



# GEMSERV SUMMARY: WARM HOMES PLAN ANNOUNCEMENTS – SEPTEMBER 2024

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# OVERVIEW

On 23<sup>rd</sup> September 2024, the Government announced numerous policies relevant to the energy efficiency industry. This included:

- The publication of final guidance for Wave 3 of the Warm Homes: Social Housing Fund (previously known as the Social Housing Decarbonisation Fund).
- The publication of Policy Guidance for Local Authorities for the new Warm Homes: Local Grant scheme.
- Confirmation that the Government will consult new Minimum Energy Efficiency Standards (MEES) for the social and private rented sectors. This will be accompanied by a consultation on EPC reform.
- Publication of guidance for Phase 4 of the Public Sector Decarbonisation Scheme.

Whilst announcements on funding schemes were not expected ahead of the Spending Review on 30 October, the Government have released this package of announcements to provide assurance of future financial support for the sector to run alongside proposed MEES targets. Government will be keen to work with existing local authorities and social housing providers who have previously been involved with the SHDF to accelerate the WH:SHF and show capability of delivering year one of the fund ahead of future funding allocations.

At this time, the announcements do not stipulate the funding allocated to each scheme. This will be confirmed in the upcoming Spending Review.

## WARM HOMES: SOCIAL HOUSING FUND WAVE 3

The Department for Energy Security and Net Zero (DESNZ) has published its final guidance for Wave 3 of Warm Homes: Social Housing Fund (WH:SHF), previously known as the Social Housing Decarbonisation Fund (SHDF). Wave 3 of the WH:SHF will upgrade a significant amount of the social housing stock in England to Energy Performance Certificate (EPC) band C.

### HEADLINE PROPOSALS

- There are two new routes to access funding under Wave 3, via the Challenge Fund and via Strategic Partnerships.
- Wave 3 includes a cost cap of £7,500 of grant funding per home. This cap can be averaged across homes in an application (including across different consortium members).
- There is also an additional £7,500 grant funding cost cap uplift for low carbon heating measures in homes off the gas grid.
- There is a new optional low carbon heating incentive for homes on the gas grid. Up to 10% of homes in an application can gain access to a £20,000 grant fund per home to install low carbon heating measures on the gas grid (instead of the usual £7,500 on the gas grid cost cap).



## CHANGES AND CLARIFICATIONS FROM PREVIOUS DRAFT GUIDANCE

The final guidance is broadly in line with the original draft guidance published by the Government in May 2024, with the exception of the changes set out in Table 1 below.

Table 1 - Changes and clarifications from previous draft guidance

Area	Change
<b>Funding amount</b>	All references to the £1.2 billion grant funding allocation have been removed. The specific central government grant funding amount available for WH:SHF Wave 3 will be announced as part of the Spending Review.
<b>Cost caps</b>	Cost caps are renamed to: <ul style="list-style-type: none"> <li>• Base cost cap</li> <li>• Off-grid low carbon heating cost cap uplift</li> <li>• On-grid low carbon heating incentive offer</li> </ul>
<b>Non-social homes</b>	Contributions from owner-occupiers and private landlords towards in-fill measures are no longer required. However, applicants can still request a contribution from these landlords/occupiers.
<b>Eligible properties</b>	Explanation on how the transition from RdSAP 2012 to RdSAP 10 will work for Grant Recipients.
<b>Quality standards</b>	Confirmation that all projects must adhere to PAS 2035:2023
<b>Eligible installers</b>	Clarification that all installers must be Trustmark registered
<b>Eligible installers</b>	Clarification that connections to heat networks and the development of new heat networks are not required to comply with PAS2035 and installers of heat networks are not required to be MCS registered.
<b>Grant funding</b>	The grant spend profile has been updated to a third of total grant funding to be spent each financial year.
<b>Grant funding</b>	The grant spend profile has been updated to a third of total grant funding to be spent each financial year.
<b>EPC requirements</b>	Clarification that 'going beyond EPC C' means 'achieving EPC B or beyond'.
<b>Interaction with other energy efficiency schemes</b>	Clarification that although funding from other government energy efficiency schemes can be used on Wave 3 projects, this does not count towards the 50% co-funding requirement.
<b>Delivery window</b>	Clarification that co-funding can be spent from the scheme launch date (23 <sup>rd</sup> September 2024). See <a href="#">Scheme Timelines</a> for more detail about the indicative timelines for Wave 3.
<b>Strategic Partnerships</b>	Strategic Partners should provide energy savings instead of carbon savings to reduce admin burden and inconsistency across projects. Strategic Partners will be held to energy saving rather than carbon saving targets.

## MAIN CHANGES FROM PREVIOUS WAVES

Table 2 sets out the main changes in WH:SHF compared to previous waves of the scheme (previously known as SHDF).



Table 2 - Changes from previous waves

Area	Change
<b>Performance outcomes</b>	Grant Recipients will not be required to get homes to EPC C if they can prove that this is not achievable within the cost caps. The 90 kWh/m <sup>2</sup> /year space heating demand consideration in Wave 2 no longer applies in Wave 3.
<b>Base cost cap</b>	There is a new base cost cap of £7,500 for energy efficiency measures
<b>Off grid low carbon heating cost cap uplift</b>	There is an additional cost cap uplift of £7,500 for low carbon heating in off gas grid homes
<b>On gas low carbon heating incentive offer</b>	There is a new £20,000+ incentive for installing low carbon heating in on gas homes
<b>Revisiting homes –</b>	Homes previously treated in Wave 1 or the SHDF Demonstrator are eligible for the installation of low carbon heating only
<b>EPC C+ homes –</b>	low carbon heating can be installed in homes with an EPC C or above
<b>Non-social homes</b>	Mixed tenure blocks/terraces can be treated in their entirety as long as at least 30% of homes are social homes
<b>There are two new application routes</b>	the Challenge Fund and the Strategic Partnership route
<b>Minimum number of home</b>	Challenge Fund applications must include a minimum of 100 eligible social housing properties at EPC band D-G, except in the case of small social housing landlords (those who own or manage fewer than 1000 homes)
<b>Approach to KPIs and Milestones –</b>	the approach to both KPIs and milestones has been reformed for Wave 3, with specific milestones for the Challenge Fund and Strategic Partnerships, and a reformed set of KPIS

## SCHEME TIMELINES

The delivery window for WH:SHF will run from 1<sup>st</sup> April 2025 to 31<sup>st</sup> March 2028. All central government grant funding must be spent by 31<sup>st</sup> March. Co-funding can be drawn down from the scheme launch date to 30<sup>th</sup> September 2028. The scheme launch date is defined as the date on which the final set of guidance documents were published (23<sup>rd</sup> September 2024). Figure 1 outlines indicative timelines for the scheme.



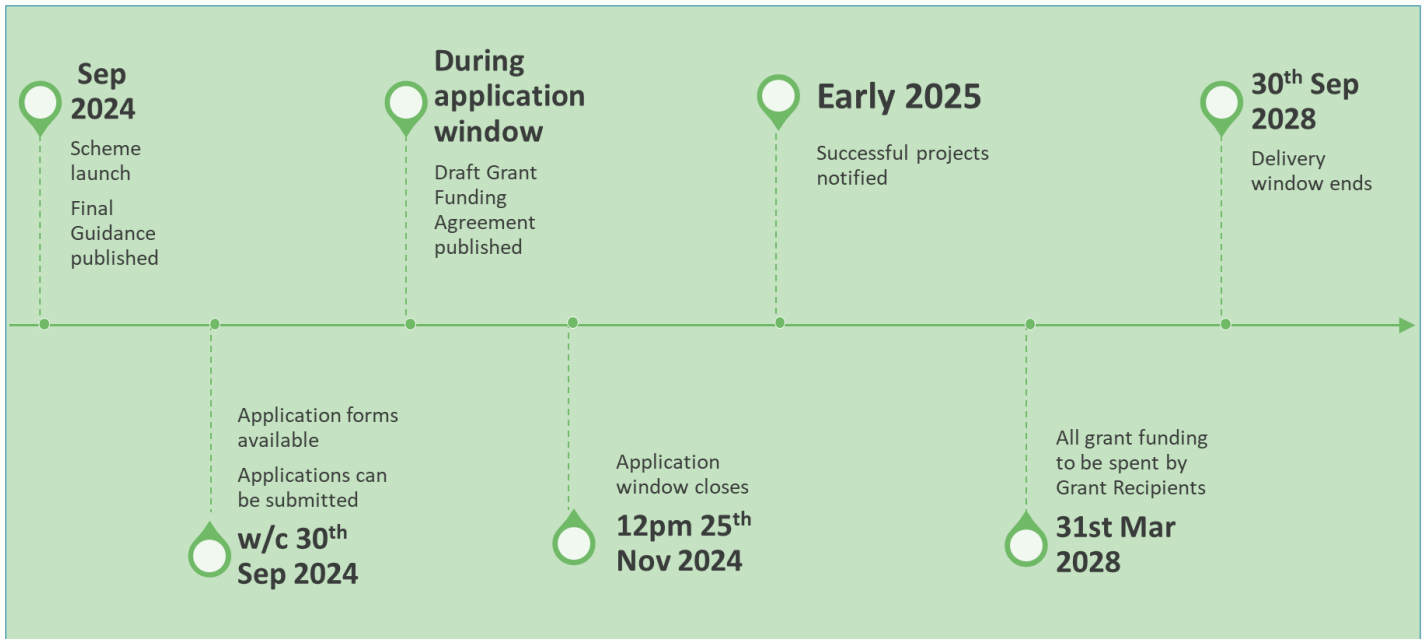


Figure 1 - Indicative timelines for WH:SHF

## COST CAPS

There is a new single **base cost cap** for energy efficiency measures which is consistent across all homes and does not vary by starting EPC band or wall type as it did in Wave 2. This is the maximum grant funding permitted for capital costs for retrofit works, exclusive of all administration and ancillary costs. **The Wave 3 base cost cap is £7,500 of central government grant funding per home.** In addition to this, social housing providers must provide a minimum of 50% co-funding.

This cap can be averaged across homes in an application (including across different consortium members). Therefore, it is possible for applicants to spend more or less than £7,500 of grant funding per property, as long as the average amount of grant funding spent across an application is less than or equal to the £7,500 cost cap.

In Wave 3, there are also additional cost caps for low carbon heating measures, which are outlined in more detail below.

## ADDITIONAL OFF GAS LOW CARBON HEATING COST CAP

**There is an additional £7,500 grant funding cost cap uplift for low carbon heating measures in homes off the gas grid.** This is available in addition to the base cost cap of £7,500, meaning the total central government grant funding available for off-gas homes is £15,000. When combined with 50% co-funding, **this means that applicants will be able to spend £30,000 per property on off gas homes.**

## NEW WAVE 3 ON GAS GRID LOW CARBON HEATING INCENTIVE OFFER

Wave 3 includes a new low carbon heating incentive for on gas grid homes. **For up to 10% of the homes in an application, applicants will be able to access a grant of £20,000 per home.** The entire £20,000 will come from central government funding, so there is no co-funding requirement. Co-funding is still permitted but will not count towards the overall application requirement for 50% co-funding. Homes accessing the on gas incentive offer must be social homes and cannot access the £7,500 base cost cap.

**For homes making use of the £20,000 incentive offer, installation of low carbon heating is mandatory.** It is expected that the £20,000 is also used for energy efficiency measures to ensure that bills do not go up.

The only heating systems eligible for this offer are:



- ASHPs
- GSHPs
- Shared ground loops
- Heat networks.

## SUMMARY

Table 2 below provides a summary of the different cost caps operating within SHDF Wave 3.

	Maximum grant funding	Minimum co-funding requirement	Total per home
<b>Base cost cap</b>	£7.5k	£7.5k	<b>£15k</b>
<b>Off gas grid homes</b>	£15k, including additional £7.5k on top of base cost cap	£15k, including an additional £7.5k on top of base cap co-funding	<b>£30k</b>
<b>On gas grid homes (up to 10% of homes in the bid)</b>	£20k (cannot be used in addition to the base £7.5k cost cap)	£0	<b>£20k</b>

## AVERAGING OF COST CAPS

It is possible to average the amount of grant funding across homes within an application, to allow for some homes in the application to spend more to reach the WH:SHF performance outcomes, and some homes less, as long as the average is less than or equal to the cost cap. Funding for both energy efficiency measures and low carbon heating measures can be averaged out across homes and across measures. However, funding accessed through the on gas grid low carbon heating incentive offer **cannot** be averaged out across other homes, nor can these homes receive leftover grant funding from other homes.

## TRANSITION FROM RDSAP2012 TO RDSAP10

A new version of RdSAP (RdSAP 10) is expected to go live in the coming months. EPC Accreditation companies have indicated that new pre-retrofit assessments will not be permitted to take place in RdSAP2012 after RdSAP10 is in place. In retrofit projects where the retrofit took place before the “go live” date of RdSAP10 and works have started by March 2025, the generation of RdSAP2012 post-retrofit assessments will still be allowed to enable retrofits that started in RdSAP2012 to be completed in RdSAP 2012. Projects with pre-retrofit assessments dated before March 2025 using RdSAP2012, that have not commenced works by March 2025, will need to get another pre-retrofit assessment done using RdSAP10 to be TrustMark compliant.

Other points:

- Any new projects that start after RdSAP10 is implemented, but within the transition window, are likely to be required to be fully assessed in RdSAP10.
- Retrofits that straddle the RdSAP10 go-live date will be able to use a RdSAP2012 post-retrofit assessment, provided a pre-retrofit assessment has been completed in RdSAP2012 prior to the RdSAP10 go-live date.





- Retrofits that need to be reassessed for compliance reasons that were evidenced by RdSAP2012 will be permitted to have a new RdSAP2012 post-retrofit assessment carried out for a short period of time after the transition to RdSAP10.

## COMBINED AUTHORITIES

The Greater Manchester Combined Authority (GMCA) and the West Midlands Combined Authority (WMCA) and their constituent local authorities are not eligible for the scheme. GMCA and WMCA will be receiving an allocation of funding via their trailblazer devolution deals. Housing associations with projects that include cover GMCA/WMCA and elsewhere in the country must split the project and seek funding for each project from the appropriate funding stream.

## WARM HOMES: LOCAL GRANT

The Warm Homes: Local Grant is a government-funded scheme delivered by Local Authorities that will take the first steps to delivering on the ambitions of the Warm Homes Plan. It will provide grants for energy performance upgrades and low carbon heating to low-income households living in the worst quality, privately owned homes in England to achieve energy bill savings and carbon savings. These upgrades will be open to all fuel types, including on gas households (those heated by mains gas), and off gas households (those heated by electricity, oil, coal, or liquid petroleum gas).

Lessons learned from previous Local Authority delivered fuel poverty schemes, such as Local Authority Delivery (LAD), running between 2020-2023 – and the Home Upgrade Grant (HUG)– have been fully integrated into the design of the Warm Homes: Local Grant.

## PRIMARY / SECONDARY OBJECTIVES AND OUTCOMES

To support delivery of the Warm Homes Plan, the primary and secondary objectives and outcomes of the grant are:

Primary	Secondary
Tackling fuel poverty to meet the statutory fuel poverty 2030 target, delivering annual energy bill savings to occupants.	To deliver progress towards Net Zero 2050, and the Carbon Budgets, by installing energy performance upgrades and low carbon heating in homes that drive carbon abatement.
Energy bill savings	Carbon savings

## CHANGES IN DESIGN FROM PREVIOUS SCHEMES

The main changes made to the scheme design of the Warm Homes: Local Grant compared to previous schemes are:

**Expression of Interest (Eoi) allocation model** - whereby all eligible LAs who complete an Eoi will be allocated funding to some degree. This is a simplification of the Challenge Fund model used to allocate funding for phase 2 of the Home Upgrade Grant 2 (HUG2) and moves away from the competition model used in phase 3 of the Local Authority Delivery (LAD) scheme.



**Draw down of funding** – up to 20% of allocated funding per financial year will be given upfront to LAs, with the remaining funding drawn down via a batch system (note this system will be much more streamlined than the system used for HUG2). This reduces the need for recovering underspend and ensures that the Department will be able to re-allocate efficiently to LAs who can potentially deliver more during the scheme delivery window and thereby achieve better delivery overall. The batch system will be a tool to draw down funding and to monitor spending and delivery trends (unlike HUG2’s batch system, which also ‘assessed’ whether costs were within cost caps, and whether thresholds for measure grades and measure prices were being met).

**Technical Assistance Facility (TAF)** – RISE (previously known as the ‘Home Upgrade Hub’) will be available to build and support LA capability and expertise to help set them up for successful delivery. This service is paid for by DESNZ and so is free for LAs. LAD3 did not have a TAF.

## ELIGIBILITY CRITERIA

### EPC

- Funding must only support households living in England in homes with an EPC rating within bands D to G – except in the case of park homes (which typically do not have an EPC rating). Households with an EPC rating within bands A to C are ineligible for scheme funding in all circumstances.

### Heating fuel

- All primary heating fuel types are eligible, therefore properties which are heated using gas boilers, as well as those which are not, e.g. those that use oil, liquid petroleum gas (LPG), coal, solid fuels, or electricity for heating purposes, are eligible providing they meet the other eligibility criteria
- Homes connected to a district heat networks are also eligible

### Measure type

- Any energy performance or heating measures compatible with the latest Reduced data Standard Assessment Procedure (RdSAP), at the time of delivery, are eligible except for fossil fuel heating
- Measures must also be covered under the latest PAS 2035:2023 guidance and installable under the latest PAS 2030:2023 or MCS standards (or an alternative certification scheme as approved by DESNZ) to be eligible
- The installation of low carbon heating technologies is also strongly encouraged where it supports a reduction in energy bills for the household

### Household eligibility

- There are three ways a household could be approved as ‘income eligible’ for the grant. A household must only meet the criteria for one of these pathways, out of the three available, to be income eligible for this scheme.



Eligibility Pathways	
<b>Pathway 1</b>	To deliver progress towards Net Zero 2050, and the Carbon Budgets, by installing energy performance upgrades and low carbon heating in homes that drive carbon abatement. <b>IMD:ID Eligible Postcodes</b> The household lives in a valid postcode that falls within eligible Income Deciles 1-2 of the Indices of Multiple Deprivation (IMD:ID 1-2).
<b>Pathway 2</b>	Carbon savings <b>Income Proxies</b> <b>Means-tested benefits:</b> The household is in receipt of a specified means-tested benefit, OR <b>Route 2 of ECO Flex:</b> Households meet the current ECO4 Flex criteria for Route 2
<b>Pathway 3</b>	<b>Household Income threshold</b> The household's gross annual income is below the scheme's household income threshold (£36,000) – or the equivalised 'After Housing Costs' threshold for their household composition

### Owner occupiers

- The grant will provide fully funded upgrades to owner occupied households who meet the eligibility criteria

### Private Rented Sector

- Landlords who have low-income tenants that meet the household eligibility criteria, living in properties that meet the property eligibility criteria, can access grant funding
- Grant will fully fund upgrades for one property per landlord – any subsequent properties (the second to be upgraded and beyond) owned by the same landlord will require a 50% landlord cost contribution towards the total cost of works
- No eligibility restriction against landlords based on the number of properties that they own (as was seen under phase 2 of the Home Upgrade Grant)

### Social Housing

- Social housing may only be treated using the grant for 'infill' purposes to support area-based upgrades – for instance, upgrading a block of flats or adjacent, terraced properties as part of area-based delivery
- Social housing must not exceed 10% of homes upgraded during a project and clear justification must be provided as to its inclusion

## BLENDING WITH OTHER FUNDING

Blending of funds from other net zero schemes that are concurrently running is permissible and gives households the flexibility to access different sources of funding. However, different schemes have different rules, and LAs will need to ensure any



blending of funds with different schemes has been done in accordance with other scheme rules and the rules of Warm Homes: Local Grant itself.

Funding received from the Warm Homes: Local Grant must not be blended simultaneously to install the same individual measure with other government energy performance schemes such as the Energy Company Obligation (ECO), the Boiler Upgrade Scheme (BUS), the Social Housing Decarbonisation Fund schemes (SHDF), or the Warm Homes: Social Housing Fund (WH:SHF).

It is possible for installations to be undertaken at the same property, where the measure installed is not the same or where a measure installed under a previous scheme is topped-up by the Warm Homes: Local Grant.

Both schemes require a separate post-install EPC and TM lodgement, which can be used to determine whether the home is still eligible (EPC D-G) to receive measures under another scheme.

LAs can also blend funding they receive from the Warm Homes: Local Grant with third party finance or LA budgets to deliver additional support to communities

## PERFORMANCE TARGETS

A non-binding aspiration for upgraded homes to reach Energy Performance Certificate (EPC) Band C – where this is not possible within the cost caps a value for money and strategic approach to measures selection should be adopted which could include installing low carbon heat. Please note, if a property has received funded upgrades through the Home Upgrade Grant (HUG) or Local Authority Delivery (LAD) scheme/s, the property must either reach EPC band C or receive a low carbon heating technology as part of receiving further treatment under Warm Homes: Local Grant.

## COST CAPS

Warm Homes: Local Grant will have twin cost caps – one for energy performance upgrades and one for low carbon heating. Cost caps can be averaged across a project and must be met by project closure.

Energy performance cost cap	Low carbon heat cost cap
£15,000	£15,000

The **energy performance cost cap** can be spent on any energy performance measure that is not categorised as low carbon heat, including fabric measures (such as insulation, draughtproofing, double glazing, and energy efficient doors) and smart measures (such as solar PV, smart controls, and battery storage).

The **separate low carbon heat cost cap** can be used for clean heat measures such as heat pumps or high retention storage heaters. It is expected that this distinct pot of funding for clean heat will incentivise and maximise heat pump deployment under the scheme, particularly in off gas grid homes where they can deliver significant energy bill savings for the occupants.



Local Authorities can use up to 15% of their total project spend to cover A&A costs, including (but not limited to) resourcing, procurement, specialist advice, searching for eligible homes, signing up households, validating and assessing homes and agreeing a measure package in line with the applicable PAS standards.

**Owner Occupiers**

- Not required or expected to make any contributions to the cost of upgrades

**Private Rented Sector**

- Landlords may receive one home fully funded per landlord
- A 50% cost contribution will be required from the private landlord for any additional homes upgraded after the first
- Tenants are not required or expected to make any contributions to the cost of upgrades

**Social Housing**

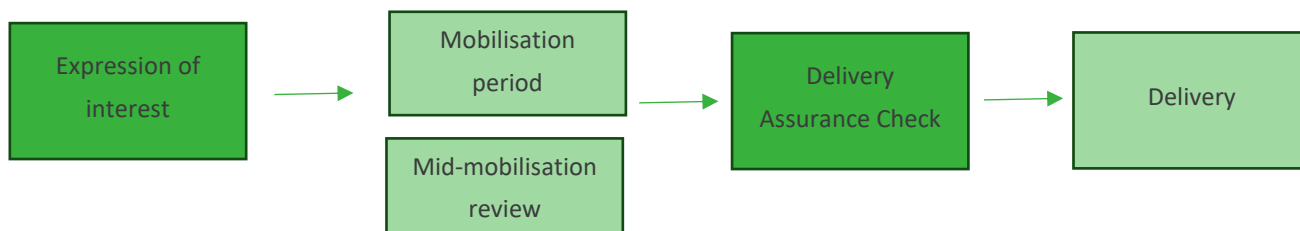
- 50% cost contribution is required from social housing landlords

**SCHEME TIMELINE**

The Warm Homes: Local Grant will commence delivery in April 2025. The scheme is expected to run for 3-5 years, this will be confirmed following the Spending Review.

Project Milestone	Provisional Date
Expression of interest and funding allocation window	Expected later this year. Note that the total amount of funding available to be allocated will be confirmed following the multi-year Spending Review launched by the Chancellor earlier this summer.
Delivery window opens	1st April 2025
Delivery window ends	We expect the scheme to run for 3-5 years. This will be confirmed following the Spending Review.

An Expression of Interest (Eoi) model will be used to allocate funding to Local Authorities. There will be no pass or fail assessment of the initial Eoi – this means that all eligible LAs that complete the Eoi form will be allocated funding to some degree, with the assessment focusing on the amount of funding to be allocated. This will be followed by a mobilisation period in which a mid-mobilisation review will check LA progress, ahead of the Delivery Assurance Check.



## COMBINED AUTHORITIES

Local Authorities within the West Midlands Combined Authority (WMCA) and the Greater Manchester Combined Authority (GMCA) will be receiving an allocation of funding as part of the commitment to the trailblazer devolution deals. As a result, GMCA, WMCA and their constituent local authorities, and other stakeholders such as Housing Associations will therefore not be permitted to bid for the national schemes.

Contact WMCA ([devolved.retrofit@wmca.org.uk](mailto:devolved.retrofit@wmca.org.uk)) or GMCA ([LEAD@greatermanchester-ca.gov.uk](mailto:LEAD@greatermanchester-ca.gov.uk)) for enquiries related to devolved funding in these areas.

# CONSULTATION ON MINIMUM ENERGY EFFICIENCY STANDARDS FOR RENTERS

The Secretary of State for Energy Security and Net Zero, Ed Miliband, announced on 23 September 2024 that the Government plans to raise minimum energy efficiency standards (MEES) for rented homes across the country. Currently, social homes are not subject to any minimum energy efficiency standard, while private rented homes can only be rented out if they meet a MEES of EPC E. The Secretary of State confirmed that the Government will release two separate consultations before the end of the year setting out proposals to introduce a MEES of EPC C by 2030 for both social and private rented properties.

Alongside this announcement, the Government also confirmed that it will shortly be consulting on proposals to improve EPCs in order to 'make them more accurate and reliable'. You can find further details about these announcements [here](#).

## PUBLIC SECTOR DECARBONISATION FUND: PHASE 4

DESNZ have announced that Phase 4 of the Public Sector Decarbonisation Scheme (PSDS) will open for applications in mid-October. Please see further details about the announcement [here](#). Guidance notes for Phase 4 have also been published and are available on Salix Finance's website [here](#).

Phase 4 will run from 2025 until 2028, with the specific budget allocated for this phase to be announced through the Spending Review.

### KEY CHANGES FOR PHASE 4

A number of key changes have been made for Phase 4 compared to previous phases of the scheme. The main changes include:

- **Targeted allocation** – This phase will see a shift away from allocating funding on a first-come first-served basis, which was utilised in the previous phases. The order in which grants are awarded will be primarily driven by the application's grant carbon cost. This means applications with a lower grant carbon cost will be more likely to receive funding. Applications are prioritised by carbon cost initially but are also impacted by the sector (e.g. education, health, other) and the annual funding profile.



- **Calculating the application’s grant carbon cost** – The grant carbon cost will be calculated by dividing the requested grant value by the direct carbon savings delivered by the measures that are funded by the grant only. Applications must have a maximum grant carbon cost of £510 per tonne of direct carbon saved over the lifetime of the measures (£510/tCO<sub>2</sub>e LT). Applications with a lower grant carbon cost are more likely to receive funding.
- **Definition of a public sector organisation** – The definition of a “public sector organisation” has now changed to better align with updated legislation. Organisations must meet the definition of a “public authority” as defined by the Procurement Act 2023. This may impact the eligibility of higher education institutions.
- **Devolved authorities** – Where funding for public sector decarbonisation is in scope of a devolution deal, a share of the capital funding to be allocated for public sector decarbonisation will be assigned to the relevant devolved authorities to deliver this work within their respective geographical areas. As a result, public sector organisations that are within scope of the devolution deals will not be eligible to receive funding from Salix through Phase 4 of the Public Sector Decarbonisation Scheme. The final scope of devolution deals has not been confirmed yet, so more information will be provided in due course.

## LOW CARBON HEATING

Every building within an application must be served by a fossil fuel heating plant at the end of its useful life. This is generally 10 years or older. Applications must propose low-carbon heating for all buildings. No technologies reliant on the use of fossil fuels are eligible.

## TIMELINES



## MORE INFORMATION:

To support applicants, maps identifying where heat networks are expected to provide the lowest cost, low carbon heat to buildings have been made available [here](#). These maps will enable applicants to make informed decisions about managing future



heating costs and can be used to identify where heat networks exist and/or are highly likely to grow or be built. Further information, including project governance guidance, is available [here](#).



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