

# Public Sector Decarbonisation Scheme

## Grant funding for heat decarbonisation projects



### PSDS Phase 3b

The Public Sector Decarbonisation Scheme provides grants for public sector bodies in England (including universities) to fund heat decarbonisation and energy efficiency measures. The Department for Business, Energy and Industrial Strategy (BEIS) partners with Salix Finance to deliver the grants.

Phase 3b of the scheme is allocated £635m of funding, across single and multi-year projects:

- £402m for 2023/24
- £233m for 2024/25

Projects can be single year, completing by March 2024, multi-year, completing by March 2025, or single year but using 23/24 as a planning year for completion by March 2025.

Funding is allocated on a first-come, first-served basis and applications are currently set to open on, or after, 19<sup>th</sup> September 2022. Sector caps will distribute funding between Health, Education and other areas. These levels are currently undisclosed so early applications are recommended.



Department for  
Business, Energy  
& Industrial Strategy

*16 universities received  
£40m of funding in  
Phase 3a of the PSDS*

Eligible Projects

Applications

The scheme focuses on the decarbonisation of heat, with the **obligation** that any project features the replacement of ‘end of life’ (typically >10 years old) fossil-fuel heating systems with low carbon equivalents, e.g. heat pumps, solar thermal or connection to an existing district heating network.

The applicant must contribute the cost of a like-for-like replacement, i.e. if the existing heating system was replaced with an equivalent fossil-fuel fired system. Only the **excess costs** of the low-carbon solution are met by the grant funding.

However, BEIS uses a ‘whole building’ approach and energy efficiency or enabling works undertaken can be funded by the grant, **limited to 58% of the total project costs** and with the requirement that they directly relate to the buildings being heated.

Please see section 4.2 of the guidance notes for all project criteria at: [Phase 3b PSDS Guidance Notes and Annex](#) | Salix Finance

Applicants must provide a detailed summary of each element of their project, including demonstrating how it meets the ‘whole building’ approach, performing feasibility and options analysis over the low carbon heating system selected, and providing the energy saving calculations.

Applications will be assessed against the Phase 3b eligibility criteria before undergoing a full review covering:

- Technical case – technical feasibility, future resilience, energy and carbon saving calculations and monitoring plans
- Financial case – breakdown of project costs including evidence of pricing and O&M costs
- Project governance – risks and mitigation, programme, experience and deliverability in the timescales provided

An example application form is available at: [Phase 3b PSDS Application Form](#) | Salix Finance

### How can QMPF help?

QMPF’s energy team has market-leading experience acting as financial advisors in the successful delivery of low carbon heating projects across the public sector, including with Universities and Local Authorities. As the grant funding is only available for the excess expenditure over a like-for-like system replacement, large projects may still have a material funding requirement. The team can assist by providing:

- Financial advice and support, including financial modelling
- Financial business cases to support governance processes
- Feasibility of external financing on a project-by-project basis
- Working alongside technical advisors to optimise solutions
- Wider strategic advice on Net Zero transition strategies
- Funding advice and arrangement of sustainable/green facilities

QMPF have worked on the following projects and clients:

- Advising on funding options for water source heat pumps
- Supporting business cases for a University’s district heating networks
- Modelling a University’s pathway to net zero to assess low carbon investments



University of  
St Andrews



Guy's and St Thomas'  
NHS Foundation Trust



### We would be delighted to speak to you...



PETER LYONS  
Partner  
079 445 29392  
[Peter.Lyons@qmpf.co.uk](mailto:Peter.Lyons@qmpf.co.uk)



ANDREW WILKINSON  
Partner  
078 815 26212  
[Andrew.Wilkinson@qmpf.co.uk](mailto:Andrew.Wilkinson@qmpf.co.uk)

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