)
- Integrated joint boards and integrated partnership organisations will not be able to make a separate application(s) in isolation from the public sector organisation they are integrated with. For example, in the instance of health and social care partnerships, the proposed project should be included as part of the relevant local authority's application(s).
- Public corporations
- Registered charities

3.2 Eligible buildings

Public bodies should align applications with estate rationalisation plans and ensure that funding is only sought for buildings that are planned to remain in ownership and use; this is a priority of the [Infrastructure Investment Plan](#). Evidence will be requested during application to demonstrate that all buildings included in an application will be in the applicant's ownership for the blended useful life of all measures installed as part of the project. Buildings that have adopted the Net Zero Public Sector Buildings Standard and have had their 'Objective 1 Response' formally or provisionally accepted will be deemed to have met this eligibility requirement.

Only existing non-domestic buildings owned by eligible Scottish public bodies can be included in projects. Buildings rented/or on short term leases from the private sector are not eligible. Buildings that are currently under PPI/PFI contracts are not eligible.

The eligibility of buildings currently under long term leases will be considered on a case-by-case basis, subject to discussion between Salix and the applicant prior to the submission of their application.

Eligible public bodies that have a long-term lease arrangement for a building(s) from another public body (e.g. local government), in which the lease contract allows cost savings through improved energy efficiency to be passed to the eligible public body, are eligible to apply. If you are unclear regarding the eligibility of a building, please contact ScotlandGrants@salixfinance.co.uk

3.3 Eligible technologies

The following energy efficiency and heat decarbonisation technologies are eligible, subject to the further details set out in Annex A:

- Clean heating solutions (formerly known as Zero Direct Emission Heating solutions)
- Building Energy Management Systems (BEMS)
- Cooling
- Energy from waste (excluding incineration)
- Heating
- Hot water
- Insulation
- Motors & controls

- Renewable energy
- Swimming pool covers
- Transformers
- Ventilation

Ineligible projects: Projects that involve the implementation of technologies reliant on the use of fossil fuels are not eligible. This includes measures such as gas replacement boilers, hybrid heat pumps and combined heat and power technologies that run on fossil fuels, including on a partial basis.

Any projects that involve the new implementation of a polluting heating system are not eligible and will not be accepted. For Phase 2 biomass solutions are ineligible for grant funding.

Applications only proposing indirect carbon² savings are not eligible. The project must include fabric first measures saving direct carbon³ emissions and/or a clean heating system.

LED lighting and related lighting controls are not eligible technologies, a full list of eligible technologies can be found in annex A.

Specific requirements for air-to-air heat pumps, heat networks, and guidance on the retention of existing polluting heating systems are detailed in the following sub-sections.

3.3.1 Air-to-air heat pumps

Air-to-air heat pumps are eligible providing:

- A detailed feasibility study and/or options appraisal show that alternative technologies are not viable
- The building is currently air conditioned and both heating & cooling systems are being replaced by the air-to-air heat pump
- The predominant use of the technology is for heating

If the applicant is proposing to change the distribution system and emitters from wet to air-based they will need to justify the reasons for this change. This is because changing the system is unlikely to be the most cost-effective solution. Applicants should also provide evidence that the building is currently air conditioned and both heating and cooling systems are being replaced by the Air-to-air heat pump and that the predominant use of the technology is for heating.

3.3.2 Local Heat and Energy Efficiency Strategies

Local Heat and Energy Efficiency Strategies (LHEES) are at the heart of a place based, locally led and tailored approach to the heat transition. These local strategies will underpin an area-based approach to heat and energy efficiency planning and delivery. LHEES will set out the long-term plan for decarbonising heat in buildings and improving their energy efficiency across an entire local authority area.

Applicants must consult their applicable LHEES and share details of how their proposed project aligns with the LHEES for the local authority area in which the building(s) reside.

² **Indirect carbon** refers to the carbon emissions from power generated off site by another organisation. For the vast majority of public sector organisations this will primarily be carbon emissions arising from grid electricity use.

³ **Direct carbon** refers to the carbon emissions that are emitted either directly within an organisation's site boundary from combustion of fossil fuel, or where district heat networks are used the carbon emissions that are emitted from the combustion of fossil fuel in a district heating plant room. For most public sector organisations this will primarily be fossil fuels (gas, oil and coal) which are combusted on site.

3.3.3 Heat networks

This fund supports applicants to connect to an existing heat network. However, if the proposal involves extension works to a heat network, applicants should refer to the [Heat Network Fund](#). Applicants must give due consideration to any heat network zoning conditions that apply to the building(s) in scope of the application. For further information on heat network zones, applicants should refer to the applicable LHEES for the local authority area in which the building(s) reside.

Connections to a district heating network will be eligible if the network has a credible pathway to decarbonisation or the applicant can provide a study that demonstrates a credible route to decarbonising the heat network. Applicants should also make their project heat network compatible if it is in an area where a future heat network is likely.

Applicants need to provide the below documents to support applications proposing the connection to district heating:

- A bespoke carbon factor model, showing the predicted path to decarbonisation over the lifetime of the connection.
- Calculations showing heat loss figures for primary pipework connecting the building to the energy centre.
- Network design drawing clearly showing pipelines that will be funded by The Fund. Drawings should also show what is being funded by other schemes.
- Design considerations to minimise thermal losses across the network.
- Water flow and return temperatures for both the existing and proposed system including whether any upgrades will be required.

Improvements to an existing network's distribution system will be eligible if accompanied by the installation of a clean heating system, previously referred to as Zero Direct Emission Heating system, in the energy centre, replacing a fossil fuel heating source that meets the removal requirement set by The Fund.

3.3.4 Polluting systems or fossil fuel technologies

No new fossil fuel technologies can be implemented using either The Fund or the applicant's contribution.

The retention of existing systems is eligible providing:

- There are robust plans to replace the system with a clean heating alternative in line with public sector decarbonisation targets⁴.
- The polluting heating system is retained for the purpose of providing standby, back up and top up of heating under peak demand conditions. In this case, applications must demonstrate that the existing heating solution is optimised to achieve the maximum carbon benefit through the system's control philosophy.

3.4 Eligible costs

In this funding call, eligible organisations are limited to one application each, with each application able to request a maximum value of £2.5 million worth of capital funding.

Funding will be offered to cover the capital costs of purchasing, installing and commissioning eligible measures within the grant period.

⁴ To achieve net zero by 2045.

Where projects combine building maintenance/refurbishment measures with energy measures, only the eligible energy measures will be funded.

Grant funding is to be used for capital costs incurred up to 31 March 2026, including:

- Financial costs incurred for the purchase of physical assets and materials.
- Financial costs of project build, installation, construction and commissioning.
- Financial costs of project management support solely for the capital aspect of the project e.g., external consultancy and management fees.
- Enabling and ancillary works may be included in the application where these are directly linked to the core clean heating system/capital asset being installed.
- Non reclaimable VAT for eligible capital costs.

The following are not eligible to be funded through the grant, or eligible as the applicant contribution:

- Existing employee costs.
- Resource costs associated with the project, including standalone design costs.
- Costs previously incurred prior to the agreed project start date.
- Costs associated with legislative planning requirements.
- Contingency accounted for in the cost of the project.
- Direct maintenance for whole or components of fossil fuel systems.

3.5 Applicant contribution

Applicants must contribute 20% of the total eligible project costs listed in the application form.

- Projects must be in such a position that the applicant can claim the full grant amount (80% the eligible project costs listed in the application form) by the grant end date of 31 March 2026. Projects may be completed after this date, but any additional project costs will have to be funded by the applicant.
 - The Fund can be used to support capital expenditure for completed works that take place within the grant funding period up to the 31 March 2026.
- If required, Distribution Network Operator (DNO) costs may be included in the 20% applicant contribution.
 - DNO costs are not eligible to be claimed within the 80% grant funding.
- The applicant contribution total value must be evidenced in the applicant's final payment statement of expenditure.
- The minimum applicant contribution can be found in the Step 4: Support Tool of the Scotland's Public Sector Heat Decarbonisation Fund application form.

3.5.1 Grant timeframes

Funding is available for the financial year 2025/2026.

- The grant start date will be the date the Grant Offer Letter (GOL) is counter signed by the grant recipient.
- The grant end date is the 31 March 2026.

Applicants must provide a spending profile in their application which they intend to deliver. It is encouraged to apply with a funding profile which best suits the delivery of the project.

Following application, it is at Salix's discretion to approve any changes to the spend profile during the assessment period.

4. Project criteria

Grant funding will be provided to the applicant from Salix Finance on behalf of the Scottish Government's Energy and Climate Change Directorate.

Projects submitted for funding by eligible public sector organisations must meet the compliance criteria for each aspect listed below, which will be assessed via the application form. More detail on the following specific criterion is provided in this section.

4.1 Strategic approach

Applicants must demonstrate that their proposed project is planned as part of a strategic, whole building approach and a credible pathway to decarbonisation, demonstrating that all the scheme criteria have either:

- i) Already been carried out; or,
- ii) will be achieved by the project for which funding is being applied; or,
- iii) are covered by high level plans to achieve them in the future

Applicants must also demonstrate the strategic business need of the project and that the building(s) is an important strategic asset:

- Applicants should provide a convincing case for a sustained need for the building(s) in question.
- Reference should be made to alignment with the applicant's asset strategy, place-based reviews and the priorities of the Infrastructure Investment Plan (IIP).

4.2 Project type

The Fund welcomes two project types:

- Fabric first and clean heating system (formerly known as Zero Direct Emission Heating system)
- Fabric first only

Applicants will be asked to select the project type on application and should apply the following guidance accordingly for their project type.

4.2.1 Replacing existing polluting heating systems

For clean heating project types, applicants must be using a polluting heating system, formerly referred to as a fossil fuel system, with a reasonable service age to warrant replacement and must be replacing it with a clean heating system. Additionally, applicants must be able to demonstrate that the project is deliverable within the agreed grant delivery period, as all grant spend must be incurred during the 25/26 financial year.

Evidence Required

Evidence that the existing polluting heating system has reached a reasonable service age to warrant replacement includes:

The preferred supporting evidence is clear, high-resolution photographs of each boiler nameplate, which must clearly display the year of installation. However, the following can also be accepted:

- Clear, high-resolution photographs of each boiler serial number. This should be accompanied by an explanation of how the installation year can be deduced.
- A dated commissioning certificate which includes the boiler make, model and serial number.
- A third-party plant service report, which must clearly display the year of installation or a servicing date. This should also include the boiler make, model and serial number.

- An email from the manufacturer confirming the age based on the serial number.
- A comprehensive asset register could be used; however, it must be supported by further evidence as listed above.

The polluting heating system must be decommissioned before the project completion date, and evidence of this will be required upon completion. In the case where the plant has reached reasonable service age to warrant replacement sooner than would be typically expected (for example, through high operation or poor design), the applicant must set out the rationale and provide a third-party service report to show that this is the case.

4.2.2 Whole building & fabric first approach

In designing projects, applicants should:

- Apply a whole building approach comprising energy conservation measures and other works which reduce the heat or electrical demand, considering all factors that contribute to a building's energy consumption.
- Apply a fabric first approach to improving building fabric to the level appropriate for all buildings listed in the application form. Expected measures to be considered include cavity wall insulation, external wall insulation, loft insulation, and glazing.
- Applications that include the installation of a single indirect carbon saving energy efficiency measure (e.g. solar PV) at a singular site, as part of their wider grant application, would not constitute a whole building approach and would not be eligible for funding.

Where the above improvements are omitted from the strategy, applicants must sufficiently demonstrate that they have been considered and are not reasonably viable, including but not limited to where applicants have already implemented an optimal level of insulation in the building(s) included in the scope of the project.

A key mechanism for achieving a whole building approach is through the Net Zero Public Sector Buildings Standard which is a voluntary standard, owned by the Scottish Government.

Applicants should make clear in their submission if the organisation applying for grant funding has considered or is signed up to the Net Zero Public Sector Buildings Standard. If not using the standard, applicants must provide reasoning as to why it has not been adopted.

Organisations can register for the Standard which would showcase that they are demonstrating a whole building approach. For more information, please contact info@netzerostandard.scot

Evidence Required

Evidence for demonstrating a whole building and fabric first approach should consist of a feasibility study, including a detailed options appraisal. Applicants should have conducted a site survey to feed into an options appraisal, which shows that all viable options have been explored for building fabric improvements, energy efficiency measures and low carbon heating measures.

4.2.3 Energy efficiency technologies

Projects designed to solely retrofit energy efficiency measures are eligible for funding and fall under the fabric first only project type. This option is viable, provided that the application includes fabric improvements accounting for direct carbon savings⁵. Technologies such as cavity wall insulation and double-glazing account for direct carbon savings, whereas technologies such as solar PV are

only associated with indirect carbon savings⁶. For these technologies associated with indirect carbon savings to be eligible for funding, the technology must be accompanied by other direct carbon saving fabric measures and/or a clean heating system at the same building. A full list of eligible technologies can be found in Annex A and direct and indirect savings are described in Annex B.

4.3 Carbon Cost Ratio

A Carbon Cost Ratio (CCR) will be used to appraise the project benefit over the project lifetime. This will be used to assess projects of a similar nature and as a measure of value for money. No threshold has been set but efficient projects should achieve £450/tCO₂e or lower.

- The CCR will be automatically calculated by the Salix support tool included in the application form.
 - We recognise that there may be circumstances where this level cannot be satisfied, with the CCR surpassing the £450/tCO₂e benchmark. In these situations, as £450/tCO₂e is a benchmark and not a threshold, the applicant is requested to set out clear reasons for why their project surpasses this value and to justify why some flexibility of the CCR is necessary. Salix reserves the right to determine what constitutes as reasonable flexibility and this may not be provided to all projects that request it.
- Typical examples could be (but are not limited to):
 - Reduced operational hours of buildings, such as schools, whose heating systems are used for less time than other buildings which minimises the amount of carbon that can be displaced, resulting in a higher CCR.
 - Rural location of buildings may impact availability and cost of contractors and materials.
 - Buildings needing enhanced levels of insulation to support the transition to heat pump solution.
 - The introduction of a heat storage system with a heat pump where the principle aims are to use the heat pump system at non-peak times of the electricity grid.
 - The introduction of innovative heat solutions, e.g., ground and river source heat pumps, which may in cases be more expensive to implement but are more efficient than other solutions.
- Please note that stating any of the above alone will not be sufficient and a good level of detail, including benchmarking, will be required in the application form to support the consideration for a high CCR.

4.4 Current electrical capacity

At the time of application, applicants need to demonstrate that checks on their current electrical capacity have been undertaken. In doing so, they should look to understand what their maximum electrical capacity is, how close they currently are to reaching that capacity, and what additional capacity requirements, peak demand reduction, load shifting, or demand response are necessary to support a clean heating system, formerly referred to as Zero Direct Emission Heating system.

Where required, applicants should demonstrate they have engaged appropriately with their DNO to facilitate any required upgrade in electrical capacity. If required, applicants must be able to provide this evidence to Salix when requested during technical assessment.

5. Additionality

The following must apply to the proposed project for the application to remain eligible:

- The measures concerned are not required to be implemented by law (including building or health and safety legislation) or other relevant legislation such as planning.

- The measures are not being installed with a view to financial gain through a commercial heat supply agreement (other than the reduction of costs through increased energy efficiency).
- The installation of the measures concerned has not begun.
- Full funding for the project or energy efficiency elements of the project has not been agreed via another source.
- In the Scottish Government's reasonable opinion, the project would not take place without the grant support.

6. Responsibilities & competencies

The applicant and their partners are assumed to be competent and fully responsible for the projects to be supported by The Fund. This includes, but is not limited to:

- Project identification and development, including establishment of firm costs and calculated estimated savings.
- Reasonable project sequencing and due care to ensure no double counting of carbon savings when considering multiple projects on the same site
- Procurement of the capital project. Procurement routes must be communicated as part of the application process and should demonstrate the selection of suitable supplier(s) following the applicant's procurement procedure.
- Management of the delivery of the capital project.
- Reporting on project progress.
- Post project completion activities including any verification of savings.
- Assessing and mitigating the risk of fraud in the procurement, supply chain and implementation of projects as per the Grant Offer Letter terms and conditions
- Ensuring that all consultants and contractors involved in the provision of services in relation to the proposed project(s) hold and maintain appropriate professional indemnity insurance to cover all the services to be carried out and that copies of the relevant certificates are obtained.
- Public sector applicants must also ensure that all professional consultants and/or contractors provide invoices, receipted invoices, and completion certificates (where appropriate) in relation to the services carried out on the project(s) as they may be required for audit of the project(s).
- During and on completion of the project, Salix will be engaging applicants through surveys which will help Salix continually improve its services. It is a requirement of The Fund that these surveys sent via email are completed by the Applicant by the required deadline.
- The public sector applicant must ensure that accountability for the application, project delivery and governance sit with the Authorising Official and main contact in the grant recipient organisation, and that this cannot be transferred to contractors. It is the grant recipient's responsibility to ensure that contractors are delivering projects in line with the grant agreement.

7. Application process

There will be one call for funding in financial year 2025/2026 for projects that will complete all capital works supported by the Fund by 31 March 2026.

- Applications will follow a single assessment approach.
- Applicants will have typically set their decarbonisation strategy, undertaken feasibility studies to identify specific project(s), have commenced design work, started procurement and be nearing the stage where works are ready to begin to deliver the project(s).
- Applicants must complete all sections of the application form in full.
- Capital funding will be confirmed via Grant Offer Letter (GOL) after successful full assessment of the detailed application.

- The funding will be used to support the implementation of the project through to completion.

Applications are required to include a spending profile that allocates the grant value over the remainder of the financial year. Applicants are advised to submit a funding profile that is most appropriate for the project delivery, while also considering the timeline for the signing of the GOL and the subsequent time required to generate invoices and provide payment evidence.

7.1 Application and supporting documentation

Applicants can submit one application for this round of funding. Multiple buildings, measures and/or projects can be included in one application, providing that the application is compliant with the scheme criteria.

Private organisations can support the preparation of the application, however the online application must be completed and submitted directly by the public sector applicant, not an external consultant or contractor. Applications submitted by a private organisation will not be accepted.

Once the application has been submitted, there will be no opportunity to provide further information. Please ensure that the application submitted is as robust as possible and includes all mandatory information as a minimum.

The supporting evidence below is requested to support the information provided in the application form.

Please see Annex B.2 for a full description of the specified documentation.

Essential Documentation	Desirable: Applicants are asked to provide these where available or applicable
Application form Authorising Official confirmation - including confirmation of 20% match funding availability Counter fraud authorisation Energy saving calculations Energy Performance Certificates (EPCs) Energy bills Data sheets (essential for clean heating applications only) Letter of intent to local DNO (essential for clean heating applications only) Feasibility study including site surveys, schematics, survey of current heat distribution system, evidence of the efficiency of the existing heating system/s, evidence of existing electrical capacity, evidence of the heated area (m ²) and evidence of current fossil fuel and electrical energy use Heat Loss Survey and evidence of impact on building heat loss Project costs including, indicative cost of all the measures included in the scope of the project, quotations, costs breakdown and applicant financial	DNO quotations Energy and Carbon Monitoring Report evidencing data through metering, frequency and duration Energy contract Evidence of current fuel costs Firm pricing Heat Decarbonisation Plan (HDP) Metering data Photographic evidence of existing boiler, including manufacturer code and serial number. Where this is not possible, a service report or a maintenance report. Report of building refurbishment Salix Peak Heat Loss Tool or equivalent

contingency (funded through applicant contribution) allocated to the project	
Project programme	
Spending profile	
Risk register	

7.2 Application authorisation

All applications must be authorised for submission by an appropriate authorising officer within the applicant organisation (this could include director of finance or chief executive/vice principal). Written confirmation clearly stating the application has received approval from the Authorising Official is required at time of submission. This should include confirmation that the 20% match funding contribution is available for the project. Applications that do not provide this will not be assessed until written confirmation is provided.

8. Assessment process

Salix and the Scottish Government want to ensure a fair approach to allocating funding therefore a quality-based assessment will be undertaken.

Applications will undergo initial delivery-based quality checks for eligibility and completeness before being progressed into the technical assessment.

The specified mandatory documents are essential for the assessment of the application. Failure to provide all documentation may result in the failure of the application.

The technical assessors will conduct their assessment and will only ask for clarifications if a score is unable to be determined. As such, applicants should ensure someone within the organisation can be available to deal with any clarifications during this period. Applicants should endeavour to respond to any queries during the assessment process within three working days. Delays to responses may result in the failure of the assessment.

The clarification points will not be an opportunity to provide additional information once the application has been submitted. This is to ensure that there is fairness across the process and that the quality of application is determined from the outset.

To ensure Salix allocates funding to applications that are well evidenced and have a strong likelihood of success, each application will be measured against the following five criteria:

Criteria	Weighting within application form
Strategic assessment	20%
Technical feasibility	30%
Financial costs	20%
Project delivery	20%
Social impact	10%
Total	100%

Please refer to the scoring criteria tab of the application form for a breakdown of which questions are applicable to each scoring section.

Each question in the application form will be worth four marks and scored using the following methodology:

0	Response is inadequate. The response fails to demonstrate an ability to meet the requirement.
1	Response is generally poor. The response addresses some elements of the requirement but contains insufficient/limited detail or explanation to demonstrate how the requirement will be fulfilled.
2	Response is relevant and acceptable. The response addresses a broad understanding of the requirement but may lack details on how the requirement will be fulfilled in certain areas.
3	Response is relevant and good. The response is sufficiently detailed to demonstrate a good understanding and provides details on how the requirements will be fulfilled.
4	Response is completely relevant and excellent overall. The response is comprehensive, unambiguous and demonstrates a thorough understanding of the requirement and provides details of how the requirement will be met in full.

Applications will be ranked and funding allocated according to the score achieved during the assessment process.

To be eligible for funding, applications must achieve a minimum score of 65% against each scoring category. Although a weighted average is applied to determine the final score, each of the five assessment criteria must achieve a minimum 65% score to pass the technical assessment. The funding available will be allocated to the most successful applications in order of total scores.

Applications that do not meet the minimum requirements will not be considered for funding. Unsuccessful applicants will be provided feedback to assist with future applications to The Fund.

A delivery call will be scheduled between the Main Contact, Authorising Official and consultants (if applicable) to discuss in further detail the project plans and risk assessment. This will not contribute to the final score.

9. Assessment outcomes

Feedback will be provided to all applicants in a timely manner and an appeal process can be started whereby indication of an appeal request is received in writing within 7 days from written receipt of the application outcome.

Part of the feedback on projects may include recommendations to apply to alternative, more appropriate, sources of funding for support.

10. Funding allocation

The Scottish Government is making grant funding available for the financial year 2025/2026.

Funding cannot be transferred across financial years, therefore any costs incurred after 31st March 2026 must be covered by the applicant. Any underspend across the programme will be transferred back to the Scottish Government at the end of the financial year.

10.1 Successful applications

Applicants with a successful application will receive a Grant Offer Letter (GOL). The GOL sets out the value of grant funding awarded to the grant recipient, the terms & conditions of the funding, and Schedules relating to the ongoing monitoring of the project and drawdown of grant funds.

The grant start date will be the date the GOL has been signed by the Authorising Official and returned to Salix, our current expectation is to be issuing GOLs to successful applicants in August 2025. No grant funding can be utilised to capital works which took place prior to the grant start date.

11. Monthly monitoring requirements

The Grant Offer Letter (GOL) sets out how regular contact with Salix will be maintained and what is required from the grant recipient. This will include scheduled meetings, monthly monitoring reports with updates to risk registers, project programmes and payment profiles. All grant recipients will be allocated a dedicated Salix relationship manager to assist with queries and help support the project.

For grant recipients who have larger projects, these meetings may include a senior manager from the Salix team.

Salix aims to facilitate the successful delivery of all approved projects by efficiently administering the scheme. Practical support and guidance based on the knowledge acquired from previous projects and from working with a wide range of agencies is offered.

Experience from delivering previous grant schemes has shown that those grant recipients that start early and have a clear project plan from the beginning have a higher chance of successfully delivering projects. The grant recipient's Salix relationship manager will seek to arrange a call post signing the GOL to discuss the project plan. Key areas to consider are:

- Planning permissions required, and the timetable to achieve these
- Key milestones planned, and risks to successful delivery noted
- Supply chain management and lead times for key equipment and materials
- Internal governance and approval process
- Payment forecast (when the grant recipient will expect to be requesting payments from Salix)
- Distribution Network Operator (DNO) engagement and potential upgrades required

All grant recipients are required to provide Salix with monthly monitoring reports on the project risks and progress towards key milestones during the delivery of the project. The reporting template will be included in the Grant Offer Letter with the separate document provided by relationship managers, with the first report due the first month after the Grant Offer Letter is signed and returned to Salix. The report should detail updates on the key work that took place that month, focus for the next month, dates key milestones will be achieved, expected changes to the project programme (cost and/or scope), risks and mitigation measures and the grant drawdown schedule. This, together with monthly meetings between the grant recipient and relationship manager, will be the key mechanism for tracking progress and risks towards project completion and is a requirement of the grant funding.

12. Payment process

Recipients will be able to make payment claims monthly during the delivery and completion of their project and will be encouraged to make regular drawdowns. Grant recipients will be required to forecast payment claims to Salix, with the first payment profile due shortly after receipt of the Grant Offer Letter.

Payments will be made in arrears to the grant recipient following the payment timeframes stipulated within the terms and conditions.

Salix will make payments as requested (up to a maximum of a monthly basis) following the submission of necessary supporting information (e.g., invoices and proof of payment by the grant recipient).

The grant will be provided in instalments in the amounts and at the times set out in the payment profile, subject to the following requirements:

- The grant recipient provided to Salix an accurate forecast in line with the forecasting deadlines found in the Grant Offer Letter (GOL)
- Salix must receive a completed payment request accompanied by the supporting documentation to evidence the amount being claimed and proof of payment before any claim for payment can be processed
- The claim for expenditure must be signed by an Authorising Official from the eligible body
- Full conditions that will be set out in the terms and conditions accompanying the Grant Offer Letter are met

For spend incurred on an applicant's grant project in the 2025/2026 FY, all funds must be claimed from Salix by 31 March 2026. This includes submission of a complete payment request including complete evidence of the amount being claimed and proof of payment.

Further payment guidance will be published at a later date.

13. Timeline

Phase	Action	Date
Launch	Scheme announced – guidance, application form and terms & conditions published	26 March 2025
Application Preparation	Webinars	April – May 2025
	Application portal opens	29 April 2025
Application Assessment	Application portal closes	27 May 2025
	Application assessments	May – July 2025

All applications		
Assessment outcomes	Grant Offer Letters issued	August 2025
Project delivery	Grant start date	Grant Offer Letter return date is expected to be late August 2025
	Project delivery	Grant start date – 31 March 2026
Completion	Grant end date	31 March 2026

14. Further information

- Salix reserves the right to request further supporting information from any applicant where required.
- All application information submitted to Salix will be treated in confidence and in line with Salix's privacy policy.
- Further guidance on completing your application can be found on the resources section of the website.

15. Contact

Please contact ScotlandGrants@SalixFinance.co.uk with any questions.

Annex A – Eligible technologies

Suggested eligible technologies		
<p>The following list sets out the suggested eligible technologies for Scotland's Public Sector Heat Decarbonisation Fund. If projects intend to use technologies that are not listed below, we recommend applicants discuss with Salix prior to submitting their application. Each technology can count towards direct and/or indirect carbon savings and have a defined lifetime and/or persistence factors, all of which contribute to the CCR calculation (£/tCO₂eLT), shown in the application form guidance tab.</p>		
Project Type	Work Type	Lifetime (years)
Clean Heating (formerly referred to as Zero Direct Emission Heating or ZDEH)	Air source heat pump (air to water)	20.00
	Air source heat pump (air-to-air)	20.00
	Ground source heat pump	25.00
	Water source heat pump	25.00
	Connect to existing district heating	30.00
	Connect to onsite heat network	30.00
	Hot water - electric point of use heaters	12.00
	Solar thermal	25.00
	Electric boiler	20.00
	Electric heater	10.00
	Electric radiant strip heater	10.00
	Electric radiant panel heater	20.00
Project type	Work type	Persistence factor
Building Energy Management Systems (BEMS)	BEMS - not remotely managed	8.42
	BEMS - remotely managed	8.42
Cooling	Cooling - control system	6.84
	Cooling - plant replacement/upgrade	8.21
	Energy efficient chillers	14.44
	Free cooling	13.68

	Replacement of air conditioning with evaporative cooling	13.68
Energy from waste	Anaerobic digestion	15.20
Heating	Heat recovery	10.83
	Heating - discrete controls	6.84
	Heating - distribution pipework improvements	25.00
	Heating - zone control valves	15.00
	Replace steam calorifier with plate heat exchanger	28.50
	Steam trap replacements	7.30
	Thermal stores	20.00
Hot water	Flow restrictors	14.00
	Hot water - distribution improvements	25.00
	Hot water - efficient showers	8.00
	Hot water - efficient taps	12.00
Insulation - building fabric	Cavity wall insulation	60.00
	Double glazing with metal or plastic frames	28.00
	Dry wall lining	35.00
	External wall insulation	60.00
	Loft insulation	27.00
	Floor insulation - suspended timber floor	30.00
	Floor insulation - solid floor or other type	30.00
	Roof insulation	30.00
	Secondary glazing	7.92
Insulation - draught proofing	Insulation - draught proofing	29.25
	Automatic speed doors	15.00

Insulation – other	Automatic/revolving doors	10.00
	Draught lobby (external)	29.25
	Draught lobby (internal)	29.25
	Radiator reflective foil (external walls)	8.00
Insulation – pipework	Heating pipework insulation (external)	9.00
	Heating pipework insulation (internal)	22.50
Motor controls	Fixed speed motor controls	11.40
	Motors - flat belt drives	11.40
	Variable speed drives	10.26
Motor replacement	Motors - high efficiency	15.00
Renewable energy	Small hydropower	22.80
	Solar PV	22.50
	Wind turbine	17.60
Swimming	Swimming pool covers (manual)	7.92
	Swimming pool covers (motorised)	8.45
Time switches	Time switches	6.84
Transformers	Low loss	30.00
	Transformer tapping change	30.00
Ventilation	Fans - air handling unit	23.75
	Fans - high efficiency	14.25
	Phase change material	23.75
	Ultrasonic humidifiers	7.22
	Ventilation - distribution	30.00
	Ventilation - presence controls	6.84

Annex B - Glossary

Annex B.1 General glossary

Term	Explanation
Authorising Official	Is an individual from an eligible organisation in a position of authority to approve and sign official and legal documentation associated with the grant and project. For example, this may be a chief executive or financial officer, or another senior official from within the eligible organisation that has delegated authority to approve and sign official and legal requests that are linked to the organisation's project. This individual should be identified and agreed upon before application and should be part of the project governance structure.
Carbon Cost Ratio (CCR)	The funding required to save a tonne of direct carbon (tCO ₂ e) over the lifetime of the project.
Direct carbon	Refers to the carbon emissions that are emitted either directly within an organisation's site boundary from combustion of fossil fuel, or where district heat networks are used the carbon emissions that are emitted from the combustion of fossil fuel in a district heating plant room. For most public sector organisations this will primarily be fossil fuels (gas, oil and coal) which are combusted on site.
District heating	Is where heating for several buildings in a local area is provided from an external plant room or rooms. The heating is typically transmitted to each building via a network of highly insulated underground hot water or steam pipes. It is also known as heat networks or teleheating. The heat is often obtained from a cogeneration plant burning fossil fuels or biomass, but heat-only boiler stations, geothermal heating, heat pumps and central solar heating are also used, as well as heat waste from nuclear power electricity generation.
Fabric first approach	Refers to maximising the performance of the components and materials that make up the building fabric itself, before considering the use of mechanical or electrical building services systems.
Indirect carbon	Refers to the carbon emissions from power generated off site by another organisation. For the vast majority of public sector organisations this will primarily be carbon emissions arising from grid electricity use.
Lifetime of measures	Applicants should refer to manufacturer's guidance or industry standard references, such as CIBSE Guide M to help them understand how to assess whether their system is coming to the end of its useful life. This may mean heavily used heating plants are replaced earlier than those receiving less wear and tear, and evidence will be required.
Persistence factor methodology	The persistence factor is the lifetime of the energy efficiency technology averaged to factor in degradation. The persistence factor is used in the calculation of cost to save a tonne of CO ₂ e over the lifetime of an application (£/tCO ₂ eLT). The persistence factors for individual technologies employed by Salix are based on, and are consistent with, those derived by the Carbon Trust.
Sequencing	Approach taken to input the savings for insulation and zero direct emission heating systems. Firstly, each building fabric improvement and/or energy efficiency measure must be phased so that the post kWh links to the next pre kWh. Then the calculated reduced energy consumption should be used as the

	“current fuel displaced” for the low carbon heating measure, unless all fossil fuels will not be displaced. This will prevent double counting savings or calculating savings beyond the building usage. If the savings from the energy efficiency measures and low carbon solution exceed the building usage, an error message will appear. This approach is to ensure no double counting of carbon savings when considering multiple projects on the same site occurs.
Subsidy control	Subsidy control means the United Kingdom’s international commitments on subsidy control arising from, amongst others, the EU-UK Trade and Cooperation Agreement, World Trade Organisation Membership and commitments arising from international treaties and agreements to which the United Kingdom is a party.
Whole building approach	Where all factors that contribute to a building’s energy consumption are considered together to identify the most cost-effective way to achieve the objective. For example, improving the insulation levels of the building will reduce the overall size of the required heating system and reduce fuel bills. Investment in reducing peak electricity consumption can reduce the need to upgrade the building’s electrical infrastructure necessary to accommodate the installation of a heat pump.
Clean heating system (CHS)	Heating system which produces zero direct greenhouse gas emissions within the curtilage of the building(s) that are subject of the application under normal operating conditions. Examples of technologies included: Air Source Heat Pumps (ASHPs), Ground Source Heat Pumps (GSHPs), Water Source Heat Pumps (WSHPs), and District Heat Networks (DHNs).

Annex B.2 Supporting documentation glossary

Document	
Authorising Official Confirmation	Please refer to Salix website for documentation.
Counter fraud authorisation	Please refer to Salix website for documentation.
Energy saving calculations	Applicants need to provide unlocked energy saving calculations showing the methodology for each measure proposed. There also needs to be commentary on the calculations and any assumptions made included within a summary sheet, and key inputs and outputs should be highlighted. If modelling has been used, this needs to be explained. All of this needs to align with the assumptions and figures used in the feasibility study. After calculations are completed, energy savings need to be sequenced correctly, so as to ensure no double counting occurs.
Feasibility studies	A Feasibility study should provide an overview of the building. This will allow applicants to decide whether to proceed, modify the project or abandon it. Through completing a feasibility study, the organisation can gain further understanding of any challenges to the capital works. Feasibility studies should consider: <ul style="list-style-type: none"> • Financial feasibility

	<ul style="list-style-type: none"> • Technical feasibility • Legal feasibility • Project delivery and scheduling feasibility. <p>If designs have progressed since the feasibility study was conducted, applicants must provide further detail on why they are applying for the chosen design if it differs from the feasibility study.</p> <p>Indicative schematics of the existing and proposed system must be provided which detail how the system will operate in the building. Piping and instrumentation diagrams are preferred, high level illustrations are acceptable. Clear site layout drawings would be advantageous, demonstrating the layout of the proposed measures.</p> <p>Site surveys, schematics, survey of current heat distribution system, evidence of the efficiency of the existing heating system/s, evidence of existing electrical capacity, evidence of the heated area (m²) and evidence of current fossil fuel and electrical energy use should be included. These are all information Salix expects to receive from applicants in order to conduct the assessment of applications with the purpose of:</p> <ul style="list-style-type: none"> • Capturing the baseline information of the building, existing fabric measures and current heating system. • Comparing with the proposed project demonstrating the benefits provided by the measures implemented.
<p>Peak Heat Loss Survey and evidence of impact on building heat loss</p>	<p>Evidence for the sizing of the clean heating system must be site specific and include a clear description of the methodology used any assumptions that have been made.</p> <ul style="list-style-type: none"> • For buildings with sub-metering systems and half-hourly data, applicants should use multiple years of data to calculate the peak heat demand, including detailed commentary on the calculations used. All applicants should submit metered data, in the form of utility bills, to support their application • If sub-metering is not available, the peak heat loss should be calculated by: <ul style="list-style-type: none"> o Recording the area and U-values (thermal transmittance) of the walls, floors, roof, windows, and doors. o Measuring fabric and ventilation/infiltration heat losses for the coldest day of the year based on geographic location. o Using realistic air change rates to estimate ventilation losses. • The Salix peak heat loss tool is another option to estimate system sizing. Please ensure that all commentary boxes are completed in this tool, with justification for the figures provided. • Industry approved heat loss dynamic simulation software models will also be considered, as long as the software used is credible and data inputs are clearly evidenced. Commentary on the full calculation methodology and outputs should also be provided. • Calculations and details should be provided on how an applicant proposes to meet the peak DHW demand and what strategies are in place in the design of the DHW system to combat legionella, including how storing heated water will impact on this. • For applications including an Air Handling Unit (AHU) system, the total supply air volume, the percentage of fresh air, and the additional AHU heating loads must be provided. The additional AHU loads should be included in the clean heating system's heating loads.

	<p>As applicants are expected to reduce the heat demand within a building as far as practical and cost-effective before installing the new zero direct emission heating system, it is not expected that the size of new heating system in terms of peak heat output will be larger than the fossil fuel heater they are replacing. Applications for zero direct emission heating system with a higher peak heat output than the plant they are replacing will be refused unless a clear, technically sound justification is provided.</p> <p>To size the new clean heating system, the peak heat loss of the building needs to be calculated. For example, this can be done by:</p> <ul style="list-style-type: none"> • Measuring all the fabric and ventilation/infiltration heat losses for the coldest day of the year based on geographic location. • Estimating air change rates that can be used for ventilation rate. • Accounting areas of the walls, floors, roof, windows and doors and their U values.
Project costs	Indicative costs for all the measures included in the scope of the project, cost breakdowns and applicant financial contingency allocated to the project.
Project programme	A GANTT chart (or similar) clearly displaying the project programme including any contingency.
Risk register	Please refer to Salix website for preferred template.
Applicant financial contingency allocated to the project	Document highlighting the contingency value that is not included in the project/grant costs, any document type is accepted, a word or excel document for example.

Annex B.3 Eligible technologies: supporting evidence

Technology	Supporting evidence
Air to water heat pumps	Applicants must consider how ASHP will work – ensuring concept designs are based on real life assumption not just manufacturer data. As different refrigerants have different global warming potentials and risk, applicants will need to justify their chosen refrigerant as well as outlining how risks will be mitigated and leak detection plans.
Air to air heat pumps	If the applicant is proposing to change the distribution system and emitters from a wet to air-based they will need to justify the reasons for this change. This is because changing the system is unlikely to be the most cost-effective solution. Applicants should also provide evidence that the building is currently air conditioned and both heating & cooling systems are being replaced by the Air-to-air heat pump and that the predominant use of the technology is for heating.
Ground source heat pumps	The feasibility study must include a geological conditions or ground survey to show suitability of a ground source heat pump. The applicant should indicate whether boreholes or horizontal collectors are to be used and the reasons for the selection. The location and quantity/area of the array needs to be evidenced. If the boreholes are to be underneath operating areas of a site, applicants will need to show how disruption of the site will be managed.
Water source heat pumps	Applicants proposing an open loop water source heat pump need to provide relevant planning permissions, such as abstraction or discharge, from the Environment Agency. For both open and closed loop systems a map of the water source that shows the location of the boreholes and pipework should be provided.
Hot water – electric point of use heaters	Applicants will need to provide a breakdown of the sizing for each heater and why the domestic hot water cannot be connected to the zero direct emissions heating system.
Electric boiler	Applicants will need to provide evidence on why electric boilers are the most viable and cost-effective solution, this is because of differences in efficiency and the effect on the operating costs and on the electricity grid compared with other zero direct emission heating options
Solar thermal	Evidence of the orientation of the solar array and that utilisation has been taken into account within the energy saving calculations.
Electric radiator panel heaters	Applicants should provide a room-by-room breakdown of the heaters and how the sizing is suitable for the space. The cost effectiveness and

	impact on the electricity grid should be considered.
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Annex C - Examples of eligible projects and required supporting information

The following list is not exhaustive of all eligible projects and should be used as a guide to what projects are expected to entail. An additional supplementary guidance document can be found on the Salix website with more advice on how to apply.

- Replace polluting heating systems with clean heating systems in buildings where appropriate energy efficiency works have already been carried out.
- Develop a strategic approach (whole building retrofit) to a number of sites where both energy efficiency measures are to be installed alongside polluting heating system replacements.
- Install energy efficiency works in a building to enable connections to a heat network where this connection can be evidenced as committed to by the applicant.
- Install energy efficiency works in a building to enable a clean heating system to be installed at a later date, where the future installation can be evidenced as being committed to by the applicant.
- Install energy efficiency works in a building which already has a clean heating system or a connection to a heat network.

Note 1: evidence of an applicant's commitment to achieve a heating solution consistent with the conditions of this funding scheme include the following:

- A copy of a signed agreement to connect to a heat network for which there is a credible pathway to decarbonisation.
- A copy of a signed agreement to install a clean heating system by 2045.
- A letter of commitment to implement one of the above two solutions, signed by the senior responsible owner of the project.
- The relevant building(s) are registered to adopt the Net Zero Public Sector Buildings Standard with a Project Registration Form signed by the senior responsible owner of the project or equivalent standard.

Note 2: Applications for investments in energy efficiency and demand response measures that do not reduce direct emissions within the building(s) curtilage must be accompanied by a clear explanation of their intent and justification in terms of how they contribute to Scotland achieving the best value route to net zero. Examples could include:

- Reduction in excessive heating energy costs.
- Reducing peak and total electricity demand, thereby improving other electricity consumers' access to the local electricity distribution network.
- Improving the capability of a clean heating system of meeting the building(s)'s heating demand without the need for additional combustion-based heat sources to be installed in the future.