



Department for
Business, Energy
& Industrial Strategy

Sustainable Warmth Competition

Guidance for Local Authorities

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Executive Summary

Sustainable Warmth is a competition being launched to bring together two fuel poverty schemes (Local Authority Delivery Phase 3 and Home Upgrade Grant Phase 1) into a single funding opportunity for Local Authorities (LAs). The two schemes that make up the Sustainable Warmth competition have a shared goal to contribute to the aims set out in the Sustainable Warmth: protecting vulnerable households in England strategy. As outlined in this strategy, the Government is committed to tackling fuel poverty and helping the most vulnerable by increasing the energy efficiency of homes, reducing the cost of bills, contributing to Net Zero targets and supporting low-income households in the transition to low-carbon heating. This competition will provide funding to support these objectives.

Through funding made available under the Sustainable Warmth competition, the Government aims to save households money, reduce fuel poverty, cut carbon and support the aims of the Prime Minister's 10 Point plan for a Green Industrial Revolution. Funding is available to upgrade homes both on and off-gas grid, and is comprised of:

1. **Local Authority Delivery (LAD) Phase 3:** a third phase of LAD with £200m available. LAD3 has a refined scope to support low-income households heated by mains gas.
2. **Home Upgrade Grant (HUG) Phase 1:** £150m for low-income households with homes off-gas grid through the Home Upgrade Grant (HUG) scheme.

Both schemes aim to support low-income households in England, living in energy inefficient homes by installing energy efficiency and low carbon heating upgrades with a delivery timeframe of January 2022 to March 2023. Where possible the criteria of these schemes have been aligned so that LAs can set out a single approach to implementing support. A description of the key differences in scheme rules and an outline of the single Sustainable Warmth competition application form is outlined below.

This guidance covers the Sustainable Warmth competition and should be read prior to completing a [Sustainable Warmth application form](#), which is available for download.

Policy summary of LAD

As part of the Summer Economic Statement 2020, the Chancellor announced £500m for Local Authority Delivery (LAD) as part of the 'Green Home Grants' economic stimulus to build a green recovery in response to the economic impacts of Covid-19. This funding has successfully been allocated to LAs through Phases 1 and 2 of LAD to upgrade approximately 50,000 homes with energy efficiency and low carbon heating measures that will be delivered over 2021.

In March 2021, the Government announced that a further £200m would be made available for an extension to the LAD scheme in 2021-22, with all delivery completed by 31 March 2023. It was agreed that the majority of the eligibility rules for this funding would stay consistent with earlier phases – but with one significant change. This new phase of LAD would focus support on low-income households living in homes on-gas grid only (unlike previous Phases of LAD which also included off-gas grid homes) with the intention of improving EPC band D, E, F and G homes

up through the energy efficiency scale. As with previous LAD Phases, the cost of upgrades under LAD Phase 3 will be limited to a maximum average subsidy of £10,000 per home.

Policy summary of HUG

The Home Upgrade Grant scheme (HUG) is a £2.5bn manifesto commitment to provide energy efficiency upgrades and low-carbon heating to low-income households living off-gas grid in England to tackle fuel poverty and meet net zero. The policy intent is to improve off-gas grid homes up through the energy efficiency scale. As a minimum, EPC band F-G homes should be upgraded to D or above and band D-E homes to C or above to meet statutory fuel poverty targets of EPC band C by 2030 and the interim milestone of band D by 2025.

The scheme was allocated an initial £150m which in turn will be allocated to LAs in 2021-22 through this Sustainable Warmth competition, with all delivery completed by 31 March 2023. We recognise the higher costs of upgrading off-gas grid households and the need to install both energy efficiency and low carbon heating upgrades this decade. The most prominent difference to LAD policy is that higher average cost expectations will range from £10,000 to £25,000 per home depending upon the starting Energy Performance Certificate (EPC) rating of the property and fuel type. This higher grant for costs of upgrades should allow for low carbon heating to be installed in the majority of homes.

This initial £150m for HUG Phase 1 will fund all the off-gas grid upgrades as part of the £350m Sustainable Warmth competition. Any further funding for HUG is subject to future fiscal events.

Outline of the competition

The Department for Business, Energy and Industrial Strategy (BEIS) is inviting LAs to apply for funding to be used to improve the energy efficiency of homes inhabited by low-income households living in their area. We encourage LAs to consider their housing stock to assess whether they can apply with the aims of raising the energy efficiency of low-income and low EPC rated homes including those living in the worst quality homes on the mains gas grid and off the mains gas grid (using oil, LPG, coal, solid fuel or electric). We aim to improve the energy performance of homes to band C, wherever possible, to take homes out of fuel poverty and deliver progress towards reducing fuel poverty and the UK's commitment to Net Zero by 2050.

The Sustainable Warmth Competition is comprised of a single guidance and application form for both LAD Phase 3 and HUG Phase 1. When completing the application form, LAs will be asked to set out details of their plans to target low-income households, identify the least energy efficient housing stock and deliver value for money upgrades in the timeframe available. LAs will be asked to submit a single application covering a request for funding under LAD, HUG or both schemes and for most sections the score attributed will be the same for the HUG and LAD component of their applications, where applicable. The application form will detail where specific information is required by scheme. For example, LAs will be asked to specify how many homes are intended to be upgraded that a) have a gas boiler b) are heated by electricity or c) are heated by an off-grid fossil fuel. Successful LAs are likely to receive funding supported by a single Memorandum of Understanding which will specify agreed delivery across the off and on-gas grid stock as set out in the LA's application.

Applications will be accepted from 16 June to 4 August 2021. LA applications should be submitted via email to sustainable.warmth@beis.gov.uk using the application form provided. Applications received after 4 August 2021 at 11:59pm will not be considered by BEIS.

Details of the application process are set out later in this document in Section 5. Where LAs are successful in the application process, BEIS will aim to make grant offers in Autumn 2021. BEIS will contact LAs individually to inform them of the outcome of applications and this may also be published on gov.uk.

Successful LAs will then be required to sign and return a Memorandum of Understanding (MoU), which will include a Privacy Notice, Data Sharing Agreement and a Grant Determination Notice, so that BEIS can issue grant payments to the LA (or lead LA from a consortium) under Section 31 of the Local Government Act 2003. To enable prompt payment LAs are requested to return completed and signed MOUs within 15 working days. Grant payment is dependent upon the timely receipt of correctly completed and signed MOUs; those received outside the 15 working days may result in a delay to payment of the grant. Where an MoU is not signed and returned within 30 days, the grant offer may be rescinded.

Delivery of all projects funded through the Sustainable Warmth competition must be completed by 31 March 2023. LAs are asked to submit applications that they are confident can be fully delivered by the end of March 2023.

BEIS reserves the right to terminate the competition at any time, and may decide not to award any grants, or to award grants for less than the total funding available under the LAD or HUG schemes. If an application for funding under both LAD Phase 3 and HUG Phase 1 is received, the LA may be successful at securing funding under the LAD Phase 3 scheme, the HUG Phase 1 scheme, or both. BEIS will not be liable for any costs incurred in the preparation or submission of applications.

Enquiries

We will also publish a FAQ document, that we intend to update regularly. LAs should review the FAQ document in the first instance if they have any questions. Any further enquires, including questions relating to the guidance or application form should be addressed to sustainable.warmth@beis.gov.uk.

1. Introduction

The primary purpose of the Sustainable Warmth competition funding is to raise the energy efficiency rating of low-income and low EPC rated homes (those with D, E, F or G) on the gas grid and off gas grid. The funding will also support low-income households with the transition to low-carbon heating.

We expect the funding made available to result in the following outcomes:

- Tackle fuel poverty by increasing low-income homes' energy efficiency rating and reducing their energy bills – a key principle of the Fuel Poverty Strategy 2021.
- Deliver cost effective carbon savings to carbon budgets and progress towards the UK's target for net zero by 2050.
- Support clean growth and ensure homes are thermally comfortable, efficient, and well-adapted to climate change.
- Support economic resilience and a green recovery in response to the economic impacts of Covid-19, supporting thousands of jobs.

The Sustainable Warmth competition aims to fund upgrades to homes to a target energy efficiency rating of EPC C, or EPC D where this is not possible.

By focusing on low-income households, upgrades made to the housing stock and area-based regeneration through the Sustainable Warmth competition funding will support deprived communities throughout England ensuring that these communities are not left behind in the transition towards net zero. We encourage LAs to support and boost local green growth by considering local and SME installers as part of a contribution to levelling up society whilst investing in the skills and supply chains necessary to meet net zero. LAs should consider the role of SMEs in the supply chain and ensure that barriers to participation are minimised in their procurements.

This document sets out detailed guidance for LAs interested in applying, and other parties interested in the competition, outlining:

- Eligibility Guidance – to be considered for funding, LAs will need to show that they have met the competition's eligibility criteria in the application form.
- The Application Process – we have provided LAs with a high-level overview timeline of the competition process, including the dates of post-launch webinars where LAs can learn more about the competition. Annex A includes guidance on completing the application form.
- Evaluation of Proposals and Assessment Criteria – a summary of how each proposal will be assessed including key dates for LAs to be aware of.

2. Eligibility Criteria and Application Requirements

2.1 Parameters and Eligibility Specifications

BEIS aims to fund as many projects as possible to support a green recovery in response to the economic impacts of Covid-19 and to help take low-income families out of fuel poverty.

BEIS will specify key eligibility parameters for LAs to operate within, to ensure proposals are aligned to Government objectives and are allocated funding accordingly. Within these parameters LAs will have flexibility in delivering projects in accordance with their priorities.

LAs applying to the Sustainable Warmth competition must first confirm they and their applications meet key eligibility criteria for funding. This includes:

- Only Local Authorities or Local Energy Hubs in England will be eligible to apply for funding.
- Upgrades must be targeted at low-income households (with an annual income of less than £30,000 gross income) likely to be in fuel poverty. Properties will need to have an EPC rating of band D, E, F and G homes (band D will be capped at 30% - for LAs applying for on-gas and off-gas funding, this will be 30% for on-gas and 30% for off gas properties).
- Must be domestic dwellings – primary focus will be to upgrade privately owned housing. New build or self-built homes which have not been previously occupied are not eligible for funding.
- Installation of energy efficiency and heating measures compatible with the Standard Assessment Procedure (SAP) including wall, loft and underfloor installation and low carbon heating technologies. Fossil fuel heating systems are excluded from this scheme.
- Contactors must be TrustMark registered and where applicable MCS certified (or accredited to a scheme that BEIS is satisfied is equivalent).

LAs will have flexibility in how they design schemes within these eligibility parameters, however LA proposals will be assessed to ensure that the schemes that (1) have the closest alignment to Government objectives (Strategic Fit), (2) demonstrate robust plans to deliver their project (Delivery Assurance) and (3) represent the best cost effectiveness (Value for Money) are prioritized for funding.

Key eligibility parameters and scoring criteria are outlined below:

2.1.1 Eligible Applicants

Applications may only come from LAs, or Local Energy Hubs, in the role of Lead LAs, for consortium applications, in England. Grant funding can only be awarded to English Local Authorities using [Section 31 as specified in Section 33 of the Local Government Act 2003](#)¹. LAs can lead or be a partner in, multiple consortium applications and each application will be assessed on its own merit. Where a LA is involved in more than one application it must ensure

¹ <https://www.legislation.gov.uk/ukpga/2003/26/section/33>

it has the capacity to deliver the full funding within the stated delivery window should all applications for funding be successful. Where proposals cross LA boundaries a consortium funding application should be submitted. Where a funding application is from a consortium, a lead LA should be agreed, and this LA should submit the proposal on behalf of the consortium and expect to be the primary point of contact with BEIS. When drafting the application, the lead LA must list all the LAs involved in the proposal.

LAs should apply with proposals that meet the primary purpose of the Sustainable Warmth competition and support its desired outcomes, see section 1.

Over 200 LAs are taking part in Phase 1 (Phase 1A or 1B) of the LAD scheme and we are keen to expand the coverage of the scheme across more LAs in England. All LAs in England are encouraged to apply for funding. Applications from individual LAs that have not received funding from Phase 1 or Phase 2 of the LAD Scheme, are particularly encouraged.

BEIS also welcomes applications from LAs that have engaged under Phase 1 or Phase 2 of the LAD scheme. LAs, consortium member LAs and Local Energy Hubs that are implementing schemes under LAD Phase 1 and 2 can apply for funding for new or 'scaled' up projects that will upgrade additional households. BEIS therefore encourages LAs to work with those LAs in their region who have not received funding through the LAD Phase 1² scheme to increase the reach of funding to low-income households in even more areas across England. As such, applications which include LAs that have not previously received funding under Phase 1 of the LAD Scheme will receive an additional uplift in their scores. However, this is not an eligibility criteria and applications from LAs and consortia that have received previous funding are welcome.

Social Housing providers will not be able to apply directly. However, they may support a LA in the preparation of an application and delivery of a project, provided that the registered Social Housing Provider has a commercial agreement in place with the LA as part of an LA's proposal for area-based upgrades of housing stock only. For further details on tenure eligibility see Section 2.1.3: Eligible households.

All applications are subject to a total minimum funding proposal value of £250,000. There is no maximum funding level, however, BEIS reserves the right to agree a revision or propose a partial grant offer to any application submitted by the LA. LAs are asked to submit funding applications for projects in which they have confidence that can completely delivered by the end date of March 2023.

Applications must be completed in full, even where previous funding has been granted in LAD Phase 1 and 2 competitions. Applications for funding through the Sustainable Warmth competition which refer to past applications submitted by LAs under the LAD scheme (e.g., "see LAD Phase 1a application"), rather than providing tailored and full information at the point of submission, will not be deemed to have met the application criteria and will not be assessed.

² See list of success LAs: <https://www.gov.uk/government/publications/green-homes-grant-local-authority-delivery-successful-local-authorities>

2.1.2 UK Subsidy Control Rules

Following the end of the transition period on 31 December 2020, EU rules regarding State Aid were replaced with the UK's international obligations on Subsidy Control. LAs will be required to be compliant with the relevant Subsidy Control obligations and any subsequent legislation for any projects undertaken. It is ultimately the responsibility of the LAs applying for funding to ensure their projects will be compliant with Subsidy Control and LAs should work with their legal teams to ensure compliance.

2.1.3 Eligible Households

LAs will be asked to set out proposed low-income eligibility criteria, how low income will be verified and how potentially eligible households will be targeted.

Funding through the Sustainable Warmth competition is only available to LAs in England, as fuel poverty is a devolved issue.

Low-income households – income thresholds

Funding must be targeted at low-income households likely to be in fuel poverty. Applications for funding must provide evidence (as part of the 'Strategic Fit' Assessment) of either:

- how they will ensure that households receiving measures have a combined household annual income of no more than £30,000 gross, before housing costs and where benefits are counted towards this figure, or
- how low-income households who are likely to be living in fuel poverty will be verified using alternative methodologies, such as means tested benefits, charity and health referrals, locally held data (e.g., Council Tax reductions), and advanced statistics / machine learning (see 'Verification and Targeting' below for more details).

The option for a flat £30,000 household income figure has been set to enable a large group of low-income households to be supported regardless of the region. The median household income in England is £29,900.

BEIS will accept alternative methodologies for demonstrating that a low-income household is likely to be in fuel poverty, where the LA provides clear evidence of the appropriateness of their methodology in their application for funding. This may include total household incomes above the £30,000 threshold, for example in certain areas where higher housing costs mean the resultant household income after housing costs is likely to be below £20,000.

It may also be possible for a household to have income in excess of £30,000 and still at risk of fuel poverty where the household composition means that incomes are stretched, for example where a household contains many dependent children. A viable way of targeting low-income households likely to be in fuel poverty would be to use the household composition income thresholds set out in Annex 6 of the [Energy Company Obligation flexibility eligibility guidance for Local Authorities](#).

As an additional flexibility, to enable area-based upgrades, where there is strong evidence for doing so, BEIS may accept the average income across a block of flats/houses/maisonettes to be below £30,000 per year, or, where the majority of households have a combined income of no more than £30,000 per year. For example, in a block of flats one resident might exceed the

£30,000 threshold but the other residents have incomes below this threshold, an average would allow for the household above the threshold to be included in the project and receive subsidised upgrades.

Verification and targeting

BEIS is not prescribing that LAs follow a particular method to ensure that households are on a low-income, but LA proposals should include proposed eligibility criteria and what steps will be taken to verify household income is within permitted income thresholds.

We expect many LAs to use the receipt of means tested benefits as a proxy for low-income. Please note that we would expect LAs using non-means tested benefits to set out additional income verification. For any social housing included in proposals (see eligible properties) we do not require additional information to verify low-income status. Other methods to verify eligibility may include using Local Authority held data such as existing processes on Council Tax reductions for those on lower incomes, or more innovative approaches such as advanced statistics and machine learning (e.g. Experian or CACI Paycheck) where LAs can demonstrate these will target low-income households. LAs are also encouraged to use their ECO LA flex statement of intent criteria and verification processes where these are compatible with the above guidance on income thresholds.

As part of the application, LAs will also be asked what steps they will take to target potentially eligible households, for example through health-based referrals, charity-based referrals, the use of deprivation statistics, EPC data and local knowledge to target specific areas within their LA boundary.

The criteria proposed to target low-income households likely to be in fuel poverty and plans to verify eligibility will form part of the assessment of 'Strategic Fit'. Proposals with clear criteria and steps to target low-income households and verify their low-income status will score highly, whereas proposals that set out insufficient detail or rely solely on declarations will likely receive a lower score.

2.1.4 Eligible Properties

LAs will be asked in the application form to quantify EPC and tenure types of homes they plan to include in their projects. See Annex A for guidance on how to do this.

Funding must support the retrofit of existing domestic dwellings only, Annex B details what we consider to be a domestic premise. New build or self-built homes which have not been previously occupied are not eligible for funding.

Funding must be targeted at households with an EPC rating of band D, E, F or G, except in the case of park homes (as discussed below). Households with an EPC rating of band A, B or C are not eligible for Sustainable Warmth competition funded upgrades under any circumstance. Where there is a higher EPC rated property in the area-based scope the LA may choose to upgrade this home using alternative sources of funding.

While households with an EPC of band D to G are in scope of the scheme, funding should be targeted at the least energy efficient housing and LAs should note that proposals which focus on EPC E, F and G rated properties will be deemed as best meeting the 'Strategic Fit' criteria at

assessment. To ensure that the worst homes are targeted, EPC Band D homes are capped at 30% across on-gas stock and 30% across off-gas stock independently.

Existing Park Homes are eligible for support. However, they typically do not have an EPC rating. We do not expect park homes to be a prominent part of projects as they account for less than 1% of England's housing stock. The cost of upgrades may exceed cost caps and therefore may not be possible under current cost expectations, especially for LAs applying for funding for on-gas grid park homes. Any application with a significant park home component is likely to receive a low score as part of the 'Value for Money' assessment. LAs looking to upgrade park homes will need to outline how energy inefficient the stock is, demonstrate the high cost to the homeowner or tenant, and detail why the proposed upgrades represent good value for money. As set out above, applications will be scored more highly where there is a clear focus on the least energy efficient housing with long term benefits.

Tenure Type

The primary focus of both the LAD Phase 3 and HUG Phase 1 schemes is to upgrade privately owned housing occupied by low-income households. Some social housing is permitted as tenure "in-fill" when part of area-based schemes (see section on Social Tenure below).

Owner occupiers

Low-income owner occupiers can access full grant funding, with no requirement to contribute. See 2.1.6 on cost caps.

Private Rented Properties

Landlords who have low-income tenants, who meet eligibility criteria, as per section 3, can access grant funding. Landlords are required to make a minimum contribution of one third of the total costs of works – see section 2.1.6 on costs caps. LAs should seek to ensure that Landlords are letting out EPC rated F or G properties that are compliant with the existing minimum energy efficiency standards under the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015. Government funding should not be used to make these properties compliant with existing regulations, but funding may be used in addition to landlord investment to improve the property beyond the minimum legal requirement.

Social tenure

The Social Housing Decarbonisation Fund (SHDF) is designed to upgrade social housing stock. LAs seeking to upgrade their own social housing stock, or work in partnership with Housing Associations or arms-length management organisations to upgrade social housing are encouraged to apply for the SHDF. Social housing may however be included in applications as part of tenure 'in-fill' for area-based upgrades to the housing stock. For example, area-based delivery may include a block of flats or adjacent properties on a single street. Where an application includes a Social Housing element, we do not expect more than 10% of all properties included in that application to be social tenure, unless clear justification is provided. This will be assessed on a case-by-case basis, and this will form part of the assessment of 'Strategic Fit'.

If a LA wishes to deliver a project in their area with mixed tenure with a significant social housing component, an owner occupied and private rented focused proposal under the Sustainable Warmth competition could be complemented by a proposal under the SHDF, however approval

of a HUG Phase 1 or LAD Phase 3 scheme through this Sustainable Warmth competition does not automatically mean approval for SHDF³.

2.1.5 Eligible Measures

LAs will be asked in the application form to quantify the target type, volume, and average cost of measures they plan to include in their projects. See Annex A for guidance on how to do this.

Eligible measures are any energy efficiency and heating measures compatible with the Standard Assessment Procedure (SAP) that will help improve EPC band D, E, F or G rated homes. We expect LAs to focus on measures that will help lower household energy bills. This includes, but is not limited to, energy efficiency measures (such as wall, loft, and underfloor insulation) and low carbon heating technologies – but excluding heating systems which are solely fuelled by fossil fuels. One of the core objectives of this scheme is to support progress for the UK to reach its Net Zero target by 2050. Therefore, these fossil fuel measures, such as the installation of a new fossil fuel-based heating system, or the replacement or repair of an existing fossil fuel-based heating system with another fossil fuel-based heating system, are not in scope and applications including these fossil fuel measures will be ineligible for funding through the Sustainable Warmth competition. For eligible heating measures that are in scope see the sections below on low carbon and hybrid heating.

We expect LAs applying to focus on energy efficiency measures (such as wall, loft, and underfloor insulation) and low carbon heating technologies. A fabric first approach (of insulation and heat loss prevention measures) is strongly encouraged and will score highly against the ‘Strategic Fit’ assessment in the application form. A fabric first approach is a core principle of the *“PAS 2035 Retrofitting dwellings for improved energy efficiency. Specification and guidance”*⁴ (PAS 2035) standards, to which all delivery partners and subcontractors must adhere, and ensures that heat loss prevention measures are installed before other energy efficiency measures to maximise comfort and bill savings for the consumer, and to maximise the dwelling’s suitability for low carbon heating either now or in the future. Adherence to the PAS 2035 standards and a fabric first approach may require ancillary measures such as improved ventilation systems. These costs can be included as either capital costs or within the 15% ‘administration and ancillary’ budget.

LAs should quantify the mix of measures they are intending to install; why they are considered the appropriate measures to upgrade the targeted properties and why they represent good value for money. Where the LAs plan to install measures such as solar PV or double glazing, which are typically less cost-effective, the proposal should, for example, quantify how many double-glazing installations are planned and specify whether double glazing will replace single glazing only. Applications where these less cost-effective measures represent a high percentage of total measures installed (or a high percentage of the total costs of upgrades) are likely to receive a low score in the ‘Value for Money’ assessment. In the application form, LAs should outline the proposed mix of measures that will be delivered and to evidence that products and technologies will be of a good standard such as renewable heating measures listed on the [MCS Directory](#) used for Domestic Renewable Heat Incentive product eligibility.

³ <https://www.gov.uk/government/publications/social-housing-decarbonisation-fund>

⁴ <https://shop.bsigroup.com/ProductDetail?pid=000000000030400875>

As part of making an application LAs are required to complete a table detailing the expected target volume and cost of each of the most common measures including whether these measures are proposed to be installed under HUG Phase 1 or LAD Phase 3 (a template is provided in the application form). The proposed measures mix to be installed will be assessed for their alignment with fuel poverty and clean heat objectives under 'Strategic fit' and the proposed average costs will be assessed as part of the 'value for money' to ensure that proposed measure costs are reasonable.

Low carbon heating

The installation of low carbon heating technologies is also strongly encouraged, particularly for off-gas grid properties under HUG Phase 1 and will score more highly in the 'Strategic Fit' assessment of proposals targeting off the mains gas grid homes as part of the assessment against HUG Phase 1 criteria. In the application form LAs will be asked to quantify the number of low carbon heating systems that they are aiming to be installed. For off-gas grid homes, applications that receive the highest scores will seek to install energy efficiency alongside low carbon heating in the majority of homes upgraded.

Where low carbon heating is supported, LAs should consider systems that are consistent with net zero and considerations such as affordability, air quality, and sustainability. In the application form LAs will be asked to outline the rationale for their proposed form(s) of low carbon heating.

We expect that LAs will focus on low temperature heat pumps as the lead technology for off-gas grid dwellings. In homes where low temperature heat pumps are unsuitable for the dwelling, we expect high temperature heat pumps, solid biomass, and high retention electric storage heaters (in electrically heated flats and small dwellings only) to be installed as the next best option for deliverability, value for money, affordability, sustainability, and air quality.

Whilst solid biomass is an eligible measure, we only expect it to be installed in exceptional circumstances where heat pumps are unsuitable for the dwelling, and only in rural areas where there are no air quality restrictions. If an LA were to propose the use of biomass boilers within their funding application, we would expect them to outline why biomass is the most appropriate technology and how they intend to ensure the ongoing use of sustainable fuels, such as by adhering to the sustainability and air quality requirements from the Renewable Heat Incentive, and appropriate maintenance of these systems.

If alternative low carbon heating technologies are instead to be installed, the justification similarly must clearly be evidenced in the application. One of the core objectives of this scheme is to alleviate fuel poverty and lower energy bills. As set out above we expect a 'fabric first' approach to upgrades to maximise bill savings and maximise the number of homes that can install low carbon heating without significant bill increases with the expectation that LAs will seek to ensure that in the majority of cases low-income households will see significant bill savings as a result of upgrades. However, we acknowledge due to current fuel prices there will be instances where the installation of low carbon heating might result in higher energy bills, even with energy efficiency upgrades. We expect transparency and clear communication with the consumer in these circumstances with the final decision resting firmly with the consumer as we recognise some consumers may wish to switch to low carbon heating for health, environmental or long-term affordability considerations.

Low carbon communal heating

Where a communal heat network is to be installed (a single low carbon heat source serving multiple end-consumers within one building), this should be done in accordance with the Heat Trust Consumer Protection Scheme (or an alternative scheme that BEIS is satisfied is equivalent). Low carbon district heat networks are also eligible (a single low carbon heat source serving multiple buildings and end-consumers) but given their typically higher capital and installation costs and longer lead in times we do not expect these systems to be installed with funding available through the Sustainable Warmth competition.

Hybrid heating

Under HUG Phase 1, for homes off the mains gas grid, hybrid heating systems – a system comprising of a heat pump and fossil fuel boiler – are not permitted. With plans to phase out high carbon heating off- gas grid this decade, the Government does not see a role for subsidising transitional forms of heat and will use subsidy to fund low carbon heating that is compatible with our Net Zero future.

Under LAD Phase 3, it will also be necessary to phase out mains gas to meet Net Zero, however the steps to phase this out with strategic choices around electrification and hydrogen are likely to be longer term goals. Therefore, funding may be used to install hybrid forms of heating for homes currently heated by mains gas. We are relaxing the condition that any existing gas boiler must be replaced. Funding may be used to install a fully integrated hybrid heating system that includes a heat pump and boiler within a single unit. Funding may also be used to install a heat pump alongside the current gas boiler that has an Energy Related Products rating of A (or above), where the retrofit coordinator is satisfied it is in good working order to be fitted alongside a heat pump. Where an existing boiler is replaced with a new boiler as part of a hybrid system, funding cannot be used for this. For all hybrid heating systems, the heat pump that must be sized to deliver at least 50% of the heat load. Other forms of transitional heating that are fuelled by mains gas are not permitted. Prior to installing a hybrid heating system, retrofit coordinators are encouraged to follow a fabric first approach to upgrades and upgrade existing systems to stand alone heat pumps, where possible.

2.1.6 Funding and Eligible Costs

Funding available through the Sustainable Warmth competition is capital funding distributed by Section 31 of the Local Government Act 2003. The funding must therefore be used in line with section 11 of the Local Government Act 2003, for example for the creation of an asset or the modification or improvement of an existing asset.

Capital verses Administrative and Ancillary Costs

We are aware that given the scale of the projects envisaged, that LAs will have ongoing and evaluation costs to administer projects and enable the funding to be capitalised. Therefore, up to 15% of HUG Phase 1 funding can be used to fund administrative, delivery and ancillary works to support delivery to off-gas homes. Similarly, 15% of LAD Phase 3 funding can also be used for administrative, delivery and ancillary costs to support delivery to on-gas homes. Funding awarded for off-gas homes for HUG Phase 1 and funding awarded for on-gas homes for LAD Phase 3 is considered separately for all projects costs.

LAs should consider which costs will be required to ensure that all non-capital costs, including those incurred due to the more robust requirements of the PAS 2035/2030:2019 standard are accounted for to enable upgrades to be delivered to the required standards. LAs should consider these costs when determining their capital, administration, and ancillary costs.

Examples of what spend could be included in the administration and ancillary budget and what counts as capital costs are given below; we accept that for certain activities there is flexibility in whether these are considered as admin and ancillary or capital. BEIS is not prescriptive about where costs sit and understands the need for flexibility, LAs should work with their Accounting Officers to ensure that their budgeting and allocations are fit for purpose.

Admin and ancillary costs may include:

- Project management, reporting and governance costs,
- New pre-installation assessment and EPCs to verify eligibility of households and demonstrate starting EPC rating,
- Building works to prepare for install – for example if there are issues with the walls that need to be rectified prior to insulation being applied, such as repointing,
- PAS2035 retrofit assessor and coordinator costs,
- Search costs associated with resident recruitment, low-income verification and sign-up including communication activities, and
- After-care services to ensure households know how use any new technology.

Capital costs may include:

- Installer and designer labour costs,
- PAS2035 on-site costs such as airtightness tests, ventilation upgrades, SAP measurements and retrofit coordinator costs (although this could also sit in admin),
- Materials (insulation, Air Source Heat Pump) and transportation, and
- TrustMark lodgement fees (although this could also be considered an admin cost).

Cost Expectations for On-Gas Grid Homes (LAD Phase 3)

The cost expectations for on-gas-grid homes have been aligned to previous costs expectations in the first two stages of the Local Authority Delivery scheme.

For low-income households in owner occupier properties the maximum average subsidy per property is £10,000 and no contribution towards the cost of the upgrade will be required. Where a low-income household resides in a rented property (either with a private or social landlord), the maximum average subsidy per property is £5,000 and the landlord will be required to fund at least one third of the overall costs.

We expect that many LAs will utilise the ability to average out costs across their on-gas stock to be flexible in the homes that they can treat and to provide greater levels of intervention for the worst homes. For example, we have allowed up to 30% of the on-gas stock in each application to be EPC band D and these homes will require less work to meet EPC C or above in comparison to those homes which are EPC E, F or G rated, and therefore are likely to be less costly to upgrade.

In the rare instances where park homes are connected to the mains gas grid, the same cost expectations as outlined above for other on-gas grid dwellings apply.

For clarity, a table setting out the subsidy and contributions expected for all on-gas grid upgrades for rented properties has been set out below:

LAD Phase 3 Funding	Minimum Landlord Contribution	Total Cost
£1,000	£500	£1,500
£2,000	£1,000	£3,000
£3,000	£1,500	£4,500
£4,000	£2,000	£6,000
£5,000	£2,500	£7,500

If total costs exceed £7,500 then additional private/landlord investment will be required. For example, if the total cost of upgrades is £10,000, LAD Phase 3 funding would be limited to £5,000 and a contribution of £5,000 would be required.

Cost Expectations for Off-Gas Grid Homes (HUG Phase 1)

Cost expectations are provided to enable energy efficiency and low carbon heating to be installed as a package. The average cost expectations of upgrades will be on a sliding scale according to the starting EPC band and starting heating fuel type. This recognises that off-grid homes are those we need to decarbonise heating first. As a minimum, EPC band F-G homes should be upgraded to D or above and band D-E homes to C.

Where a non mains gas fossil fuel (e.g., oil, coal, liquid petroleum gas, solid fuel) is the starting heating fuel type, the costs of upgrades on average must not exceed either £15,000, £20,000, or £25,000, depending on whether the dwelling has a starting EPC rating of band D, E, or F-G respectively.

Where electric is the starting heating fuel type, the costs of upgrades on average must not exceed either £10,000, £15,000, or £20,000, depending on whether the dwelling has a starting EPC rating of band D, E, or F-G respectively.

For clarity, a table setting out the six cost expectations of upgrades according to starting heating fuel type and starting EPC has been provided below. A cost table has also been provided in Annex A as a tool to help simplify your total cost calculations.

	F&G	E	D
Electric	£20,000	£15,000	£10,000
	F&G	E	D
Off-Gas Grid Fossil Fuel (oil, LPG, coal)	£25,000	£20,000	£15,000
Park Homes (off the mains gas grid)	£15,000		

Park homes typically do not have an EPC rating. Recognising the typical lifetimes of park homes compared to standard dwellings the cost of upgrades on average for park homes must not exceed £15,000 under HUG Phase 1.

Where housing is owner occupied (private homeowners), those households should not contribute to the costs of upgrades for the property.

Where a property is rented to a tenant by a private landlord, the landlord will be required to fund one third of the cost of upgrades, with the remaining costs provided up to the respective total cost expectations outlined above. For clarity, a table has been provided below setting out example landlord contribution if the maximum subsidy was provided to meet the cost expectations according to starting heating fuel type and starting EPC rating of the property/s in question. If additional costs are required to upgrade the home to the desired standard, additional investment to the minimum landlord contribution of 33% would be required.

	F&G		E		D	
	Landlord	HUG	Landlord	HUG	Landlord	HUG
Electric	£6,667	£13,333	£5,000	£10,000	£3,333	£6,666
Off-gas grid fossil fuel (oil, LPG, coal)	£8,333	£16,666	£6,667	£13,333	£5,000	£10,000

In the case of rented property, LAs should ensure compliance with subsidy control rules by complying with the principles and conditions in Articles 365 to 367 and Annex 27 of the UK-EU Trade and Cooperation Agreement or by using the Small Amounts of Financial Assistance exemption. If using the Small Amounts of Financial Assistance exemption, to receive funding, landlords should declare to LAs that the support they are receiving does not exceed 325,000 Special Drawing Rights (circa £335,549.50, accurate as of 27 April 2021) across three financial years from all public sources. Subsidies below this amount are exempt from the application of the subsidy's provisions of the UK-EU Trade and Co-operation Agreement. More information on the UK's subsidy control rules can be found [here](#).

2.1.7 Eligible Installers

When making an application, LAs will be asked for details of their contractors, procurement status and TrustMark registration and where applicable their Microgeneration Certification Scheme (MCS) certification status.

All installers are required to be TrustMark Registered⁵, and compliant with the TrustMark requirements for the LAD Phase 3 and HUG Phase 1 schemes, a draft of the requirements has been published alongside this guidance document⁶. All measures must be lodged onto the [TrustMark data warehouse by a retrofit coordinator](#).

⁵ Or able to demonstrate registration with a scheme which has been deemed equivalent by the Secretary of State.

⁶ <https://www.gov.uk/government/publications/apply-for-the-sustainable-warmth-competition>

All projects must be compliant with the most up to date “PAS 2035 Retrofitting dwellings for improved energy efficiency. Specification and guidance”⁷ (PAS 2035).

Installers are required to have the appropriate certifications for the Eligible Measures that they are installing on behalf of the LA as set out in the LA’s application. PAS 2035 requires that all energy efficiency measures within the scope of the PAS 2030:2019 standards must be delivered by installers who are certified to this standard and all low-carbon heating measures must be installed by a MCS certified⁸ installer.

It is a requirement for low carbon heat installers to be Registered with TrustMark and to be certified to the relevant MCS standards for the technology they are installing. MCS certification requires an installation company to be assessed by an affiliated certification body, have consumer code membership, and to have demonstrated suitable competency against relevant technology standards, as well as carry out installations in accordance with MCS installation standards.

Where a communal heat network/district heating scheme is to be installed, this should be done in accordance with the Heat Trust Consumer Protection Scheme⁹.

We expect all contractors to work safely as we recover from the pandemic, following [Covid-19 secure working practices](#).

BEIS do not take any financial liability for costs incurred for registration or accreditation for businesses that do not receive funding through a Sustainable Warmth competition application.

2.1.8 Interaction with other energy efficiency schemes

LAs who have been successful under LAD Phase 1A and 1B may apply for funding under the Sustainable Warmth competition to target additional households, subject to their new proposal complying with the total £250,000 minimum Sustainable Warmth competition application value and eligibility criteria. Homes that received upgrades part of LAD Phase 1 and 2 or have had home upgrades funded by a Green Homes Grant Voucher, will also be eligible to receive upgrades funded under the Sustainable Warmth competition, if the properties meet the starting EPC rating of D or below and the household meets the income eligibility criteria.

Funding LAs receive from the Sustainable Warmth competition cannot be blended with other government schemes such as the Energy Company Obligation (ECO), Green Homes Grant Vouchers, or the Social Housing Decarbonisation Fund schemes (SHDF), for the same individual measure, although it is possible for installations to be undertaken for the same property where the installation measures are not the same. For example, a contractor delivering support to a household may be funded through HUG Phase 1 or LAD Phase 3 to install a heat pump and funded separately by ECO to install solid wall insulation.

The Sustainable Warmth competition is grant funding from public funds, therefore, for the purposes of the [Renewable Heat Incentive \(RHI\)](#) any funding from the Sustainable Warmth competition for low carbon heating measures would be deducted from RHI’s payments as per the RHI rules on grant funding. LAs should be aware of RHI rules, including that to be eligible

⁷ <https://shop.bsigroup.com/ProductDetail?pid=000000000030400875>

⁸ Or able to demonstrate registration with a scheme which has been deemed equivalent by the Secretary of State.

⁹ Or able to demonstrate registration with a scheme which has been deemed equivalent by the Secretary of State.

for RHI the applicant must have made some financial contribution toward the cost of purchasing or installing their heating system.

LAs must introduce controls to ensure households are not in receipt of funding from the Sustainable Warmth competition and other government schemes, apart from the RHI, on the same measure.

LAs can, however, blend funding they receive from the Sustainable Warmth competition with third party finance or LA budgets to deliver additional support to communities. If LAs do plan to blend funding received from the Sustainable Warmth competition with third party finance or LA budgets, proposals will need to evidence this in the application form and will form part of the 'Strategic Fit' assessment.

Government intends to utilise data matching between schemes in order to monitor that the same measure installed in the same property is not claimed for under different schemes.

3. Other Information

3.1 VAT

Eligible Expenditure consists of payments by the grant recipient during the funding period for the purposes of the Project. Eligible Expenditure is net of VAT recoverable by the grant recipient from HM Revenue & Customs, and gross of irrecoverable VAT. This means that all grants are outside the scope of VAT.

For clarity, this means that BEIS and LAs will not pay VAT upon the transfer of grant funds, however LAs should still account for VAT for the delivery of measures installed, in their proposals.

4. Information Management

4.1. LA Contacts

Provision of your contact details to be held in BEIS's CRM platform

LAs will be required to provide a name and contact details for at least one named person to BEIS (including their nominated single point of contact). We would suggest one or more contact(s) who is/are the project lead, communications lead, finance lead, legal lead and CEO. We will use this information to communicate scheme updates, training notices, information on future schemes and opportunities and invitations to relevant events. Details of how this information will

be held and used will be set out in the Sustainable Warmth Competition Memorandum of Understanding (MoU).

4.2 Monitoring and Evaluation

LAs that receive funding have the responsibility of ensuring that all installers or delivery partners collect and provide appropriate information specified by BEIS to support monitoring and evaluation. Full details of these requirements are described in the MoU.

Prior to collecting any data from subjects under this scheme, LAs are expected to:

- Include BEIS data collection requirements in all relevant contracts with installers and delivery partners, ensuring they understand and accept them.
- Ensure they display or make available BEIS standardised Privacy Notice to all data subjects, prior to the collection of data, to support compliance with data processing transparency requirements.
- Where explicit consent is required from data subjects (such as for permission to re-contact), to use either BEIS's suggested consent statement or functional equivalent to capture this consent and maintain logs of this in your scheme data, as per BEIS specified requirements there.
- Agree and sign a standardised Data Sharing Agreement; this document establishes the roles, process, scope and purpose of sharing of Management Information data between the LA and BEIS.
- Demonstrate sufficient resource in their applications to manage the above requirements to an effective level of quality, and to maintain this for the full project duration.

Please see the MoU for proposed data collection requirements, BEIS Privacy Notice, Privacy Notice Guidance and Data Sharing Agreement-.

While delivering the schemes, successful LAs will also be required to:

- Provide monthly progress reports to BEIS against each Key Performance Indicators (as stated in and according to the schedule in the MoU).
- Collect and collate a minimum level of management information (specified in the data dictionary - see Appendix 1 of the draft MoU) across their projects into a simple database, checking it for completeness and accuracy, and rectifying any missing or inappropriate data prior to sharing it.
- Share both sets of data with BEIS monthly via the specified secure platform (as specified in the MoU).
- Inform BEIS of any reports it has received relating to any suspected fraudulent activity regarding project delivery and include a summary of investigative and/or corrective action.
- Work with BEIS on specific fraud risks throughout the duration of the scheme as needed.

LAs and, where relevant, lead delivery partners, will be asked to participate in interviews led by evaluation contractors appointed by BEIS. These interviews will help BEIS capture end-to-end

insights on the experience of managing, delivering and receiving measures funded through the Sustainable Warmth competition for a selected number of delivery models. It is expected that individual representatives of LAs and delivery partners will be asked to take part in no more than one interview each.

For the scheme's independent evaluation, BEIS will re-contact households and installers. BEIS requires explicit consent from the data subject to do this, so LAs must comply with GDPR and BEIS's requirement when collecting and sharing this information. To support this, the proposed data requirements in the MoU includes fields for personal (rather than generic organisation-level) household, landlord and installer contact details. It is the responsibility of LAs to ensure sufficient provisions are in place to supply this data in a complete and usable state.

4.3 Managing Potential Fraud

We encourage LAs to adopt a proactive, structured and targeted approach to managing the risk of fraud. To ensure the safe administration of funding, we expect that LAs have appropriate measures in place to mitigate against the increased risks of both fraud and payment error.

Potential fraud risks may include:

- a provider using the funding for purposes outside of the grant conditions,
- work not carried out, funds diverted, ineligibility not declared,
- false application or payment of grants to any person, agency or organisation,
- spurious claims based on fiction e.g., claims made for empty properties and funding pocketed or upgrades sold on.

5. The Application Form

5.1 Key Dates

Event	Date
Competition start date	16 June 2021
Post-Launch Webinars	29 th June and 2 nd July
Competition close date	4 August 2021
Provision of Grant offer, MoU and subsequent payment process	Autumn 2021
Scheme delivery starts	c. January 2022
Scheme delivery ends	31 March 2023

Webinars and FAQs

Given the positive feedback on webinars hosted for Phases 1 and 2 of LAD, in Summer 2021, BEIS will host two webinars outlining the details of the Sustainable Warmth competition. Representatives from LAs, including Energy Officers, Energy Efficiency Programme Officers,

Housing Stock Officers and anyone else who might be involved with LAs in the delivery of the projects funded by Sustainable Warmth competition, will be welcome to attend these webinars, which will also include an opportunity for Q&A. Using feedback, we will be updating the published FAQs to provide any clarifications required.

5.2 Application Process

Once an LA is satisfied that they meet the Strategic Fit, Delivery Assurance and Value for Money aims of the Sustainable Warmth competition, the LA can complete the Sustainable Warmth competition application form which will be available to LAs for download on gov.uk on 16 June 2021.

BEIS will use the following assessment criteria to assess applications:

- **Strategic Fit:** how well the proposal fits with the aims, desired outcomes and eligibility criteria of the LAD and HUG schemes.
- **Delivery Assurance:** an assessment of the feasibility and credibility of the project including detail on delivery forecasts and key milestones, procurement, resource capability and capacity, supply chain management, quality assurance, auditing, monitoring and evaluating requirements.
- **Value for Money:** the cost of the project in relation to its relative impact and proposed benefits to the housing stock it plans to improve.

Details provided in the proposal submitted by the Local Authority will be used as the basis for BEIS to work with successful LAs and their delivery partners to implement the schemes; LAs should therefore be mindful that the eligibility criteria, homes to be targeted and upgrades will be the basis of the Memorandum of Understanding upon which grant funding is issued.

From experience of LAD Phase 1 we are aware that many LAs will not know precisely which homes will take up support or what measures will be needed to upgrade homes through the energy performance scale. The details requested in the cost tables will form the targets for the scheme for reporting purposes. When populating applications LAs should be mindful of the eligibility parameters to sufficiently futureproof their proposal, for example, applications must not include more than 30% of D rated homes. If homes have been identified and the LA intends that 30% of homes to be upgraded will be rated band D this is compliant with the competition parameters but offers no contingency should a higher-than-expected ratio of homes to be upgraded are rated band D as part of pre-installation assessments. For changes to the proposal, either before or during delivery, the participating LA will need to submit a change request to BEIS. Scheme delivery guidance will be provided to successful LAs outlining this process.

For detailed guidance on the application form (including the specific questions you will be asked), please view Annex A – Completing the Application Form. The deadline for completed proposals to be submitted is 11:59pm on 4 August 2021.

Submission of the application

LAs can submit a funding application for consideration at any point from the scheme launch on 16 June 2021 to 4 August 2021. Proposals received after this date will not be considered in this

competition. Applications must be submitted by the relevant LA, or the lead LA on behalf of a consortium. Applications should be submitted to sustainable.warmth@beis.gov.uk using the [Sustainable Warmth competition application form](#) that can be downloaded from gov.uk, with BEIS confirming receipt of all applications submitted.

BEIS officials will first review applications through an initial sift compliance check, followed by a full review of compliant applications. All assessments including the initial compliance sift will be quality assured and moderated for consistency purposes. Finding proposals that are recommended for funded through the review process, will be required to be approved at the relevant governance boards, before being sent to the BEIS Secretary of State for final approval.

We expect to be able to notify applicants of the outcome of their application in Autumn 2021. In the case of successful applications, BEIS will set out the level of funding being approved, and a MOU will be agreed with the lead LA. All projects undertaken using the Sustainable Warmth competition grant funding must be completed by the 31 March 2023.

5.3 Evaluation of Proposals & Assessment Criteria

Scoring Criteria

Proposals for funding will be judged by BEIS officials against a set of criteria on a non-linear scale (0, 1, 3, 7 and 10).

Any application which omits to provide any information or provides detail that makes the proposal ineligible will score a 0 on an assessed question will be ineligible for the grant funding to which that question pertains, be it LAD Phase 3, HUG Phase 1, or both sources of grant funding.

Eligible proposals will be ranked based upon their total score. Applications with higher scores will qualify for funding ahead of those with lower scores, with funding provided to as many applications judged as suitable within the budget available. In the event that BEIS receives more funding applications than the funding available BEIS may place eligible applications on a reserve list to be contacted about any future grant funding opportunities.

Whilst only one application will be submitted, information will be used to assess against both LAD Phase 3 and HUG Phase 1 scoring criteria. Where proposals have included both off-grid and on grid components, they will be evaluated separately under LAD Phase 3 and HUG Phase 1 scoring criteria. The LAD Phase 3 and HUG Phase 1 scores for each component may therefore be different and fall within a different position in the proposed allocations list. In the majority of cases, we expect that funding will be made available to both components of the application, but in some scenarios in instances of lower scoring or ineligibility in the assessment of the LAD Phase 3 and HUG Phase 1 specific content, the LA may receive partial grant funding to upgrade either only the on-gas or off-gas homes proposed in the application. There will be clear signposting in the application form when a question requires a two-part answer that distinguishes between the LA's approach for on-gas and off-gas homes.

Annex A – Completing the Application Form

Sustainable Warmth competition application form with detailed guidance

Please download the application form (which includes the same guidance below) from gov.uk for completion.

Section 1: Details of Lead Local Authority

1. a) Is this a consortium application?

b) Name of lead LA

c) Names of all other LAs involved in this application.

Guidance: Please indicate if you are applying as part of a consortium, and if you are, please provide all LA names involved in the proposal.

d) Has your LA, or every LA in your consortium received funding under LAD Phase 1A or 1B?

Guidance: Please confirm whether your LA or every LA within your consortium has received LAD funding in Phase 1A or Phase 1B (See a list of successful LAs here: <https://www.gov.uk/government/publications/green-homes-grant-local-authority-delivery-successful-local-authorities>). All English LAs are eligible to apply for funding regardless of previous funding from LAD. BEIS is encouraging applications from new LAs to improve the geographic spread with LAD Phase 3 and HUG Phase 1 funding. Any application which includes an LA or multiple LAs (in a consortium application) which have not previously received funding from LAD will receive a small bonus to their final score.

. For clarity, since this is a bonus, achieving a 0 for this score will not mean the application becomes ineligible for grant funding.

e) What region is the lead LA located in?

Guidance: Please select the region in which the LA or the lead LA in a consortium application is located.

2. Name and Role of the individual drafting this proposal (Required)

Guidance: This will be used as the relevant or lead applicant (if applying as part of a consortium). BEIS will contact this individual if we have any questions or updates on the status of the application. You may provide more than one contact name if helpful for resilience purposes.

3. Email address of the individual drafting this proposal (Required)

Guidance: We will use this email address to provide confirmation and receipt of the submitted application form. BEIS will use this email address as the primary source to update the LA on the

status of their application and, if required, ask any clarification questions. You may provide more than one email address if helpful for resilience purposes.

4. Phone number of the individual drafting this proposal (Optional)

Guidance: This is an optional field, but it would be helpful for us to have a contact number in case we are unable to reach the relevant LA by email. You may provide more than one phone number if helpful for resilience purposes.

Section 2: Declarations

*Guidance: Applicants as part of the application form will be required to **declare** that they meet the requirements of the eligibility criteria [as set out in Section 2]. LAs will be asked to affirm/not affirm the following:*

5. I have the express authority to fill out this application on behalf of the above-named Local Authority (Affirm/Not Affirm).

Guidance: Please ensure you have the relevant internal approvals to submit this application form on behalf of your LA or LA consortium.

6. The Local Authority understands that, if successful, it will be expected to deliver the proposed project as outlined in this proposal (Affirm/Not Affirm).

Guidance: This is to ensure that parties are aware that BEIS would expect any successful application to deliver against their proposal set out in this application form.

7. I have read the accompanying guidance for completing this proposal (Affirm/Not Affirm).

Guidance: Please do read this accompanying guidance note and in particular the eligibility requirements [Section 3] for the scheme before starting an application form.

8. To the best of my knowledge, this proposal is deliverable and legally compliant with any existing commercial agreements it utilises (Affirm/Not Affirm).

Guidance: Please do ensure that any application made for the Sustainable Warmth competition takes into account any existing commercial agreements you may have and the relevant implications.

9. The Local Authority understands that if successful, they must comply with the proposed BEIS reporting, monitoring and evaluation requirements (Affirm/Not Affirm)

Guidance: As set out in Section 4, please confirm you have read and understand the proposed reporting requirements and expectations set out in the guidance document.

10. To the best of my knowledge, this proposal is legally compliant with UK Subsidy Control (Affirm/Not Affirm).

Guidance: Please read 'Section 2.1.2 – UK Subsidy Control' of this document before starting this application form. We expect that you have considered any Subsidy Control implications to your proposal before starting an application.

11. To the best of my knowledge, the proposed project is compliant with the UK Public Contract Regulations 2015. (Affirm/Not Affirm).

Guidance: Further information on the 'UK Public Contract Regulations 2015' can be accessed [via this link](#).

12. The Local Authority confirms that all homes/upgrades included in this project are intended to fit wholly within the specifications outlined in the accompanying guidance document (Affirm/Not Affirm).

Guidance: This is referring to Section 2 of this guidance document and includes the 8 requirements (eligible applicants, subsidy control, eligible households, eligible properties, eligible measures, funding and eligible costs, eligible contractors, and interaction with other funding) for any proposal submitted within the Sustainable Warmth application form.

13. The Local Authority will take all reasonable steps to minimise the risk of fraud, will have a robust fraud risk assessment in place, and will report any incidents of fraud monthly to BEIS. (Affirm/Not Affirm).

Guidance: This is to confirm that if successful you will actively look to prevent, and will have mechanisms in place to reduce, the risk of fraud.

14. The LA will introduce controls designed to ensure that Sustainable Warmth competition funding will not be blended with other government schemes such as ECO or SHDF Demonstrator for the upfront funding of the same individual measure (Affirm/Not Affirm).

Guidance: This is to confirm that if successful, you will ensure and actively look to prevent households receiving double funding from other schemes for the same measure in their household in line with Section 2.1.8 of this guidance document. However, for the purposes of the Renewable Heat Incentive (RHI), Sustainable Warmth competition funding is a grant from public funds and as a result, Sustainable Warmth competition funding would be deducted from RHI's payments as per the RHI rules on grant funding. LAs should be aware of RHI rules, including that to be eligible for RHI the applicant must have made some financial contribution towards the cost of purchasing or installing their heating system.

15. The Local Authority will comply with GDPR and BEIS' requirements of a joint data sharing agreement and explicit consent to recontact households, landlords, and installers as part of the scheme evaluation when collecting and sharing this information.

Guidance: This is to confirm that if successful you will ensure that you have processes that are GDPR compliant which enables the protection and sharing of data between all parties regarding installation for the purposes of scheme evaluation.

16. Explain why you have answered 'Not Affirmed' to one or more of the above declarations.

Guidance: If you have answered 'Not Affirmed' to any of the above declarations or have been unsure on any of the above declarations please do use this space to explain why or add any information that it may be helpful for BEIS to be aware of.

Section 3: Strategic Fit

17. a) Please explain what low-income eligibility criteria you will use, how you will target low-income households, and how you will verify their eligibility.

Guidance: Your answer to this question should address the delivery of either on-gas (LAD) and off-gas (HUG) funding, or both.

We will use this high-level summary to form part of the 'Strategic Fit' assessment.

We expect that successful applications will clearly outline low-income household eligibility criteria and what steps will be taken to verify eligibility in line with Section 2.1.3 of this guidance document. This will also include how the proposal plans to target/identify eligible households with EPC ratings D, E, F and G (or equivalent as regards park homes).

While respecting the declaration made in Q14, if you plan to blend Sustainable Warmth competition funding with any other relevant funding streams (such as other Local Authority/third-party low-income household support, retrofitting or green energy initiatives) please outline here.

Please try to keep your answer below 500 words.

b) Please provide a high-level summary of the types of properties you are planning to target.

Guidance: Your answer to this question should address the delivery of either on-gas (LAD) and off-gas (HUG) funding, or both.

You should provide details of the types of properties that you are planning to install measures in based on the knowledge of your housing stock; this should be provided as property type, e.g., terrace, detached etc.

18. a) Describe the types of upgrades that may be made to homes (off-gas)

Guidance: You should provide an individual answer for off-gas (HUG Phase 1) delivery.

This answer will be used to form part of your 'Strategic Fit' and 'Value for Money' Score.

- *State the expected upgrade measures to be installed and outline why they are considered the most appropriate and cost effective for the housing stock being targeted.*
- *As per section 2.1.5 qualify why any measures that are typically less cost effective such as double glazing or solar are being installed and the rationale for alternative forms of low carbon heating to low temperature heat pumps.*

- In question 25 you will be asked to quantify the homes that will be targeted, by EPC band. Please set out the target EPC band improvement post installation.
- LAs should seek to quantify the mix of measures they are intending to install within the table provided in this question. For measures not listed please use the free text box below the table.

b) Describe the types of upgrades that may be made to homes (on-gas).

Guidance: You should provide an individual answer for on-gas (LAD Phase 3) delivery.

This answer will be used to form part of your ‘Strategic Fit’ and ‘Value for Money’ Score.

- State the expected upgrade measures to be installed and outline why they are considered the most appropriate and cost effective for the housing stock being targeted.
- As per section 2.1.5 qualify why any measures that are typically less cost effective such as double glazing or solar are being installed and the rationale for alternative forms of low carbon heating to low temperature heat pumps.
- In question 25 you will be asked to quantify the homes that will be targeted, by EPC band. Please set out the target EPC band improvement post installation.
- LAs should seek to quantify the mix of measures they are intending to install within the table provided in this question. For measures not listed please use the free text box below the table.

Please note that the table below will be provided for questions 18a and 18b.

On Gas Delivery			
Measure	Amount	Average Cost	Total Cost
External Wall Insulation			£0.00
Solid Wall Insulation			£0.00
Cavity Wall Insulation			£0.00
Underfloor Insulation			£0.00
Loft Insulation			£0.00
Air Source Heat Pumps			£0.00
Ground Source Heat Pumps			£0.00
Communal Ground Loops			£0.00
Draughtproofing			£0.00
Solar PV			£0.00
Solar Thermal			£0.00
Double Glazing			£0.00
High Retention Storage Heaters			£0.00
Biomass			£0.00
Low Carbon District Heating			£0.00
Direct Electric Heaters			£0.00
Other (please list other measures in free text box with average cost)			

Fossil Fuel measures are not in scope for this scheme based on the core objectives of the scheme to support progress for the UK to reach Net Zero by 2050. Please refer to Section 2.1.5 – Eligible Measures, for further guidance on which measures to focus on in your application.

Section 4: Commercial Assurance

- 19. Describe the commercial agreements and procurement activities that will be used to deliver this grant. Please include reference to all contracts (or planned contracts) to be placed using the grant funding, and/or details of any amendments to existing contracts.**

Guidance: Your answer to this question should address the delivery of either on-gas (LAD) and off-gas (HUG) funding, or both.

This answer will form part of your 'Delivery Assurance' score.

This should include the Contract Route (e.g., Public Contracts Regulations (PCR) 2015, Direct Award, DPS/Framework), Pricing Model, Evaluation/Award Criteria, plus any other relevant information. This should cover not just contracts placed by the LA, but also those of third-party delivery partners. If all details are not known at time of application, for example, if new procurements are required, please give an indication of the proposed approach. If existing procurements are amended or extended, LAs should consider any procurement risks of increasing volumes of work and values through existing contracts or frameworks, especially where subject to PCR. Please try to keep your answer below 500 words.

LAs are also encouraged to consider and implement all relevant Public Procurement Notices (PPNs) in their procurement activity. A summary of relevant public procurement policy (including a full list of the PPNs) can be found here: <https://www.gov.uk/guidance/public-sector-procurement-policy>.

20a) Please list all known Contractors (including Sub-Contractors if possible) who will receive (or are planned to receive) contracts using this grant funding. This includes contractors for delivery, as well as for administrative and ancillary contracts. (If new procurements are required and these details are not currently known at this time, please provide any indication you can of planned contracts you will place to deliver the grant funding e.g. by value, type)

Guidance: Your answer to this question should address the delivery of either on-gas (LAD) and off-gas (HUG) funding, or both.

This answer will not be scored however, the answer is key to BEIS' understanding of the planned approach of the LA and in understanding the Value for Money for grant funding. The information given here could be stored and reviewed by BEIS and referred to during delivery of the scheme(s) and in better understanding the delivery model of the LA should it be successful in receiving funding.

Please provide a list of all existing contracts that will deliver your proposal should the application receive funding. This includes details on their status with TrustMark, PAS 2030:2019 and MCS. Please note, that it is not a condition that a supplier is both PAS 2030:2019 and MCS certified and will depend on whether they are installing insulation or low carbon measures, but regardless of measure a retrofit coordinator must lodge all measures in accordance with PAS 2035:2019.

b) Please confirm that you will be using TrustMark registered businesses in line with the installer eligibility requirements. If the answer is no, and you are seeking to use an alternative, please provide more information to demonstrate how such alternative offers equivalence to TrustMark.

Guidance: Your answer to this question should address the delivery of either on-gas (LAD) and off-gas (HUG) funding, or both.

Using TrustMark registered businesses, or equivalent, is an eligibility requirement for the LAD Phase 3 and HUG Phase 1 schemes.

TrustMark registered businesses must be used unless you are able to demonstrate registration with a scheme which has been deemed equivalent. Any LA not using TrustMark registered businesses will need to provide us with detailed assurances on their processes for quality auditing and compliance regimes and ensuring financial, monitoring of compliance with PAS 2035, collection of measures level data, and consumer protection, in order for BEIS to assess equivalence. You will need to provide evidence for how your proposal plans to ensure quality assurance including customer protection and arrangements for repairs and other remedies. This should include consideration of how adequate ventilation will be incorporated into upgrades.

20. Please explain how you will select and resource the team to enable and support the ongoing delivery of grant funding.

Guidance: Your answer to this question should address the delivery of either on-gas (LAD) and off-gas (HUG) funding, or both.

This answer will form part of your 'Delivery Assurance' score.

Please provide information regarding the team within the LA who plan to undertake all activities related to the grant funding, including for example, number of Full-Time Equivalents (FTEs), key roles/responsibilities, recent relevant experience, lessons learned, relevant professional qualifications.

If you believe any other information regarding the capacity/capability of the LA is applicable, please also provide that here.

Please try to keep your answer below 500 words.

21. Please describe how you will undertake grant management (including performance and financial) to ensure risk to delivery is managed, outputs are achieved and value for money obtained.

Guidance: Your answer to this question should address both on-gas and off-gas delivery.

This answer will form part of your 'Delivery Assurance' score.

Please provide information as to how you will manage delivery of the grant funding to achieve the objectives of the scheme. This should include reference to how you will manage the performance in delivering the grant (e.g., Key Performance Indicators and regular reviews), and ensure Value for Money through financial management (e.g., Auditing and reporting).

The management of the grant should be proportionate to the value and complexity and detail how you plan to achieve the outputs in a way which represents Value for Money and manages risk effectively.

Please try to keep your answer below 500 words.

22. Please confirm if you will include Social Value benefits in your evaluation criteria, and if so, provide a brief summary of the social value model you will use and what will be evaluated as part of the social value element.

Guidance: Your answer to this question should address the delivery of either on-gas (LAD) and off-gas (HUG) funding, or both.

This answer will be awarded on a bonus point basis. Any answer which proposes suitable use of social value within their evaluation criteria for contracts will receive one bonus point. For clarity, since this is a bonus, achieving a 0 for this score will not mean the application becomes ineligible for grant funding.

Please provide confirmation as to whether you will include social value in your evaluation criteria for relevant contracts, and information regarding what types of indicators or benefits you will include in the evaluation.

The Local Government Association has a webpage with resources and information on social value, which can be accessed through this link; <https://www.local.gov.uk/our-support/sli-offer-1/sli-supporting-financial-resilience-and-economic-recovery/procurement>

For information, central government has its own template social value model which can be found here: <https://www.gov.uk/government/publications/procurement-policy-note-0620-taking-account-of-social-value-in-the-award-of-central-government-contracts>

Please try to keep your answer below 250 words.

23. Are there any conflicts of interest between the LA or any LA in your consortium and the objectives of the grant? If so, how will these be mitigated/managed?

Guidance: Your answer to this question should address the delivery of either on-gas (LAD) and off-gas (HUG) funding, or both.

Please provide information as to whether you have mechanisms and processes in place to identify and manage conflict of interest (e.g., financial or personal interests) regarding use of the grant funding.

Please confirm if you have identified any conflicts of interest already, and how you will plan to manage/mitigate them.

Section 5: Value for Money

24. Provide a cost breakdown of the capital, administration and ancillary support required. Include the anticipated LA or landlord contributions expected.

Guidance: Your answer to this question should address the delivery of either on-gas (LAD) and off-gas (HUG) funding, or both. Only insert data in white coloured cells.

Off-Gas (HUG) Cost Table Guidance:

- Please provide the number of homes that you are planning to deliver for each tenure type (owner occupied, PRS and Social Housing) broken down by starting EPC and fuel type of home.
- Please provide the amount of funding you are requesting for each tenure type (owner occupied, PRS and Social Housing) broken down by starting EPC and fuel type of home.
- Please provide total landlord contribution you expect from PRS and Social Housing.

On-Gas (LAD) Cost Table Guidance:

- Please provide the number of homes that you are planning to deliver for each tenure type (owner occupied, PRS and Social Housing) broken down by starting EPC
- Please provide the amount of funding you are requesting for each tenure type (owner occupied, PRS and Social Housing) broken down by starting EPC
- Please provide total landlord contribution you expect from PRS and Social Housing.

Please note that the table below will be provided for both on-gas (LAD) and off-gas (HUG) funding.

Off Gas Delivery (HUG)									
Tenure Type	Current Fuel	EPC Band	Average Subsidy Cost Gap	No. of Homes	HUG1 Subsidy	Average HUG1 Subsidy per a home	Total Landlord/LA Contribution	Average Landlord contribution per home	Average Landlord contribution £ across tenure types
Owner Occupied	Electric	F & G	£20,000.00			#DIV/0!	No Landlord Contributions Required		
		E	£15,000.00			#DIV/0!			
		D	£10,000.00			#DIV/0!			
	Fossil Fuel	F & G	£25,000.00			#DIV/0!			
		E	£20,000.00			#DIV/0!			
		D	£15,000.00			#DIV/0!			
Park Homes	D/E/F/G	£15,000.00			#DIV/0!				
Private Rented Sector	Electric	F & G	£13,333.00			#DIV/0!			
		E	£10,000.00			#DIV/0!			
		D	£6,666.00			#DIV/0!			
	Fossil Fuel	F & G	£16,666.00			#DIV/0!	#DIV/0!	#DIV/0!	
		E	£13,333.00			#DIV/0!			
		D	£10,000.00			#DIV/0!			
Social Housing	Fossil Fuel	F & G	£13,333.00			#DIV/0!			
		E	£10,000.00			#DIV/0!			
		D	£6,666.00			#DIV/0!			
	Off Gas Grid	F & G	£16,666.00			#DIV/0!	#DIV/0!	#DIV/0!	
		E	£13,333.00			#DIV/0!			
		D	£10,000.00			#DIV/0!			

Please enter the amount of Admin and Ancillary budget you are requesting from HUG1 in cell below

Total Project costs (including Landlord)	Total HUG (Off Gas) Funding Requested	Total HUG (Off Gas) Capital	Total HUG (Off Gas) Admin & Ancillary	HUG (Off Gas) Admin & Ancillary %	% EPC D HUG (Off Gas) Delivery	% HUG (Off Gas) Social Housing Delivery	Total Number of Homes
£0.00	£0.00	£0.00		#DIV/0!	#DIV/0!	#DIV/0!	0

Further guidance on completing the cost table will be shown on the table when you hover over a cell which has a red arrow in the top right-hand corner.

Section 6: Delivery Assurance

25. Please complete the below tables to detail the milestone delivery plan to evidence and give confidence that delivery will be completed no later than 31 March 2023.

Guidance: Your answer to this question should address the delivery of either on-gas (LAD) and off-gas (HUG) funding, or both.

This answer will form part of your 'Delivery Assurance' score.

Please detail your overall delivery plan by filling out the table. For each month, please provide planned key activities, cumulative amount spent and forecasted cumulative number of homes upgraded. LAs should seek to set out delivery plans that they are confident can be delivered and include appropriate contingency to ensure all delivery is concluded by 31 March 2023. Assessment of the delivery confidence of this plan will form part of your 'Delivery Assurance' assessment.

Section 7: Final Details

26. Declaration that the information presented in this proposal is true within the best of the applicant's knowledge.

Guidance: Applicants are required to declare that all the information provided in their proposal is correct within their knowledge.

Annex B – Domestic Properties

Domestic premises

Domestic premises test, other than a Park Home/Mobile home

Local Authorities should use a two-part test to determine whether premises, other than a mobile home, are domestic premises by asking:

Test I. are the premises self-contained by containing kitchen facilities for occupants to prepare food?

Test II. are the premises used by the occupants wholly or mainly for domestic purposes (e.g., as a home)?

If the answer to each question is yes, then we consider the premises to be domestic premises. Further information is provided below about each part of this test.

Test I. Are the premises self-contained?

This part of the test is about the physical layout and setup of the building.

Premises may be part of a building (for example, a flat in a tower block) or may be the whole building (for example, a detached bungalow).

Premises will be *separate and self-contained* if, within the boundaries of the premises, they contain:

- a. one or more bedrooms, and
- b. private kitchen facilities, including a kitchen sink and stove, for occupants to prepare food.

Note that a portable microwave or campfire stove would not be considered as a stove for this purpose. Kitchen facilities are private when they are accessible only to the occupants of the bedroom or bedrooms within the part of the building that forms the premises.

Our test does not take account of bathroom facilities.

Bedrooms

A space can function as both a bedroom and a living area – for example, a studio or a bedsit.

Kitchen facilities

Kitchen facilities include a kitchen sink and a stove. Where one of these items is not present in the kitchen, then we do not consider the premises to contain kitchen facilities.

Kitchen facilities may be located in the same space that functions as a bedroom – for example, a studio or bedsit.

Kitchen facilities are private when they are accessible only to the occupants of the bedroom or bedrooms within the part of the building that forms the premises.

Examples of premises that are self-contained (although might fail the domestic purposes test):

- a. a studio (containing private kitchen and bathroom facilities).
- b. a bedsit (containing private kitchen facilities, with access to shared bathroom facilities).
- c. an apartment, including a shared apartment where the occupants of each bedroom share a communal kitchen.
- d. a house, including a shared house where the occupants of each bedroom share a communal kitchen.

The following are not self-contained premises:

- a. a bedroom which does not contain private kitchen facilities,
- b. a bedroom which contains some kitchen facilities, for example a refrigerator and a microwave oven, but does not contain a kitchen sink and/or stove,
- c. two or more bedrooms with a kitchen that is not for the exclusive use of the occupants of those bedrooms, and
- d. any facility where the occupants do not have access to kitchen facilities to cook for themselves.

Determining the boundary of premises

The boundaries of the premises are the outermost walls of the total space used exclusively by the occupants of the premises. For example:

- a. in a shared apartment or house, the total space includes all bedrooms and the common areas (kitchen, bathroom(s) and living area(s), halls and corridors), or
- b. for a bedsit containing a kitchen, the boundaries of the premises are the walls of that bedsit, or
- c. for mixed use premises, such as a Bed & Breakfast with both commercial and domestic parts, the premises boundaries of the domestic part would be the outermost walls of the area that is self-contained and used for domestic purposes (e.g., it contains its own kitchen and has one or more bedrooms).

Test II. Are the premises used as a home?

Premises are *used wholly or mainly for domestic purposes* if the premises are used by the occupants as a home.

This part of the test considers the way in which the building is generally used. In most cases it should be clear that premises are being used as a home, e.g., the premises are used by the occupants for living in on more than a short-term basis (typically more than three months). Suppliers are normally expected to check the length of a lease or licence to occupy in scenarios where you would expect the lease or licence to be short term, e.g., hostels.

The use of premises as a home can be evidenced in the following ways:

- a. Owner-occupied premises: the receipt by the occupant of utility bills or mortgage statements relating to the premises may indicate that the premises are used as a

home. There may be other indicators such as mortgage deeds naming the occupant.

- b. Premises occupied under a lease or licence to occupy: the receipt by the occupant of 3 months of utility bills relating to the premises, or the existence of a lease or licence of longer than 3 months in the name of the occupant (such as a tenancy agreement) may indicate that the premises are used as a home. There may be other indicators that may be considered acceptable evidence.

Commercial activities

Occupants may carry out some commercial activities at the premises from a room also used for domestic purposes, provided that the primary use of the premises is as a home. Examples of commercial activities include working or running a business from home.

Examples of premises that are not generally used as a home:

- a. a hotel, or guest houses (including 'bed and breakfast' properties), where guests do not usually stay for periods of longer than a couple of weeks,
- b. a short-stay apartment or hostel, where occupants usually stay for periods of less than 3 months, or

Care homes

Care homes do not meet the domestic premises requirement and are therefore outside of the scope of the Sustainable Warmth competition eligibility criteria.

Student halls of residence

Student halls of residence do not meet the domestic premises requirement and are therefore outside of the scope of the Sustainable Warmth competition eligibility criteria.

Park Homes/Mobile Homes

For a structure to be considered a park/mobile home, and therefore a domestic premise, it must:

- a. be a caravan, AND
- b. be used as a dwelling.

Houses in Multiple Occupation

A house in multiple occupation (HMO) is a property rented out by two or more people who are not from 1 'household' (for example a family) but share one or more basic amenities or the living accommodation is lacking in one or more basic amenities. Therefore, the arrangement of kitchen facilities within an HMO is critical in determining eligibility under LAD phase 3 and HUG Phase 1.

Based on the definition of self-contained premises, we recognise two distinct categories of HMO:

- a. An HMO with shared cooking facilities (e.g., a shared house).
- b. An HMO with private cooking facilities in each bedroom (e.g., bedsits).

Generally, an HMO with shared cooking facilities should be treated as if it were a single domestic premise.

An HMO with private cooking facilities is treated differently to other types of domestic premises. This is because individual bedrooms may meet this competition's definition of a self-contained premises.

Each tenant's eligibility only extends to their individual private rooms, not the HMO as a whole. This means that one occupant on less than £30,000 would qualify in their individual household, but not the whole HMO. For the whole HMO to be eligible, all rooms would need to have an eligible resident, or the income across all households meets the average income criteria.

House Boats

At this time the SAP (Standard Assessment Procedure) assessment method does not support the creation of domestic EPCs for houseboats. Unless this changes, domestic EPCs should not be issued to houseboats and as such they are not eligible for funding through the Sustainable Warmth Competition

Shared Ownership Schemes

Shared ownership homes, where a proportion of the properties is still owned by the scheme owner and rented by the leaseholder, should be treated as rental properties and as such the scheme owner is responsible for contributing to the upgrade of the property.

