

Phase 2 Public Sector Decarbonisation Scheme (PSDS) Guidance

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1. Phase 2 Public Sector Decarbonisation Scheme (PSDS)

One of the greatest challenges we face today in meeting our 2050 Net Zero target is decarbonising the way we heat our buildings. In fact, most of our buildings in the public sector still rely on fossil fuel-based heating, and as these heating systems approach the end of their working lives it is an ideal opportunity to transition to low carbon heating. Phase 2 of the Public Sector Decarbonisation Scheme (PSDS) has been launched to provide support and funding to those organisations which are ready to take that step to a low carbon future.

The Department for Business, Energy and Industrial Strategy (BEIS) has initiated Phase 2 of the Public Sector Decarbonisation Scheme (referred to in this document as “the Phase 2 PSDS”). The Phase 2 PSDS will provide £75m of grant funding to projects that focus on heat decarbonisation and will be delivered by Salix Finance. Applicants will be able to apply for up to £5 million worth of funding per application. Applicants are able to submit separate applications for separate projects or combine several projects in a single application. The fundamental new features of this scheme compared to Phase 1 of the Public Sector Decarbonisation Scheme (referred to in this document as “the Phase 1 PSDS”) are set out in Section 2 of this document.

Phase 2 follows the successful £1bn Public Sector Decarbonisation Scheme (Phase 1 PSDS) which was launched in 2020 and supported projects around the country. Whilst these rewarding projects focused on economic recovery and emission reductions as part of the COVID-19 economic stimulus, Phase 2 PSDS will have a sharpened focus on heat decarbonisation with significant emphasis on heating within buildings, making systems more energy efficient and less damaging to the environment.

Hence, Phase 2 PSDS will be available for the installation of low-carbon heating measures, alongside heat reduction and energy efficiency measures, as part of a ‘whole building’ approach within public sector buildings, including central government departments and arm’s length bodies in England. For central government departments where their roles are reserved (i.e. not devolved to the Governments of Scotland, Wales and Northern Ireland), funding may be used for estates located anywhere within the UK.

Key aims of Phase 2

The key aim of Phase 2 PSDS is to enable the public sector to be at the forefront of decarbonising buildings in the UK and create exemplar projects that pave the way to help the UK Government to reach Net Zero by 2050.

The Clean Growth Strategy identifies cutting ‘non-traded’ carbon emissions in public sector buildings as playing an important role in achieving carbon budget targets.

For much of the public sector, their ‘non-traded’ carbon emissions are created from burning fossil fuels for heating, which is why transitioning to low carbon heating forms a strong focus for the Phase 2 PSDS.

2. What is new about Phase 2

The objective of the Phase 2 PSDS is to support the transition to low carbon heating in public sector buildings, in addition to improving energy efficiency. It aims to achieve this by providing funding to replace end-of-life fossil fuel systems (such as gas boilers) with low carbon heat sources as a requirement and bundled with energy efficiency measures to facilitate a ‘whole building’ approach to heat decarbonisation.

For those Applicants that participated in the Phase 1 PSDS, the following sets out some of the principal differences to be considered when making an application.

To be eligible for the scheme, two new criteria must be met (in addition to the existing Phase 2 PSDS criteria listed in **Section 5**):

- Applicants must be using a fossil-fuelled heating system; and
- The heating system in question should be coming to the end of its useful life.

If these criteria can be met, then an application can be built around applying for grant funding for a new low carbon heating solution. Applicants must include, as part of their application, at least one measure that decarbonises part, or all, of the heating within a building. Where multiple sites are being applied for within the same application (for example where a multi-academy trust is applying for funding for several academies in one application) there must be at least one measure that decarbonises part, or all, of the heating per site.

Successful Applicants will be funded the marginal costs of installing a low carbon heating system. The total project costs will be funded for any bundled energy efficiency measures.

Marginal costs are those in addition to the business-as-usual costs for replacing the existing fossil fuel heating system on a like-for-like basis. The low carbon heating solution can be complemented with other measures that will reduce the level of heat demand such as insulation and controls. Additional measures to reduce high electrical load can also be considered, but only carbon savings from the measures related to heat will count toward carbon compliance criteria. Please see our Carbon Cost Threshold section for more details, **Section 5.7**.

There are also new features regarding the eligible technology list. We will be including biomass boilers as an eligible technology, although all Applicants to the scheme are expected to fully consider the impact on local air quality, planning rules and the sustainability of the fuel source when proposing to decarbonise their heating through biomass. Onshore wind measures will also be specifically included as an eligible technology for the scheme. More details on eligible technologies can be found in **Section 5.6**.

Applicants are encouraged to take a 'whole building' approach to decarbonising their heating. This is where all the 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, investment in improving the insulation levels of the building fabric will reduce the overall size of the low carbon heating plant required, as well as save on fuel bills. Also, investment in reducing the peak electricity consumption, such as through installation of more energy efficient lighting, (**See Appendix 1**) can reduce the need to upgrade a building's electrical infrastructure to accommodate the installation of a heat pump.

Finally, we want to provide an opportunity for as many different organisations as possible to benefit from Phase 2 PSDS. There is maximum grant value of £5m per application. There is no minimum value set. Projects must be in a position to complete by Thursday 31st March, 2022. Funding is not available for projects that cannot deliver to this timeframe, and projects which do not complete before Thursday 31st March, 2022 will be liable for any project costs incurred after this date.

3. Support and advice

The Salix website has an area dedicated to the new Phase 2 PSDS, please refer to this webpage for the most up to date information regarding key dates.

Salix has extensive experience in supporting the public sector and since its formation in 2004 up to March 2020 has helped more than 3,100 clients commit to 18,700 projects valued at £971million. Last year working alongside the Department for Business, Energy and Industrial Strategy (BEIS) Salix launched the ambitious £1bn Phase 1 PSDS. Salix is currently delivering this scheme and applications closed in January this year.

Overall, this extensive work over the years represents millions of pounds worth of savings to our clients' energy bills and billions over the projects' lifetime.

Salix has specialised programme teams for different areas of the public sector, as well as an in-house technical team. We are happy to speak with you about a potential project prior to application, so please do get in touch to discuss your ideas.

All Phase 2 PSDS enquiries should be sent by email to phase2psdsgrants@salixfinance.co.uk. Salix seeks to reply to all emails within one working day.

4. Key dates for submitting applications

The Phase 2 PSDS is time limited. There are important dates for all eligible bodies to be aware of in order to meet the deadlines for submitting applications and completing projects if successful. Applications will only be considered subject to available funds.

Phase 2 PSDS will be announced on **Wednesday 17th March, 2021** along with full scheme guidance material. During the remainder of March, a full set of marketing and promotional events will be scheduled to take potential Applicants through the scheme.

The Phase 2 PSDS Application Portal and Application Form will be available on **Wednesday 7th April, 2021**.

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Salix will receive applications immediately and check they are fully completed and of the required quality as stated in the Guidance Notes.

For successful applications, Salix will look to award a Grant Offer Letter within three weeks subject to a fully completed and authorised application.

When the scheme becomes oversubscribed with good quality and fully completed applications, the Application Portal will close.

All projects awarded funding must be completed by **Thursday 31st March, 2022**.

5. Eligibility criteria

5.1 Who can apply?

Those who are eligible to apply for the Phase 2 PSDS are referred to in this document as “the Eligible Body” or “the Applicant”:

- Central government departments and their arm’s length bodies (set out in Public Bodies as published by the Cabinet Office, see [here](#)). For central government departments where their roles are reserved (i.e. not devolved Governments of Scotland, Wales and Northern Ireland), funding may be used for estates located anywhere within the UK
- Emergency services
- Institutions of further and higher education
- Local authorities
- Maintained schools within the state education system, including academies, Multi-Academy Trusts and free schools
- Nursery schools maintained by a local authority
- NHS Trusts and Foundation Trusts

Exclusions: Public Corporations are not eligible. Registered charities are also not eligible, unless they are also non-departmental public bodies as defined by the Cabinet Office. Private sector organisations are not eligible for any funding through the scheme.

Social housing is not eligible to apply for the Phase 2 PSDS.

All public sector organisations classed as “[economic actors](#)” under the UK EU Trade and Cooperation Agreement must cooperate with Salix to help ensure compliance with the subsidy control rules.

5.2 Project criteria

Eligible organisations can apply for grant funding for projects which meet the compliance criteria below:

1. Applicants must have and be using a fossil-fuelled heating system
2. The heating system in question should be coming to the end of its useful life.
3. Applications must include a measure to contribute to decarbonise the heating with a low carbon heating system.
4. Applicants can include energy efficiency measures and other enabling works where they support a ‘whole building’ approach to decarbonisation.
5. The funding provided to save a tonne of non-traded carbon (CO₂e) over the lifetime of the project (the Carbon Cost Threshold (CCT)) must be no more than £325, which is automatically calculated by the Support Tool in the Grant Application Form.
6. Phase 2 PSDS is primarily for capital works, however external consultancy and management fees may be included. Existing employee costs or any costs previously incurred may not be included.
7. Reasonable enabling and ancillary works may be included in the application, provided they are directly linked to the core technologies being installed, and these will be reviewed for value for money.
8. Individual applications can be made up to, but should not exceed, £5 million in value although an Applicant can submit more than one application. **See Section 2, £5m cap.**
9. Eligible bodies must either own the building that the funding is being used to upgrade or have a long-term

lease arrangement where the contract allows for any savings to be passed to the eligible body.

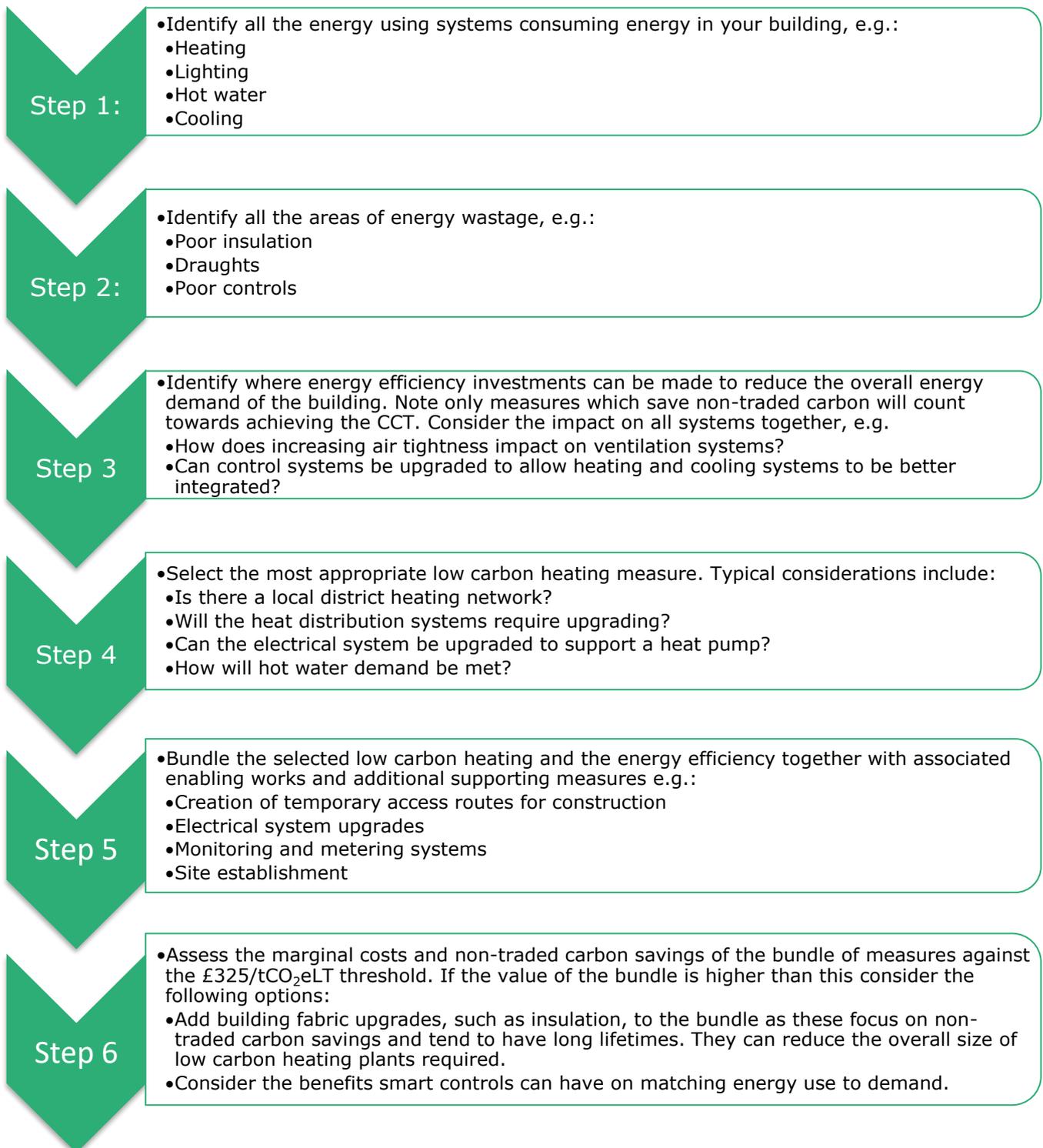
- 10. Projects must be in a position to complete by 31st March 2022. Funding is not available for projects that cannot deliver to this timeframe, and projects which do not complete before 31st March 2022 will be liable for any project costs incurred after this date.

Eligible measures are split into three distinct areas and a list can be found in **Appendix 1**.

Measure Definitions	
Low carbon heating measures that save non-traded carbon	Low carbon heating system that includes the following measures: Air to water Source Heat Pump, Water Source Heat Pump, Ground Source Heat Pump, Electric Heating, and Connect to Existing District Heating
Other measures that save non-traded carbon	Measures that directly contribute to saving non-traded carbon for example solar thermal, building fabric upgrades, piping insulation and mechanical ventilation heat recovery.
Measures that save traded carbon	Measures that only save traded carbon (typically electricity savings) such as Solar PV, LED lighting and energy efficient ventilation.

5.3 'Whole building' approach to decarbonising a building

The vast majority of our public sector buildings are reliant on fossil-fuel heating systems, and many of these are coming to the end of their working lives. This is why the Phase 2 PSDS narrowly focuses on low carbon heating. We are urging Applicants to take a 'whole building' approach to the way they look at their building and the energy it consumes. Here is our step-by-step guide on how you can take a successful 'whole building' approach for your project.



Good applications will need to satisfy the assessors that their current heating system is coming to its end-of-life. They will also need to demonstrate when making the case that they considered the 'whole building' approach to reduce direct non-traded carbon emissions from public sector buildings.

Supporting commentary and evidence will be required to demonstrate that:

Applicants have taken a 'whole building' approach in planning how to decarbonise their buildings/estates, as outlined in **Section 2, New: 'whole building' approach**. Applicants will need to justify why their proposed bundle of measures was selected over other decarbonisation measures.

5.4 Additionality criteria

Projects are also required to meet the criteria of being 'additional.' The criteria that are used to assess whether a project is 'additional' are listed below:

- The measures concerned are not required to be installed by law (including building or health and safety legislation).
- Note: For measures that go beyond what is required by law, grant funding can be sought for the increased cost, for example, in a new-build project.
- The measures are not being installed with a view to commercial gain (other than the reduction of costs through increased energy efficiency).
- The installation of the measures concerned has not begun.
- Funding for the project has not been agreed via another source; and
- In Salix's reasonable opinion, the project would not take place without the grant.

5.5 Minimum and maximum grant value

The Phase 2 PSDS will offer grants of up to a maximum of £5 million per application for projects that reduce non-traded emissions. There is no minimum sum. Applicants can also use their own funds to top up a project which they wish to complete.

5.6 New technologies included, and technologies specifically excluded

New technologies include:

The Phase 2 PSDS will allow Applicants to bid for funding for biomass boilers, although Applicants are expected to demonstrate they have considered the following factors to demonstrate they will be operated in such a way as to be sustainable, and to mitigate unwanted effects on air quality:

- Applicants are expected to demonstrate why biomass is more suitable than other low-carbon alternatives, for example, where there is not appropriate infrastructure in place to support a heat pump.
- Applicants are expected to demonstrate how they intend to mitigate any potential impacts on air quality particularly on other people in the local area. Applications are not expected for biomass boilers in heavily built-up areas.
- Applicants who receive funding for biomass boilers are expected to obtain their biomass fuel from sustainable sources. The Biomass Suppliers List, which can be found [here](#), lists suppliers who have demonstrated that their wood fuel meets the sustainability criteria of the Renewable Heat Incentive scheme.

Onshore wind measures are also specifically allowed under this scheme.

Technologies specifically excluded:

As the Phase 2 PSDS is strongly focused on decarbonisation, technologies reliant on the use of fossil fuels are specifically excluded from the scheme. This includes measures such as gas replacement boilers and combined heat and power technologies that run at least partially on fossil fuels.

5.7 Carbon Cost Threshold 2021/22 scheme

To ensure projects deliver emissions savings in a cost-effective manner, funding will be granted up to a maximum Carbon Cost Threshold (CCT) of **£325 per tonne of non-traded carbon emissions** saved over a project's lifetime.

Applications exceeding £325 tCO₂eLT can be submitted. However, funding will only be provided up to this threshold, and Applicants must find other sources of funding for all costs over this.

The new methodology and data set used to inform the £325 tCO₂eLT CCT reflects the focus and design of the scheme, accounting for **non-traded emissions** savings only and funding the **marginal** (rather than full) cost of low-carbon heating. The £325 tCO₂eLT CCT is therefore not directly comparable to the cost to save a tonne of carbon set for the first phase PSDS (£500 tCO₂eLT). For most public sector organisations, non-traded emissions primarily arise from burning fossil fuels such as natural gas on site.

By excluding traded emissions savings from the cost/tonne of carbon emissions saved calculation (emissions primarily arising from grid electricity use), Applicants are encouraged to take up measures that maximise non-traded emissions savings as this will drive down a project's £/non-traded carbon savings. Nonetheless, Applicants are still actively encouraged to include measures that reduce traded carbon, as well as other enabling measures to facilitate a 'whole building' approach to heat decarbonisation. The £325 tCO₂eLT limit is designed to give Applicants flexibility to create bundles tailored to the needs of their estates.

How the cost per tonne should be calculated for applications:

$$\text{£325 tCO}_2\text{eLT} \geq \frac{\boxed{\text{£ Full capital cost of bundle}} - \boxed{\text{£ Business as usual cost of like for like fossil fuel replacement}}}{\boxed{\text{Total (non-traded carbon savings over lifetime of project) tCO}_2\text{eLT}}}$$

Calculating the full capital cost of a bundle

Salix's Application Form will automatically calculate the cost per tonne of an application as Applicants add the details of measures they wish to apply for. The methodology and its sequencing used in the Application Form has been set out below and will be helpful for Applicants in determining the appropriate bundle for a particular site.

The cost of heat saving energy efficiency in a bundle:

- The full costs of heat energy efficiency measures should be calculated before calculating the cost of the low carbon heating source. This is because installation of heat energy efficiency measures (e.g., insulation) reduces the overall heat demand of a building and therefore reduces the size (and hence cost) of the heating plant required, as well as the need for any electrical upgrades in the case of a heat pump.
- As outlined in section 5.3 as part of a whole building approach, Applicants are encouraged to maximise heat energy efficiency before installing a low carbon heating source as this is often both more affordable and more effective than installing a low carbon heating source on its own.

The cost of required low carbon heating source in a bundle:

- The cost of a low carbon heating source should be calculated on the marginal capital cost of installing a low carbon heating source vs. a fossil fuel heating replacement. The business-as-usual costs for the like-for-like replacement of the existing fossil fuel plant do not have to be based on actual quotes for the replacement work and can be based on costs obtained from other similar projects, or from reasonable cost estimates from sources such as a quantity surveyor.

The cost of electricity saving energy efficiency in a bundle:

- Electrical saving energy efficiency helps to mitigate the impact of any increase in operating costs resulting from electrification of heat. Applicants will only be eligible for the full funding cost of measures which

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save electricity, such as LED lighting, if this is also 'bundled' with a low carbon heating source.

The cost of enabling and ancillary works in a bundle:

- The costs of reasonable enabling and ancillary works may be included in the 'bundle', provided they are directly linked to the core measures being installed, and these will be reviewed for value for money.

Calculating the non-traded emissions savings of a bundle

Total non-traded carbon savings over the lifetime of a project:

- Non-traded carbon savings should be calculated based on the lifetime of each non-traded saving measure. **See Section 5.8**, Lifetime of non-traded saving measures.
- Non-traded carbon savings from a low carbon heating measure should be calculated after heat energy efficiency measures have reduced overall non-traded emissions first, to ensure savings are not double counted.

(It is recognised that while replacing fossil fuel heating systems with low carbon heating is assumed to decarbonise the heat within a building, the building itself still may not be fully decarbonised as there may be instances where residual direct emissions from fossil fuels may occur due to catering and other activities.)

5.8 Lifetime of non-traded saving measures

The lifetime of low carbon heating measures and heat saving efficiency measures used to calculate the Carbon Cost Threshold are provided in Appendix 1, 'examples of eligible technologies', refer also to persistence factor.

5.9 Heating system at the end of its useful life

Applicants can refer to the manufacturer's product information or industry guidance such as CIBSE Guide M to understand if their heating system is considered to be at the end of its useful life. In the case where the system has reached the end of its useful life sooner than is typically expected, the Applicant has to set out the rationale and provide evidence to show why they believe this is the case. This evidence will form an important part of supporting information.

6. Responsibilities and competence

Salix assumes that the Applicant and/or the partner(s) they are working with are competent and fully responsible for the projects to be funded. This may include, but is by no means limited to:

- Project identification and development
- Establishment of firm costs and calculated estimated savings
- Reasonable project sequencing and due care to ensure no double counting of savings when considering multiple projects on the same site
- Selection of suitable supplier(s) following the Applicant's procurement procedure
- Project delivery including project management
- Reporting on project progress
- Post project completion activities including any verification of savings

The public sector Applicant is responsible for ensuring that all 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 the duration and on completion of the project, Salix will be engaging Applicants with client surveys because this will help Salix continually improve its services. It is a requirement of the scheme that these surveys sent via email are completed by the Applicant to the required deadline.

7. The online application process

The Phase 2 PSDS Application Portal will open on Wednesday 7th April and an Application Form will be available from this date. Private organisations can support the preparation of the Application Form if required, but the online application must be submitted by the eligible body directly and not by any external consultant or contractor.

7.1 Registration

- Visit the Phase 2 PSDS webpage at: http://www.salixfinance.co.uk/Phase_2_PSDS
- If you are a new client, register here: <https://www.salixfinance.co.uk/user/register>
- If you are an existing client, please log in here: <https://www.salixfinance.co.uk/user/login>

7.2 Submitting the online application in the Phase 2 PSDS Application Portal

When the Application Portal opens on Wednesday 7th April, 2021 visit our Phase 2 PSDS webpage, and click the link "Salix Grant Application".

This will take Applicants to the **Grant Scheme Application Portal**.

The Application Portal includes a progress bar showing completion of the steps. At any point you can save your application and continue later.

The Application Portal asks for contact details of the eligible body, a main contact and an authorising official at the eligible organisation.

The Application Portal will also ask Applicants to upload their completed Phase 2 PSDS Application Form and any supporting information.

Supporting information provides further detail and backs up assumptions used in the Phase 2 PSDS Application Form. The following list provides examples of the types of reasonable evidence accepted for **scheme's criteria**. Applicants are encouraged to consider what the most appropriate evidence to provide is based on the specific circumstances of their buildings. Examples include:

Applicants must have and be using a fossil-fuelled heating system:

- Energy consumption data for the last three years such as energy bills, Display Energy Certificate (DEC), Energy Performance Certificate (EPC) and energy benchmark estimated appropriate to the building type

Heating system must be coming to the end of its useful life:

- Condition survey and/or forward works plan
- Asset Register or Life Cycle Register
- Commissioning test certificate
- Service records recording boiler efficiency
- Photographic evidence

Incremental upfront cost of installing a low carbon heat source:

- Evidence of costs for the conventional fossil fuel plant replacement
- Evidence of costs for the new low carbon heating solution

Applications must include a measure to contribute to decarbonise the heating with a low carbon heating system:

- Supporting calculations which explain the kilowatt hour savings figures provided (e.g., energy saving models, heat loss calculation and heat pump size calculation)
- Technology specifications (e.g. product brochure)
- Design specification (e.g., of flow/return temperatures for the existing fossil fuel heating plant)
- O&M manuals and heating system schematic for the existing fossil fuel heating plant

Applicants can include energy efficiency measures and other enabling works where they support a whole building approach to decarbonisation:

- Energy audit report or feasibility study

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- Summary of the process you went through to pick the measures in your application, demonstrating why a chosen approach to decarbonisation is preferable to other options available

Evidence that all costs are necessary:

- Details of supply and installation costs for each measure and any associated enabling works

Biomass:

- Reasonable evidence for Biomass is covered in **Section. 5.6.**

Project management:

- Project delivery plan (Gantt chart or similar)
- Risk register

Once Applicants are satisfied that all sections of the Application Portal are complete, click "Submit".

7.3 Application authorisation

Upon submission, an automatic email will be sent to the named Authorising Official at the eligible body, or lead Applicant for a group application. This email will request authorisation for Salix to begin assessing the application and **requires a response via email** by the Authorising Official before Salix can proceed.

Please ensure the Authorising Official is available to respond to this email so that your application is not delayed.

8. Assessment and award of funding

8.1 Assessment process

Applications will be assessed by our in-house technical team as well as external technical consultants, who provide added independent assurance that the project is deliverable, and any savings are reasonably achievable. A sufficient level of detail provided on the Phase 2 PSDS Application Form and the quality of supporting information uploaded will assist with the assessment process.

Applications assessed will have technical and due diligence checks in line with the size and scope of their project.

Projects will be marked on the three key areas below:

- **Technical case** which will cover areas including the technical feasibility, future resilience, energy/carbon savings calculations and energy monitoring plan.
- **Financial case** which will cover areas including breakdown of project costs, operating and maintenance costs and evidence of firm pricing.
- **Project governance** which will cover areas including project risks and mitigations, project implementation/schedule, previous experience, procurement and deliverability within the grant funding time window.

If there are any questions or further information required, then the Applicant will be contacted to request this. It will not be possible to progress the application further until the requested information is provided and agreed by Salix. If applications are considered poor in terms of quality or supporting evidence, then Salix exercises the right to reject the application without completing full due diligence.

The assessed Phase 2 PSDS Application Form will be shared with the Applicant. This includes feedback for useful learning points.

If an application does not fully meet the criteria to be 100% funded by this grant scheme, Salix will discuss with the Applicant what other funding options may be available.

8.2 Issuing a Grant Offer Letter

Following successful assessment, confirmation of the grant funding will be sent to the successful Applicants in writing from Salix by way of a Grant Offer Letter via email. A copy of this letter must be signed by the public body's authorising official and returned to Salix within ten working days.

If Salix considers that an application does not meet the scheme criteria, Salix will contact the Applicant to discuss the project.

9. Delivery of the project

9.1 Progress updates to Salix

Within the Phase 2 Grant Offer Letter, Applicants are provided with further details regarding delivery requirements and audit requirements.

All successful Applicants are required to provide Salix with brief monthly written updates on the achievement of key milestones during the delivery of the project, and to raise any delays or significant changes to cost/scope/staff.

In the event of any projected overspend by the successful Applicant in its delivery of the project outside the sums set out in the Project Programme within the Grant Offer Letter, the amount of such overspend shall be met by the Recipient from its own funds. It is essential that all successful Applicants inform Salix immediately if there are any significant changes to the costs of the project.

When a project is on a projected overspend track, the Applicant must raise this immediately with Salix, which will arrange to discuss how this situation is being risk managed. That discussion will include how the Applicant can use its own funding to complete the project. Salix will also discuss if the Applicant needs to reduce the project scope in order to remain within the funding available. This would be to ensure that the remaining grant is sufficient to meet the remaining costs required for the delivery of the project. Salix is not authorised to agree additional funding.

Applicants may only claim reimbursement of the costs actually spent on the costs included in their application. In the event that these amount to less than the total grant awarded, the balance may not be claimed.

9.2 Payment of the grant

Successful Applicants will be issued with a Grant Offer Letter following project assessment. In that document, Applicants are asked to give the Grant Start Date and Grant End Date. Please note that payments are only made directly to eligible bodies.

The Grant will be accessible from the Grant Start Date and is available to be requested until the Grant End Date. The Grant will be provided in instalments in the amounts and at the times set out in the Project Programme, subject to the following requirements:

- Salix must receive a completed payment request accompanied by the documentation to support Evidence of Need at least 15 days in advance of the requested payment date.
- The claim for expenditure must be signed by an Authorising Official from the Eligible Body.
- Full conditions will be set out in the Terms and Conditions accompanying the Grant Offer Letter.

Where a lead Applicant has submitted a joint application for a group of eligible public bodies, payments can be made to individual eligible bodies following the same process as outlined in the paragraph above.

9.3 Monitoring and Reporting

For monitoring purposes, as well as the monthly updates, Applicants will also be required to provide monitoring data for three years post-installation to inform whether measures achieved the expected outcomes.

9.4 Evaluation

It is the intention of BEIS to conduct an evaluation of this scheme. As such, Salix will ask for your permission to share your information with BEIS and those engaged in performing an evaluation of the scheme, for the purposes that you be contacted to invite your participation.

10. Audit

Salix is responsible for taking reasonable steps to monitor projects and eligible bodies' use of funds. This will include audit, both during the delivery of projects and post project completion.

The eligible body is responsible for ensuring that when audited they are able to demonstrate that the public funds granted under this scheme have been used for the purposes for which they were awarded. They will also be required to demonstrate that they have followed their organisation's governance procedures and financial regulations, which include procurement and VAT policies. The eligible body is also responsible for ensuring that all contractors involved in the provision of services in relation to the proposed project(s) hold and maintain appropriate professional indemnity insurance cover to cover all the services to be carried out and that the eligible body obtain copies of the relevant certificates. The eligible body 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 these are required for the audit of the project(s).

All eligible bodies must maintain all invoices, receipts, accounts and other relevant documents relating to the project and the expenditure of the Grant for a period of at least six years following the Grant End Date. Salix has the right to review the eligible body's accounts and records that relate to the project and the expenditure of the Grant and reserve the right to take copies of such accounts and records.

Under the terms of the Grant Offer Letter, eligible bodies/projects will be selected for audit, either as the project is progressing or on completion, or both. This audit will include requesting papers which support and evidence the expenditure and/or work in progress, and on-site visits.

The audit will focus on ensuring that the project has gone ahead as documented including that the eligible body has complied with their internal policies and procedures. Salix expects that the eligible body will keep up-to-date documentation in an internal project file which supports the delivery and expenditure in respect of the project. That documentation can then be made available for audit purposes.

Appendix 1 – Examples of eligible technologies

The following list includes examples of eligible technologies for the Phase 2 PSDS this list will be also found in the Application Form. If you plan to include technologies that do not appear on this list in your application, please discuss with Salix prior to submission.

Project Type	Work Type	Saves non-traded carbon	Saves traded carbon	Lifetime
Low carbon heating	Air source heat pump (air to water)	X		20.00
	Water source heat pump	X		25.00
	Ground source heat pump	X		25.00
	Connect to existing district heating	X		30.00
	Heating - electric heating	X		10.00
	Biomass	X		20.00
Project Type	Work Type	Saves non-traded carbon	Saves traded carbon	Persistence Factor
Building energy management systems	BEMS - not remotely managed	X	X	6.84
	BEMS - remotely managed	X	X	8.42
Cooling	Cooling - control system		X	6.84
	Cooling - plant replacement/upgrade		X	8.21
	Energy Efficient Chillers		X	14.44
	Free cooling		X	13.68
	Replacement of air conditioning with evaporative cooling		X	13.68
Energy from waste	Anaerobic digestion	X	X	15.20
	Incineration	X	X	15.20
Heating	Heat recovery	X		10.83
	Heating - discrete controls	X		6.84
	Heating - distribution pipework improvements	X		15.20
	Heating - zone control valves	X		11.88
	Plate heat exchanger	X		28.50
	Steam trap replacements	X		15.20
	Thermal Stores	X		18.00
Hot water	Flow restrictors	X		14.00
	Hot Water - distribution improvements	X		18.00
	Hot Water - Efficient taps	X		11.00
	Hot Water - point of use heaters	X		9.50
Insulation - building fabric	Cavity wall insulation	X		30.00
	Double glazing with metal or plastic frames	X		28.00
	Dry wall lining	X		30.00
	Floor Insulation – suspended timber floor	X		27.00
	Floor Insulation – solid floor or other type	X		30.00
	Loft insulation	X		27.00
	Roof insulation	X		30.00
	Secondary glazing	X		7.92

Project Type	Work Type	Saves non-traded carbon	Saves traded carbon	Persistence Factor
Insulation - draught proofing	Insulation - draught proofing	X		29.25
Insulation - other	Automatic speed doors	X		8.45
	Automatic/revolving doors	X		8.45
	Draught Lobby (external)	X		29.25
	Draught Lobby (internal)	X		29.25
	Radiator reflective foil (external walls)	X		8.00
Insulation - pipework	Heating pipework insulation (external)	X		9.00
	Heating pipework insulation (internal)	X		22.50
LED lighting	LED - new fitting		X	25.00
	LED - same fitting		X	13.00
Lighting controls	Lighting - discrete controls		X	8.89
	Lighting control system centralised		X	10.26
Motor controls	Fixed speed motor controls	X	X	11.40
	Motors - flat belt drives	X	X	11.40
	Variable speed drives	X	X	10.26
Motor replacement	Motors - high efficiency		X	15.00
Renewable energy	Small Hydropower		X	22.80
	Solar PV		X	22.50
	Solar Thermal	X		17.10
	Wind Turbine		X	17.60
Time switches	Time switches	X	X	6.84
Transformers	Low loss		X	30.00
	Transformer tapping change		X	30.00
Ventilation	Fans - air handling unit		X	23.75
	Fans - high efficiency		X	14.25
	Phase change material		X	23.75
	Ultrasonic Humidifiers		X	7.22
	Ventilation - distribution		X	30.00
	Ventilation - presence controls		X	6.84

Glossary

Bundling is the process of identifying the most cost-effective measures to decarbonise the heating within a building and packaging them up into a single application.

Carbon Cost Threshold (CCT) set at £325 is the maximum cost per tonne of non-traded carbon saved over the lifetime of the measured funded. Any project costs over and above this threshold will not be eligible for grant funding under the Phase 2 Grant Scheme.

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.

Lifetime 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.

Low Carbon heating is one where little or no carbon is emitted to provide the heating. Electric heat pumps are considered to be low carbon heating, and whilst there can be carbon emissions associated with the electricity used to power them, these emissions will reduce over time to zero as the power grid decarbonises. This includes the following measures: Air Source Heat Pump, Water Source Heat Pump, Ground Source Heat Pump, Electric Heating and Connect to Existing District Heating.

Marginal costs are those in addition to the business-as-usual costs for replacing the existing fossil fuel heating system on a like for like basis.

Non-traded carbon is carbon emissions are not accounted for in the EU Emissions Trading Scheme. For most public sector organisations this will primarily be fossil fuels (gas, oil and coal) which are combusted on site.

Persistence factor methodology: Persistence factors are the anticipated lifetime of an energy efficiency technology used to calculate lifetime savings. The persistence factor is used in the calculation of cost to save a tonne of CO₂e over the lifetime of an application (£/tCO₂eLT). The Persistence Factors for individual technologies employed by Salix are based on, and are consistent with, those derived by the Carbon Trust.

Traded carbon is carbon emissions that are in the EU Emissions Trading Scheme. For the vast majority of public sector organisations this will primarily be carbon emissions arising from grid electricity use.

Whole building approach is where all the 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, investment in improving the insulation levels of the building fabric will reduce the overall size of low carbon heating plant required, as well as save on fuel bills. Also, investment in reducing the peak electricity consumption, such as through installation of LED lighting, can reduce the need to upgrade a building's electrical infrastructure to accommodate the installation of a heat pump.