



# Phase 2 Public Sector Decarbonisation Scheme (PSDS)

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## Phase 2 Public Sector Decarbonisation Scheme

The Government has allocated £75m for Phase 2 Public Sector Decarbonisation Scheme to be awarded across the public sector to aid in the transition to low carbon heating and to continue to reduce the carbon footprint of the UK.

This follows the successful Phase 1 PSDS launched in 2020, and just as in Phase 1, this new scheme will be delivered by Salix.

Phase 2 of the Public Sector Decarbonisation Scheme (Phase 2 PSDS) has a very narrow focus on low carbon heating.



## Who can apply for Phase 2 PSDS?

Eligible Applicants are similar to those in Phase 1 and are set out in the scheme guidance notes

For applications to be eligible for the scheme, two core criteria must be met

- Applicants must be using a fossil-fuelled heating system
- 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.

Projects are also required to meet the criteria of being 'additional.'



## What are marginal costs?

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 system 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.



## What is meant by 'whole building' approach?

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.



## New technologies included, and technologies specifically excluded

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

Onshore wind measures are also specifically allowed under this scheme.

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.



## Carbon Cost Threshold

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 tCO<sub>2</sub>eLT 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 tCO<sub>2</sub>eLT 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 system.



## 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.

When the Application Portal opens visit our Phase 2 PSDS webpage, 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.



## 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 as until this take place it can not be considered.



## Assessment process

A good level of detail is to be provided on the Phase 2 PSDS Application Form along with supporting information to assist the assessment process.

If on initial checks, applications received are considered incomplete or poor in terms of quality and / or supporting evidence, then Salix will not progress them to full assessment and they will be rejected.

Applications are assessed by our in-house technical team as well as external technical consultants. They will have technical and due diligence checks in line with the size and scope of their project.

During the process, if there are any questions or further information required, then the Applicant will be contacted.

As standard practice by Salix, the assessed Phase 2 PSDS Application Form will be shared with the Applicant and includes feedback for useful learning points and to aid delivery of the measures.



## Assessment process and the Technical Check List

The Technical Check List is completed as the final application step and covers the following elements:

1. To the best of their Applicant's knowledge, the applicant has submitted a complete and compliant offer.
  - Completed Application Form
  - Meets the CCT of £325 limit
  - Eligible organisation
  - Have a fossil fuel heating system and the heating system is at the end of its useful life
  - Implementing a low carbon heating system / solution
  - That a reasonable range of building improvements have been considered and included to embrace a bundled / energy efficient solution
  - Below the £5m application limit
2. The project is well developed and there is evidence to show the project can complete by 31<sup>st</sup> March 2022.
3. Energy savings calculations provided for each technology.
4. Evidence of project costs provided.
  - Specifically, on the marginal costs between the low carbon heating system and a 'like for like' replacement.
5. Feasibility studies/schematic provided for the technologies pre and post implementation
6. That in Applicant's opinion the end solution will meet all their heat conditions



## 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.

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

In some cases, the Grant Offer Letter may specific conditions that need to met during the delivery of the project. These conditions will be discussed with the Application prior to issue.

A copy of this letter must be signed by the public body's authorising official and returned to Salix within ten working days.



## Delivery of the project

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 changes.

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.



## Delivery 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 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.



## Payment of the grant

The Grant Offer Letter requires that Applicants provide 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 can be provided in some instalments / amounts and at the times set out in the Project Programme and will be paid out against evidence of need.

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



## 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.



## Applications received and closing the Application Portal

Applications are to be assessed by Salix in the order in which they are received on the Salix Application Portal.

Phase 2 PSDS requires that applications contain all the information required at the point of submitting the application. If applications are incomplete or of poor quality then as previously covered they may be rejected.

Applicants can resubmit their application when they have completed the application fully.

Salix will close the Application Portal when the scheme becomes oversubscribed with good quality and fully completed applications, the App all funds can be allocated, and an appropriate reserve list created.



## Key dates

**Wednesday, 17<sup>h</sup> March 2021:** Phase 2 PSDS announced, along with full scheme guidance material.

**Wednesday 7<sup>th</sup> April 2021:** Application Portal and Application Form will be available

**Thursday 31<sup>st</sup> March 2022:** All projects awarded funding must be completed

As applications are collected Salix will indicate on its website each morning by **11am** the value of the applications received.



## Frequently asked Questions

The FAQs on our Phase 2 website area has recently been updated and we will continue to post new FAQs regularly, giving Applicants the opportunity to see the kinds of issues being raised and how we can address them.

Please do keep monitoring this area and in the meantime we welcome your contributions. Please send any FAQs to [phase2psdsgrants@salixfinance.co.uk](mailto:phase2psdsgrants@salixfinance.co.uk)



# Thank you!

Our Phase 2 PSDS team can be contacted through our Phase 2 email at [phase2psdsgrants@salixfinance.co.uk](mailto:phase2psdsgrants@salixfinance.co.uk)

A copy of this presentation will be place on our Website after tomorrow Webinar



## 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