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Department for
Energy Security
& Net Zero

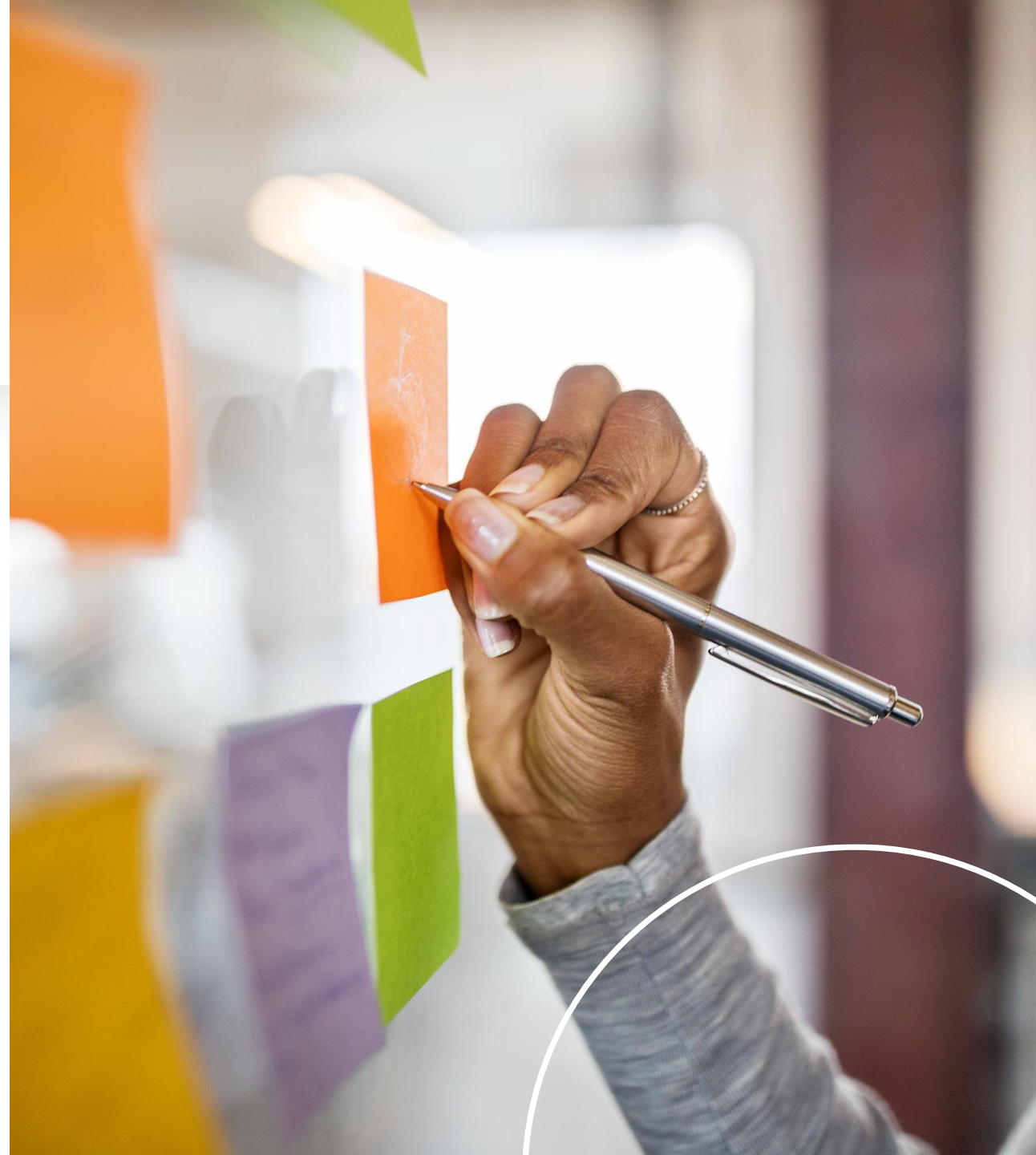
PHASE 4

Public Sector Decarbonisation Scheme



Agenda

- About Salix
- Key features of Phase 4
- How funding is allocated
- Developing your project
- Submitting your application
- Q&A



About Salix



Supporting energy efficiency and heat decarbonisation in public sector buildings across the UK since 2004.



Became a **non-departmental public body in 2020** – Sponsored by the Department for Energy Security and Net Zero.



Delivering the **Public Sector Decarbonisation Scheme (PSDS) and Low Carbon Skills Fund (LCSF)**, on behalf of DESNZ.



We also offer bespoke funding schemes such as, Scotland's Public Sector Heat Decarbonisation Fund (SPSHDF) and Digarbon, the decarbonisation fund for tertiary education in Wales.

The Public Sector Decarbonisation Scheme Phase 4

- Read the scheme Guidance



1. Executive Summary
2. How will funding be allocated
3. Developing the project
4. Project requirements and evidencing the application
5. Submitting an application
6. Assessment policy and allocation of funding
7. Delivery of the project
8. Appendix 1 – Examples of eligible technologies
9. Glossary



Key features of Phase 4

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Eligible organisations

The definition of a public sector organisation has changed to align with up-to-date legislation.

In the Procurement Act 2023, a 'public authority' means an organisation that is:

- a) wholly or mainly funded by public funds; or
 - b) subject to public authority oversight;
- and**
- c) does not operate on a commercial basis.



Guidance section 4.1



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Higher education eligibility

Higher education institutions are independently governed, and therefore will not meet the public authority oversight test in the Procurement Act.

Higher education institutions must evidence that they are wholly or mainly funded out of public funds. Suitable evidence includes:

- An assessment against the Procurement Act
 - A procurement statement
 - A financial statement
 - A signed letter from a chief financial or procurement officer
-
- If a higher education institution can prove that they are subject to public authority oversight, this would also be considered proof of eligibility.

Guidance section 4.1



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Examples of eligible organisations



Eligible:

- Central government departments and their arm's length bodies
- Emergency services
- Local authorities, including town and parish councils
- Schools within the state education system, including maintained schools, academies, multi-academy trusts and free schools
- Nursery schools maintained by a local authority
- *Higher Education** and Further education
- NHS trusts and foundation trusts (including NHS student accommodation)



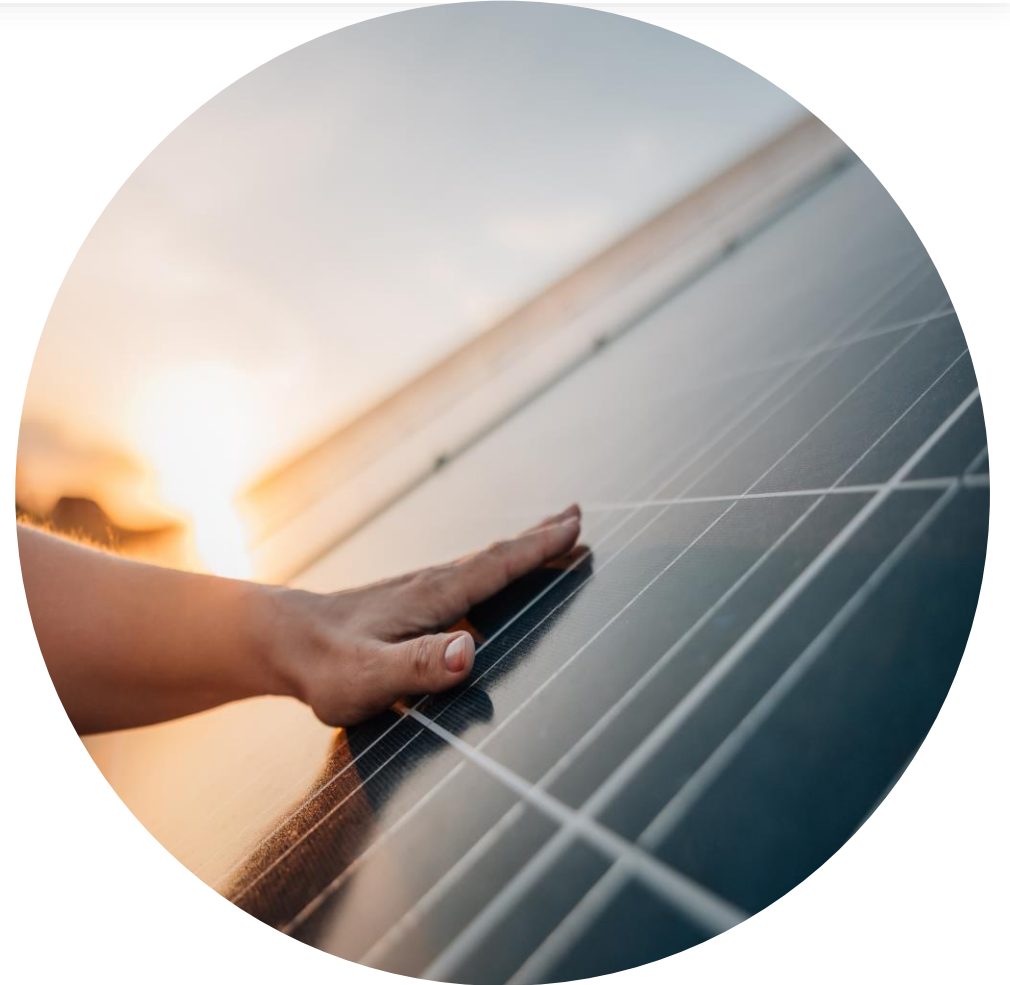
Ineligible:

- Public sector organisations that are within scope of the devolution deals under WMCA and GMCA
- Public corporations
- Registered charities
- Private sector organisations
- GPs (except if managed by NHS trust)
- Social housing
- Council flats

Other eligibility criteria

- Applicants must own the building or have a lease where the tenancy agreement places responsibility for operation on the public sector organisation.
- The buildings must include the removal of an end-of-life fossil fuel heating plant (10 years or older).
- Applicants must contribute the cost for a like-for-like replacement of the existing fossil fuel heating plant at a minimum of 12% of total project costs.
- Applicants are encouraged to take a whole building approach.
- The project must be additional.
- Applications must propose low carbon heating for all buildings.

Guidance section 1.2



Funding profiles

The scheme will run from 2025/26 to 2027/28. The value of available funding and the profile split across the three financial years will be determined in the Spending Review and confirmed in due course.

Example: Spending across two financial years, starting May 2025 and completing August 2027

- A school plans to replace their gas boiler with an air source heat pump, as well as introduce fabric measures.
- They use the first financial year for detailed designs, engaging with the District Network Operator, obtaining planning permission and placing orders
- The installation works, would take place in summer of year 2 with a planned completion date of 31st August
- In this way, the spending profile fits their project rather than trying to fit the grant period

Guidance section 1.4



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How funding is allocated



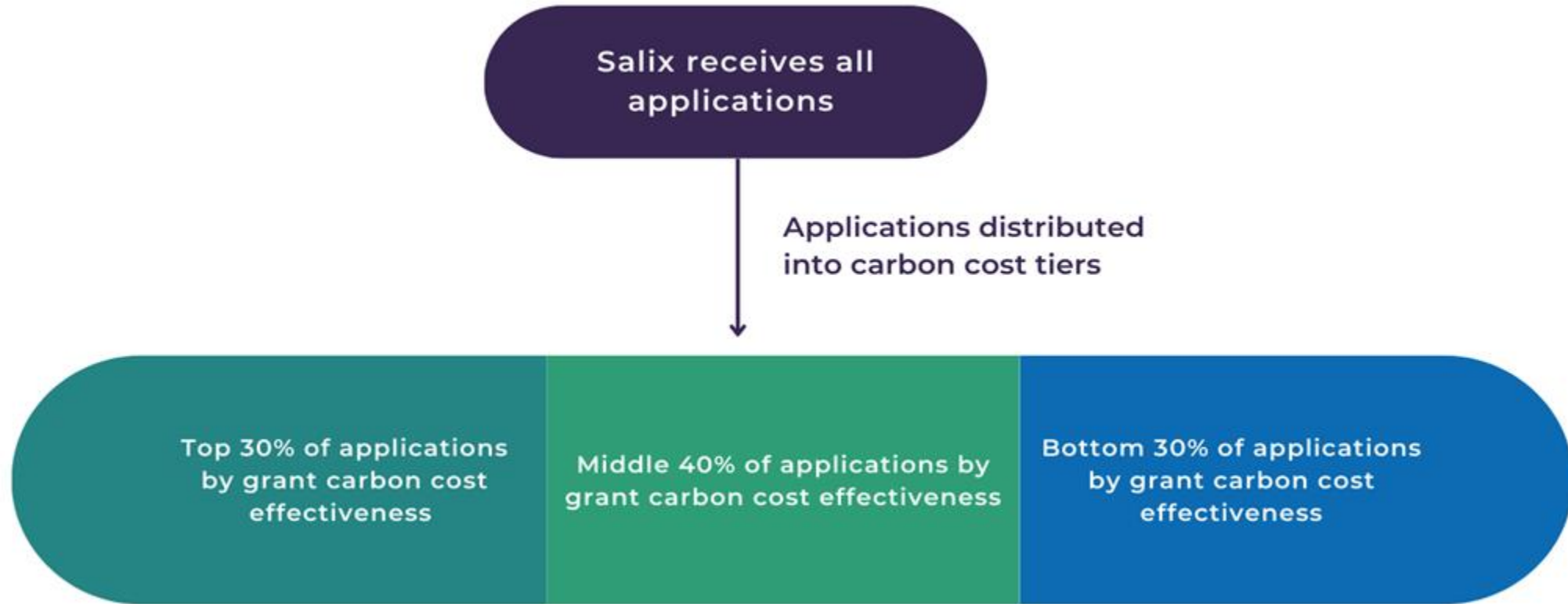
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Targeted allocation

Phase 4 will see a targeted approach to allocating funding.



Guidance section 2

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Targeted allocation

The following factors will impact the order in which grants are awarded:

Grant carbon
cost

Randomisation

Sector

Funding profile

Sector soft caps



Aligns the distribution of funding to the emissions produced by that portion of the public sector.



Divided by 'education', 'health' and 'other'.



The caps aim to award each sector no less than 30% and no more than 35% of the budget available.



Sector caps are 'soft' in that they can be relaxed if it becomes infeasible to maintain them.

Guidance section 2.1.3



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Carbon cost

- An application's grant carbon cost will now be a key factor in determining which applications will be funded.

$$\text{Grant carbon cost (}\text{£/tCO}_2\text{e LT)} = \frac{\text{Grant value requested (}\text{£)}}{\text{Direct carbon saved by grant funded measures over the lifetime (tCO}_2\text{e LT)}}$$

- The maximum acceptable grant carbon cost for Phase 4 is £510/tCO₂e over the lifetime of the project for grant funded measures.
- Applicants are encouraged to balance competitiveness with affordability.

Guidance section 2.2



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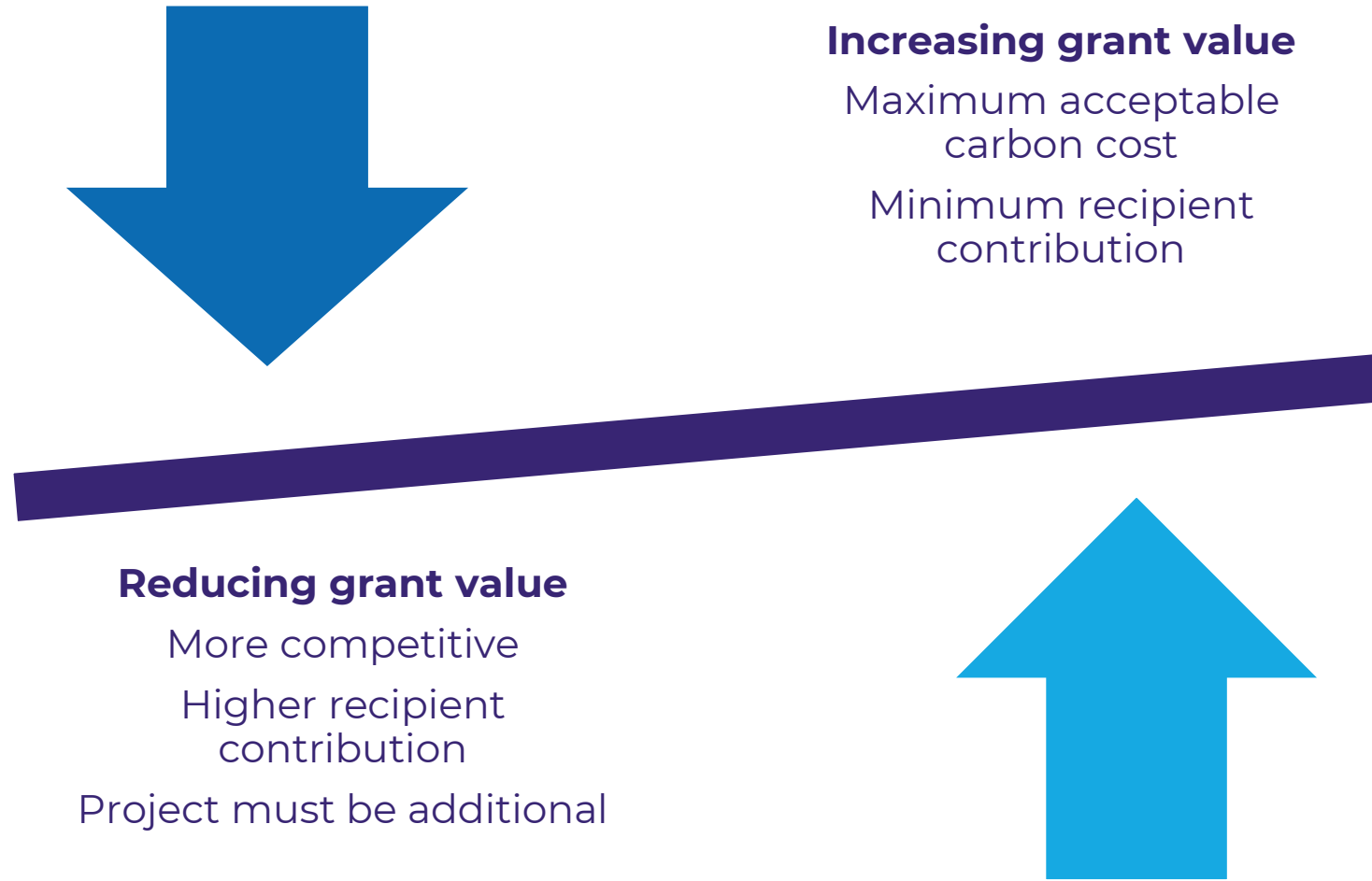


Carbon cost curve

Application Form - Step 4.2



Factors to consider



Developing your project



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Whole building approach



Guidance section 3.1

Feasibility studies

The study should include:

- Options appraisal
 - Evaluation of different low carbon heating configurations and options
 - Electrical infrastructure requirements
 - Capital and operational cost impacts
- Project viability
 - Financial and technical feasibility.
 - Project delivery/scheduling review.

Guidance section 4.2.3



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Supporting documents

Application form

End-of-life evidence of the current fossil fuel heating plant

Building energy consumption data

Project programme

Salix risk register

Application form – what's new?

- **All** applicants are required to answer the questions on step 1.2 regarding the opportunity to connect to a heat network.

Section 4. Heat Networks

The questions below are related to heat networks which all applicants must answer.

1a. Have you explored the option to connect to a heat network?

1b. Is your project in an area where a heat network connection is likely to be possible, either now or in future?

1c. If a heat network connection is currently possible, does your project propose a heat network connection? If not, why not?



Application form – what's new?

- You will be required to answer questions relating to your Distribution Network Operator (DNO) for **each** building within your application.

Site Name	Site Type	Region	Site Number	Site ID	Type of electrical connection	Existing incoming voltage level of the premises (kV)	Existing agreed supply capacity/maximum capacity of the premises (kVA)	Current typical loading vs your maximum capacity (%)
			Site 1					
			Site 2					



Application form – what's new?

- Step 4 has been separated into steps 4.1 and 4.2.
- Step 4.1 allows you to enter **measure details**.
- Step 4.2 gives a **visual graph** to help you select your grant value.
- Please ensure 4.1 is completed before starting 4.2.

Step 4.1 Carbon Saving Measures

Step 4.2 Grant Selection



Project governance

The application portal requires a main contact and authorising official.

- **Authorising official** - someone with the authority to sign-off on legal documents, such as the Grant Offer Letter e.g., a chief executive, financial officer or another senior official.
- **Main contact** - someone responsible for the day-to-day management of the project. It is crucial that the main contact is available to communicate with Salix when needed.
- The authorising official must sign the counter fraud declaration confirming compliance with the additionality criteria.

Guidance section 4.4



Subsidy Control

- Applicants may be affected and will need to comply with the Subsidy Control Act 2022 if any of the following apply:
 - They engage in any economic activity so are classed as an enterprise
 - Are currently leasing their site to an enterprise
 - Are leasing a site from an enterprise
- If the works funded by the grant directly impact any economic activity they are undertaking, the applicant must cooperate with Salix to ensure compliance with the Subsidy Control Act 2022.
- There are four types of subsidies:
 - Direct subsidies
 - Indirect subsidies related to building leased **to** enterprises, who pay a portion of the energy bills
 - Indirect subsidies, related to buildings leased **from** enterprises
 - Indirect subsidies related to buildings under PFI contracts

Guidance section 4.1.3

Subsidy Control

Type of Subsidy	Requirements/ Evidence Requested
Direct Subsidy	<ul style="list-style-type: none">• Evidence that proves compliancy with Subsidy Control principles
Indirect Subsidy – Buildings leased to enterprises, who pay a portion of the energy bills	<ul style="list-style-type: none">• Leasehold agreement• Applicants will be required to declare that they will adhere to indirect subsidy rules. Salix will be in touch with relevant applicants following application submission to request this declaration or to gather further information.
Indirect Subsidy – Buildings leased from enterprises	<ul style="list-style-type: none">• Leasehold agreement• The persistence factor that is given to measures in the building will be capped at the remaining applicant lease period.• Further information will be required to ensure that the grant being given is compliant with subsidy control law that Salix will request following application submission.• Evidence that the relevant landlord(s) understand that funding could be recovered should the lease terminate early
Indirect Subsidy – PFI Contracts	<ul style="list-style-type: none">• A copy of the PFI contract is required to show either the transfer clause in the contract or the remaining PFI length and must be provided in the application portal under additional supporting evidence.

Submitting your application

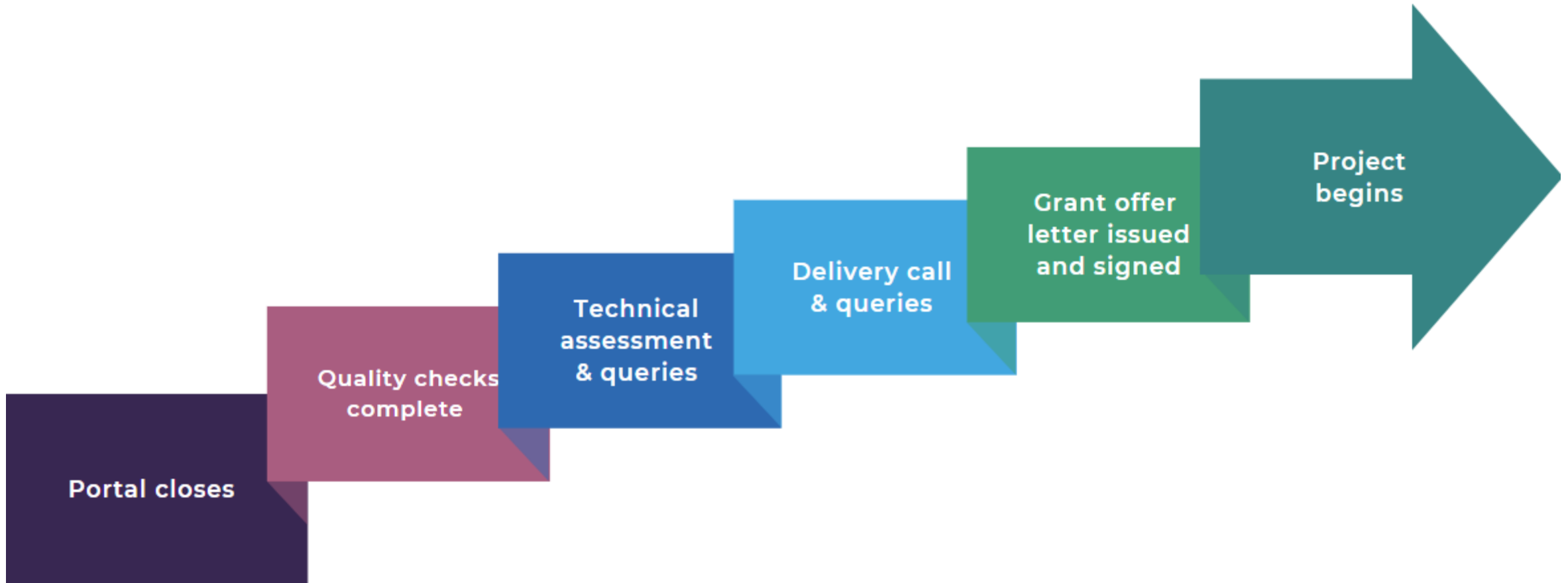


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Application Journey



Guidance section 6



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Application advice



Inform all internal stakeholders and establish a project governance structure

Identify key risks to delivery and match funding

Ensure you choose the funding profile that best matches your project programme and resources

Engage with the Distribution Network Operator (DNO) early

Submit bespoke applications

Create a Salix profile before portal opening

Do not wait until the last minute to apply as there is a queuing system on the portal

Salix will only accept applications made by members of the public sector organisation



Resources available

The following can be found on the [Salix website](#):

 Frequently Asked Questions

 Applicant Journey

 Phase 4 Guidance Notes

 Application Form

 Project Governance guide

 Targeted Allocation video

 Carbon cost video



ANY QUESTIONS?



Applicant queries can also be directed to the email below:

 **Phase4PSDSgrants@salixfinance.co.uk**