

# Phase 4 Low Carbon Skills Fund (LCSF) Guidance

March 2023

## Contents

1.	Phase 4 Low Carbon Skills fund (LCSF).....	3
2.	What is new for Phase 4 LCSF .....	3
3.	Key dates for submitting applications .....	5
4.	Eligibility criteria .....	5
4.1.	Who can apply?.....	5
4.2.	Scheme criteria .....	6
4.3.	Additionality criteria .....	8
5.	Responsibilities and competence .....	8
6.	The online application process.....	9
6.1.	Registration .....	9
6.2.	Submitting the online application in the Phase 4 LCSF Application Portal ....	9
6.3.	Application authorisation.....	9
7.	Assessment and award of funding.....	10
7.1.	Assessment process .....	10
7.2.	Issuing a Grant Offer Letter .....	10
8.	Delivery of the project.....	10
8.1.	Managing delivery: Progress updates to Salix.....	10
8.2.	Payment of the grant.....	11
9.	Audit.....	12
10.	Support and advice.....	13

## 1. Phase 4 Low Carbon Skills fund (LCSF)

The Public Sector Low Carbon Skills Fund (LCSF) provides grants for public sector bodies to develop heat decarbonisation plans and/or detailed designs to prepare for procurement and delivery of heat decarbonisation and energy efficiency works.

These Guidance Notes cover Phase 4 LCSF and the Phase 4 LCSF funding window. As we begin this phase of the LCSF scheme, the emphasis remains on providing grant funding for projects that focus on developing plans for the decarbonisation of heat.

One of the greatest challenges today in meeting the UK's 2050 Net Zero target is decarbonising the way buildings are heated. Most of the buildings in the public sector still rely on fossil fuel-based heating and expert skills are required to identify and plan how these heating systems can be replaced, ideally at the end of their working lives.

Developing a heat decarbonisation plan (HDP) will help organisations to think more strategically about decarbonisation opportunities, and work through the planning lifecycle up to and including the development of detailed project proposals that are cost-effective, aligned with their organisational decarbonisation strategy, and ready to be funded, including through an application for other grant funding schemes.

The Department for Energy Security and Net Zero (DESNZ) has made available up to **£17 million** of funding for Phase 4 LCSF that will provide grants for public sector organisations to engage the specialist and expert advice and skills required to put in place or improve an existing heat decarbonisation plan and/or develop detailed project designs.

The Application Portal for Phase 4 LCSF will open on **Wednesday 26 April 2023** at **2pm** for all eligible public sector bodies to apply.

## 2. What is new for Phase 4 LCSF

### Funding for detailed design work

In Phase 2 LCSF the funding was solely awarded for developing heat decarbonisation plans. In Phase 3 LCSF the option was included to conduct feasibility studies and detailed design works (up to RIBA stage 4), in combination with developing a heat decarbonisation plan(s). Through experience in delivering the Public Sector Decarbonisation Scheme (PSDS), Salix have learnt that completion of detailed design works, prior to accessing PSDS funding increases the chances of successful delivery of the project. Also, following stakeholder engagement and detailed analysis, Salix understands organisations are at varying stages of development prior to accessing funding and some will be ready to carry out detailed design work without needing to update their heat decarbonisation plan. To reflect this, the policy is being updated for Phase 4 so that detailed design is eligible as a standalone project in certain circumstance. As such the three funding options in Phase 4 LCSF are:

1. Develop or improve a heat decarbonisation plan(s) incorporating any output outlined in the scheme criteria section below.
2. Where an up-to-date heat decarbonisation plan(s), which includes the prerequisite detail is already in place, develop a standalone detailed design(s) to reach at least RIBA stage 3<sup>1</sup>. An approved heat decarbonisation plan(s) for the applicable site must be submitted as evidence on application.

---

<sup>1</sup> <https://www.architecture.com/knowledge-and-resources/resources-landing-page/riba-plan-of-work>

3. A combination of options 1 and 2 where an up-to-date heat decarbonisation plan(s), with the prerequisite detail, is already in place to begin standalone detailed designs for a building(s) but there is also the requirement to develop or improve a heat decarbonisation plan(s) for a different building(s) within your estate.

The option to apply for a standalone detailed design(s) where an up-to-date heat decarbonisation plan(s) is already in place can support organisations in preparation for an application to PSDS.

The heat decarbonisation plan(s) submitted as evidence will be checked before the application moves to assessment. The plan(s) must specify how the Applicant will decarbonise building(s) on its public sector estate, specifically identifying and recommending solutions that reduce direct greenhouse gas emissions associated with fossil fuel use. The plan(s) must also show how a whole building approach has been taken and contain the energy and spatial data and outputs of relevant feasibility studies that are a prerequisite for producing detailed designs. The [Heat Decarbonisation Plan Guidance](#) should be referred to when checking the suitability of the heat decarbonisation plan(s). If the evidence fails to meet these requirements, then the application will not move onto assessment.

On completion, Salix will need to receive the following: heat loss calculations, relevant technical site surveys, data sheets, detailed designs drawings with specification details, schematics for the proposed low carbon heating system and confirmation of flow and return temperatures. Additional supporting information may be requested to clarify design details. This will also be a requirement for Applicants submitting detailed designs alongside their heat decarbonisation plans. [Useful resources and examples](#) can be found on the Salix website to support Applicants when planning and conducting detailed designs. All designs must be for eligible technologies according to the [Salix eligible technology list](#).

### **Grant value caps**

One significant new feature in Phase 4 LCSF is the addition of grant value caps. This policy change is to mitigate the risk that a small number of high value projects exhaust a large proportion of the available budget, and to ensure that the available funding is distributed across a range of grant values. The way that the available funding is distributed across value ranges in Phase 4 is based on analysis of historical demand for LCSF.

The funding has been divided into three grant value ranges summarised below.

1. 34% of the funding will be allocated to applications below £100,000.
2. 38% of the funding will be allocated to applications between £100,001 and £500,000.
3. 28% of the funding will be allocated to applications above £500,000.

Applications will be allocated on a first come, first served basis within each cap until all the funding has been fully allocated. If there are insufficient applications in any of the grant ranges to meet the cap, then any unallocated funding will be used to fund applications from other grant ranges on a first come, first served basis. The applications will go through a rigorous assessment process to ensure they meet the requirements of the scheme criteria and application guidance before being allocated funding.

Phase 4 LCSF will have a maximum application grant value of £1,000,000.

## Earlier application window

A feedback point raised regularly during stakeholder engagement is the time available to successfully deliver LCSF projects and the short timeframes between LCSF and PSDS, leading to PSDS applications in the following financial year. Therefore, the application window for Phase 4 LCSF has been brought forward to 26 April 2023.

This will accommodate organisations who are able to utilise LCSF funding to complete detailed designs by autumn 2023, in preparation for application to the next phase of PSDS or other funding options. Consequently, this will enable prospective Applicants to submit delivery ready applications, minimising the risk of unforeseen delays that are involved in the design element of a project and allowing for increased delivery contingency time.

## 3. Key dates for submitting applications

**Announcement:** Phase 4 LCSF announced on 28 March 2023 along with full scheme guidance material.

**Supplementary documentation:** The Phase 4 LCSF Supplementary Information Document - which contains the Supplementary Building Information Tool, Project Breakdown and Risk Register is available to download [here](#).

**Application Portal:** The application window for Phase 4 LCSF will be opened for applications on 26 April 2023 at 2pm and will be closed when the scheme becomes oversubscribed with fully completed, good quality applications.

**Receiving applications:** Once the Application Portal opens, Salix will check submitted applications to ensure that they meet the minimum standard outlined in the [Guidance on the Preparation of your Application](#). Submitted applications must meet our eligibility criteria to be submitted for full assessment. Please refer to the introduction section of the above guidance for the key criteria and familiarise yourself with the rest of the guidance provided on how to answer the application questions before developing and submitting an application.

**Outcome:** We expect to be able to inform Applicants if they have been successful by 14 July 2023.

**Project completions:** All Applicants awarded funding must complete their projects by Thursday 28 March 2024 at the latest.

## 4. Eligibility criteria

### 4.1. Who can apply?

An eligible organisation ("the Applicant") is any contracting authority in England as defined in the [Public Contracts Regulations 2015](#) and such other analogous organisations established for the public benefit.

This includes:

- Central government departments and their agencies (set out in Public Bodies as published by the Cabinet Office [here](#)).
- For central government departments where their roles are reserved (i.e. not devolved to Scottish, Welsh and Northern Irish Governments), including the Ministry of Justice and Ministry of Defence, funding may be used for estates located anywhere within the UK.
- Emergency services.

- Institutions of further and higher education.
- Local authorities.
- Schools within the state education system including maintained schools, academies, multi-academy trusts and free schools.
- Nursery schools maintained by a local authority.
- NHS Trusts and Foundation Trusts.

A local authority or government body is eligible to apply on behalf of schools that fall within the authority's remit.

A joint application can be made for more than one eligible body. In this case, a lead Applicant should be agreed, who will submit the application on behalf of the group. All projects within a group application can be submitted in a single application.

**Exclusions:** Public Corporations and private sector organisations are not eligible. Registered charities are also not eligible, unless they are also non-departmental public bodies as defined by the Cabinet Office.

A private sector organisation cannot apply on behalf of an eligible organisation. The application must be submitted by the lead officer and signed off by the authorising official.

Social housing is not eligible to apply to Phase 4 of the LCSF.

#### **4.2. Scheme criteria**

1. The funding is for producing a heat decarbonisation plan(s), updating an existing heat decarbonisation plan(s), or where an up-to-date heat decarbonisation plan(s) is already in place, a standalone detailed design(s) up to at least RIBA stage 3.
2. Heat decarbonisation plan(s) and detailed designs must be delivered in respect of public sector building(s) that have a fossil fuel heating system currently in place and take a whole building approach to decarbonisation. Applicants must either own the building that is the subject of the funding application or have a long-term lease arrangement, longer than the lifetime of technologies proposed, where the tenancy agreement places the responsibility for operation and maintenance of the building services on the Applicant. Organisations should prioritise design works on buildings with fossil fuel heating systems nearing their end of life.
3. An eligible heat decarbonisation plan will:
  - Specify how the Applicant will decarbonise building(s) on its public sector estate, specifically identifying measures that reduce direct greenhouse gas emissions associated with fossil fuel use, in public sector buildings; and
  - Aim to maximise cost-effectiveness by taking a 'whole building' approach to building decarbonisation; and
  - Produce or facilitate the production of the information and data required to develop an investment ready project, and to support making a valid application for PSDS or other funding options. Specific activities that might be carried out include:
    - Desktop analysis
    - Building audit / site survey
    - Specialist technical site survey
    - Feasibility studies

- Investment grade proposals
  - Detailed design
  - Please refer to the [Heat Decarbonisation Plan Guidance](#) for guidance on a good quality heat decarbonisation plan.
4. An eligible detailed design will:
- Provide a summary of the process an Applicant went through to pick certain measures which demonstrate why the chosen approach to decarbonisation is preferable to other available options or combination of options; and
  - Produce the technical design, including a design specification and detailed drawings for the low carbon technology proposed to decarbonise the site, incorporating proposed details such as size, make, model, flow temperatures etc., stating which standards and design principles have been used; and
  - Consider facilitating works including electrical infrastructure upgrades, emitter replacements, pipework improvements and other adjustments to the building infrastructure, for example building fabric improvements.
  - Complete design works up to at least RIBA stage 3, using the provided [resources and examples](#) for support, to ensure the designs are to a standard that will allow a transition into the delivery phase.
  - To meet the eligibility criteria on completion, Salix will need to receive the following: heat loss calculations, relevant technical site surveys, data sheets, optimal sizing calculations, detailed design drawings with specification details and schematics for the proposed low carbon heating system and confirmation of proposed flow and return temperatures. Examples of these are available on the website page linked above.  
*Note: Additional information may be requested for bespoke projects, for example to evidence that a design can deliver sufficient Delta T values.*
5. Applicants must demonstrate how they will ensure that their project provides value for money as part of the application process. All Applicants will be required to submit a cost breakdown when submitting the application, as part of the [Supplementary Information Document](#). The cost breakdown will be assessed against the activities taking place and the proposal outlined in the application response.
6. The Grant is only available for the cost of resourcing specialist private sector skills and expertise, such as consultancy, to undertake an eligible project.
7. Applications must be original and bespoke to the organisation applying and the site(s) that is the subject of the application. Applications must also be completed in full. Where there is evidence that applications are not original and bespoke to the organisation applying and the site(s) that is the subject of the application process, or where answers are not provided in full and/or required information is missing or the application is otherwise incomplete, these applications will be rejected.
8. Specific exclusions:
- The Grant must not be used for capital expenditure, such as the purchase of energy efficiency or decarbonisation equipment.

- The Grant must not be used to fund an existing full-time employee at the public sector organisation whose costs are already covered by internal budgets.
- The Grant must not include VAT, unless the VAT cannot be reclaimed from HMRC.

There is a maximum grant value of £1,000,000.

### **4.3. Additionality criteria**

Projects are also required to meet the criteria of being 'additional.' See additionality criteria below:

- The Project is not required to be in place by law (including building regulations or health and safety legislation). Please note that for measures that go beyond what is required by law, grant funding can be sought for the increased cost.; and
- The Project is being undertaken on public sector building(s) that have a fossil fuel heating system currently in place and takes a whole building approach to decarbonisation; and
- The Project is not undertaken with a view to commercial gain (other than the reduction of costs through increased energy efficiency); and
- The Project has not begun; and
- 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.

The additional works that can be covered by this grant to improve an existing HDP may include more in-depth studies, such as site surveys, feasibility studies and detailed design (RIBA stage 3-4), where there was originally only a strategic plan. Also, if certain buildings were not previously covered in an original plan, they can be added to the proposed plan.

Further changes to a site or additional works needing to be incorporated to an existing heat decarbonisation plan may also be eligible.

## **5. 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 not limited to:

- Project identification and development
- Establishment of firm costs
- Selection of suitable supplier(s) following the Applicant's procurement procedure
- Project delivery including project management
- Reporting on project progress
- Post project completion activities

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 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 scheme that these surveys sent via email are completed by the Applicant to the required deadline.

## **6. The online application process**

Private organisations can support the preparation of the Application Form, but the online application must be reviewed, signed off and submitted by the Applicant directly and not by any external consultant or contractor.

Applicants must ensure they have the right resources and internal support to deliver a project and evidence must be provided to support this.

### **6.1. Registration**

- Visit the Phase 4 LCSF webpage [here](#) and click on “Register for Application Portal here”. This will be available in early April.
- If you are an existing grant recipient, please log in via the usual route on the Salix website

### **6.2. Submitting the online application in the Phase 4 LCSF Application Portal**

When the Application Portal opens, visit our Phase 4 LCSF webpage and click the link “Application Portal”.

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 Applicants can save applications and continue later.

The Application Portal asks for contact details of the Applicant, a main contact, and an Authorising Official at the eligible organisation.

Applicants upload their completed [LCSF Supplementary Information Document](#) and the necessary supporting information.

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

### **6.3. Application authorisation**

Upon submission, an automatic email will be sent to the named Authorising Official at the eligible organisation 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 so your application is not delayed, application assessment cannot start without this authorisation.

## **7. Assessment and award of funding**

### **7.1. Assessment process**

Applications will be assessed by the LCSF team according to the criteria set out in the [Guidance on the Preparation of your Application](#).

If there are any questions or further information required, 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.

Applicants are expected to return information and evidence to Salix to meet the queries within three working days. Where this is not met, applications will be unsuccessful.

If applications are considered poor in terms of quality, incomplete or are missing key documents then Salix reserves the right to reject the application without completing the assessment.

### **7.2. Issuing a Grant Offer Letter**

Following successful assessment, confirmation of the grant funding will be sent to applicants by Salix in 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.

The Grant Offer Letter outlines the terms and conditions of receiving the grant value allotted to the Phase 4 LCSF approved project. It includes the grant start and end dates and several schedules which will be used as a template for monitoring and reporting during the grant period.

No grant funding can be claimed for work completed before the Grant Offer Letter is accepted by the grant recipient. However, organisations are free to prepare for work to commence before the Grant Offer Letter is accepted, but they cannot claim any grant funding for these preparations.

## **8. Delivery of the project**

### **8.1. Managing delivery: Progress updates to Salix**

The Grant Offer Letter outlines how regular contact with Salix will be maintained from assessment to completion and what is required from the successful Applicant during this period. This will include scheduled meetings, quarterly 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.

The regular meetings with grant recipients who have larger projects 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. The Company will offer practical support and guidance based on the knowledge acquired from previous projects and from working with a wide range of agencies.

It is important to note that a sample of projects will be audited by Salix. See Section 9 for more detail.

While successful Phase 4 Applicants will be notified anytime from June onwards, no payment claims can be made by grant recipients before the Grant Offer Letter has been signed. All grant funding must be claimed before the grant end date.

Experience from previous LCSF phases has shown that those grant recipients that start early with a clear project plan, deliver a more effective product within the grant period. The Applicant's Salix relationship manager will seek to arrange a call with the Applicant in July to discuss the project plan. Key areas to consider are:

- Key milestones, and risks to successful delivery
- Internal governance, procurement and approval process
- Payment forecast as per Schedule 3 timescales (when the Applicant will expect to be requesting payments from Salix)

All successful Applicants are required to provide Salix with quarterly monitoring reports on the project risks and progress towards key milestones during the delivery of the project. The Schedule 4 webform will be provided by relationship managers, with the first report due in early August after the Grant Offer Letter is signed and quarterly from that point on.

Underspend following contract award is to be reported to Salix immediately. Salix will issue the Applicant a grant amendment letter for the new project value. Any underspend will be reallocated to applicants on the reserve list.

## **8.2. Payment of the grant**

Applicants will be able to claim payments during the delivery of and following completion of their project(s). Payments can only be claimed for work that has been completed and cannot be claimed in advance of, or without evidence of need. Please note that payments are only made directly to eligible organisations and will be processed on a monthly basis, starting from August 2023.

The payments, made on a monthly cycle, will be subject to providing the required level of evidence that work has been completed. 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 a maximum of two payments in the amounts and at the times set out in the forecast, subject to the following requirements:

- An accurate forecast of the expected claim is submitted to Salix two months ahead of any claim. An updated forecast is required if a payment month will not be met. Payment will not be made if it's not included in the forecast sent to DESNZ.
- Salix must receive a completed payment request accompanied by the supporting documentation to evidence the amount being claimed before any claim for payment can be processed.
- The claim for expenditure must be signed by an Authorising Official from the eligible organisation.
- Have met the full conditions 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 organisations following the same process as outlined in the paragraph above.

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, who 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 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. If these amount to less than the total grant awarded, the balance may not be claimed.

Projects should complete by the date specified in the Grant Offer Letter. No payments can be made after this date. Any costs incurred to complete the project after the grant end date must be met by alternative sources. The Applicant will be required to provide the completed output from the project as per the conditions of funding in the grant offer letter. These will be quality reviewed prior to final payment being submitted.

## **9. Audit**

Salix is responsible for taking reasonable steps to monitor grant recipients' use of funding awarded, including the delivery of the projects for which this funding was approved. This will include undertaking audits of a sample of grants.

If selected for audit a grant recipient will be required to engage with the audit process within the timescales stated in the audit notification letter to ensure the audit can be completed on time. The grant recipient is responsible for providing evidence to demonstrate that the public funds granted under this scheme have been used for the purposes for which they were awarded, as stated in the Grant Offer Letter and Terms & Conditions. This requirement will also extend to any other public sector bodies which are beneficiaries under the grant, in which case, the main grant recipient will need to ensure that each organisation complies with the terms of the grant.

The grant recipient will be required to demonstrate that they have followed applicable government regulations for managing public money, their organisation's policies and procedures (covering procurement, conflict of interest declarations, financial delegations), and have effectively managed the risks related to funding, grant claims, procurement of contractors/consultants, payments, and project delivery.

Grant recipients will need to demonstrate that due diligence checks have been carried out for any contractors and subcontractors used on the projects, that they hold appropriate insurance cover for the goods and services provided under the contract and that evidence of this is retained. They will also need to provide evidence of the grant income and expenditure being fully accounted for in the accounting system. Each grant recipient selected for audit, will be required to provide the relevant supporting documentation for any expenditure covered with grant funding. This will include but will not be limited to contract documents, invoices, insurance certificates, evidence of due diligence checks, conflicts of interest registers/declarations, completion certificates etc. This requirement will also extend to any subcontractors used on the grant insofar as the evidence is required to demonstrate how the grant was used. The audit will also review the project outputs (HDP, detailed designs, etc)).

All grant recipients must maintain all income and expenditure records related to the grant, and the project for a period of at least six years following the grant end date. Salix has the right to review the grant recipient's accounts and records that relate to the

project and the grant and has the right to take copies of such accounts, records, or any other related supporting documentation.

The Accountable Officer will be contacted if the grant recipient is selected for an audit. Following the audit, the grant recipient will receive an audit report and opinion from the audit team.

## **10. Support and advice**

Please refer to the Salix webpage for the most up to date information regarding key dates and how to apply, [here](#).

As well as having specialised teams with expert knowledge of the different areas of the public sector, Salix runs a series of webinars giving people a chance to ask questions. Salix also produces videos supporting the announcement and the opening of the Application Portal. Please view our website for details about relevant webinars, [here](#).

All Phase 4 LCSF enquiries should be sent by email to [phase4LCSFgrants@salixfinance.co.uk](mailto:phase4LCSFgrants@salixfinance.co.uk), the Phase 4 team is on hand to answer all queries within three working days.