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place greater emphasis on the requirement for applicants to contribute the “like-for-like”⁸ costs of the project themselves in addition to any PSDS grant funding provided. These differences to Phase 3 are subject to further change throughout its delivery and exact specifications of changes will be given to the appointed contractor.

The focus for Phase 3 of the PSDS is to provide funding for decarbonisation projects where the heating systems are at the end of their working lives and there is imminent need for replacement. Consequently, the first funding round of Phase 3 (Phase 3a) has allocated the majority (85%) of the 2022/23 grant funding for single-year projects that need to take place between 1st April 2022 and 31st March 2023. A smaller proportion (15%) of the 2022/23 grant funding has been set aside to specifically support multi-year decarbonisation projects with funding extending into financial years 2023/24 or 2024/25. As of mid-July 2022, 161 grant recipients had been awarded funding to deliver 219 projects through Phase 3a, with a total value of £555.7 million⁹ across financial years 2022/23 – 2024/25. The grant funding split between single-year and multi-year projects for future financial years (2023/24 and 2024/25 respectively) will be confirmed at a later date.

Organisations that are eligible to apply for Phase 3 remain the same as Phase 2 of the PSDS. These include:

- Central government departments and their arm’s length bodies;
- For central government departments where their roles are reserved (i.e., not devolved to Scottish or Welsh Governments or the Northern Ireland Executive), funding may be used for estates located anywhere within the UK;
- Emergency services;
- Institutions of further and higher education;
- Local authorities;
- Schools within the state education system, including maintained schools, academies, Multi-Academy Trusts and free schools;
- Nursery schools maintained by a local authority; and
- NHS Trusts and Foundation Trusts.

With the implementation of Phase 3a of the PSDS, there have been updates to the administrative requirements and policy detail. This includes:

- The requirement that low-carbon heating is appropriately sized¹⁰ for the heat demand of the building;
- Further in-depth checks of the proposed measures to verify they meet the specific needs of the building, including a requirement to provide an assessment of how the building energy demand is reduced; and
- Further in-depth checks of project costs against up-to-date industry cost benchmarks and challenges where there are inconsistencies.

⁸ ‘Like-for-like’ costs are the costs that applicants would have incurred if they had not accessed PSDS funding – this will include the cost of replacing a high carbon heating system coming to the end of its useful life with another high carbon heating system.

⁹ A list of projects funded through Phase 3a of the PSDS (including the split between single-year and multi-year) can be found on the Phase 3 gov.uk page: <https://www.gov.uk/government/publications/public-sector-decarbonisation-scheme-phase-3>

¹⁰ Organisations should not install a heating plant with a higher output than the one they are replacing as they should have reduced the energy demands of the building through the whole building approach.

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Strengthened guidance has also been provided through Phase 3 of the PSDS to provide best-practice for taking a 'whole building' approach to decarbonising heat cost-effectively, and to provide further clarity on ancillary costs to be funded by the applicants when replacing fossil fuel boilers.

Delivering Phase 3 projects will require activity in a range of sectors such as building services, engineering and design, low carbon heating, installation of renewable sources and energy efficiency and insulation.

The application window for PSDS Phase 3a single-year projects and multi-year projects opened in October 2021 and closed in November 2021, with the scheme guidance published in September 2021. This provided applicants more preparation time to develop applications whilst also allowing assessments and grant allocation to start a significant time before the 2022/23 financial year.

Phase 3b of the PSDS was announced on 2nd August 2022¹¹ and will allocate up to £635 million of funding to public sector organisations, to be spent in financial years 2023/24 and 2024/25. This is split by financial year with up to £402 million to be allocated for 2023/24 and up to £233 million to be allocated for 2024/25. The Phase 3b application window is planned to open in September 2022 for public sector organisations to apply for grants and will close when sufficient applications have been submitted to meet the budget available for Phase 3b. Phase 3b builds on Phase 3a, with the intention to increase the proportion of funding available for multi-year projects. This includes applicants being able to apply for funding with spend in 2024/25 only, in which they can use 2023/24 as a planning year with no grant spend. Other changes sharpen the scheme's focus on cost effective decarbonisation of heat and the overall achievement of carbon emission savings, while still allowing applicants to make bill savings¹². Example changes include, but are not limited to, the piloting of sector soft caps¹³, a minimum applicant contribution for the like-for-like cost of replacing their fossil fuel heating system, refinements to the 'whole building' approach and a maximum proportion of grant value that can be claimed for energy efficiency measures so that more focus is on heat decarbonisation.

Any potential further funding that could be allocated as a result of a further application window is subsequently referred to as Phase 3c for the purposes of this invitation to tender.

Alongside the PSDS, there is the Public Sector Low Carbon Skills Fund (LCSF). Phase 1 of the LCSF¹⁴ made available up to £32 million to help public sector bodies to access the PSDS. It provided funding for project development, project delivery and heat decarbonisation plan support. Phase 2 of the LCSF¹⁵ provided up to £15 million of grant funding to the public sector in England for them to secure the skills and expertise needed to put in place a heat decarbonisation plan. All heat decarbonisation plans funded by Phase 2 of the LCSF were completed by 31st March 2022 and a wide range of public sector organisations have benefitted from the scheme. Before applicants could claim their final grant payment, they were required to submit their completed heat decarbonisation

¹¹ Phase 3b PSDS (Salix): <https://www.salixfinance.co.uk/Phase3bPSDS>

¹² Phase 3b PSDS Guidance Notes (Salix):

https://www.salixfinance.co.uk/sites/default/files/Phase%203b%20PSDS%20Guidance%20Notes%20v.2%20%281%29_1.pdf

¹³ Sector soft caps have been introduced to ensure the funding is allocated fairly across the public sector according to the distribution of carbon emissions across sub-sectors of the public sector. Applications will be allocated funding on a first-come-first-served basis until a sector cap is reached. Upon the point a sector cap is reached, funding allocation for that sector will be paused until all applications for other sectors have been allocated funding up to their own sector cap. If some funding remains unallocated, applications which were initially paused will then be revisited to allocate the remaining funding on a first-come-first-serve basis to these projects, irrespective of their sector.

¹⁴ Phase 1 Public Sector LCSF: <https://www.gov.uk/government/publications/public-sector-low-carbon-skills-fund>

¹⁵ Phase 2 Public Sector LCSF: <https://www.gov.uk/government/publications/public-sector-low-carbon-skills-fund>

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plan to Salix. As of the close of the scheme, Salix has received over 1,700 completed heat decarbonisation plans. Phase 2 of the LCSF was launched with the following high-level objectives:

- Deliver heat decarbonisation plans in the public sector;
- Increase the number of decarbonisation measures that come forwards for future capital funding schemes; and
- Improve the cost-effectiveness and / or deliverability of projects, compared to those which did not receive LCSF funding.

Phase 3 of the LCSF¹⁶¹⁷, which succeeds Phases 1 and 2 of the LCSF, will provide up to £14 million in 2022/23 for public sector organisations to access the necessary skills and expertise required to put in place a heat decarbonisation plan. The 2022/23 Phase 3 of the LCSF was announced on 18th May 2022 and the portal opened for applications on 15th June 2022. All projects will need to be completed by 31st March 2023.

The 2022/23 Phase 3 of the LCSF will support the delivery of PSDS objectives, by aiming to increase the number, cost-effectiveness and deliverability of projects that come forward for PSDS funding. This aim will be achieved through the following objectives:

- Enable organisations who otherwise would not be able to, to identify and develop decarbonisation projects, putting them in a position to secure capital funding for those projects;
- De-risk the delivery of decarbonisation projects by enabling organisations to access the skills required to develop robust project proposals; and
- Maximise the cost-effectiveness of heat decarbonisation projects.

All phases of the LCSF are also administered by Salix Finance and, as it supports the delivery of PSDS, is in scope of this evaluation.

Phase 1 of the PSDS and Phase 1 of the LCSF are subject to a separate process, impact and economic evaluation which is due to conclude in May 2024. Some insights into experiences of engaging with Phase 2 of the PSDS and Phase 2 of the LCSF may be collected as part of the Phase 1 contract and any relevant findings may be shared with the successful contractor as some degree of synthesis of Phase 2 may be required.

A pre-market engagement session for the Phase 3 of the PSDS evaluation was held on 11th May 2022 to give suppliers an opportunity to find out more about the procurement aims and proposed evaluation work.

2. Aims & Objectives

This invitation to tender sets out the requirement for the delivery of an evaluation of Phase 3 of the PSDS, including process, economic and impact evaluations. Phase 3 of the LCSF is also included in the scope of this evaluation, as well as additional lighter-touch impact and cost-effectiveness analysis of Phase 2 of the PSDS and some light-touch qualitative work is also proposed to review Phase 2 of the LCSF. Research questions for each form of evaluation have been developed and are listed separately in this section, though the appointed contractor is responsible for reviewing the appropriateness and deliverability.

¹⁶ Phase 3 Public Sector LCSF: <https://www.gov.uk/government/publications/public-sector-low-carbon-skills-fund-phase-3>

¹⁷ Phase 3 Public Sector LCSF (Salix): <https://www.salixfinance.co.uk/P3LCSF>

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The overarching aims for the evaluation are as follows:

Phase 3 of the PSDS

The Phase 3 of the PSDS element of the evaluation aims to:

- Assess the extent to which the PSDS has effectively enabled the delivery of energy efficiency and low carbon heat measures in public sector organisations;
- Assess the impact of the scheme on carbon savings;
- Assess the cost-effectiveness of the scheme; and
- Understand whether and how the scheme has contributed towards its objectives.

Phase 3 of the LCSF

While LCSF is a stand-alone scheme, the evaluation is required to assess the role that Phase 3 of the LCSF played in supporting Phase 3 of the PSDS in achieving its intended outcomes. The Phase 3 of the LCSF element of the evaluation aims to:

- Assess the extent to which the LCSF has effectively supported the development and delivery of PSDS projects through the development of heat decarbonisation plans;
- Understand the resourcing and skills gaps the scheme has addressed and whether it was successful in addressing them; and
- Understand how PSDS and LCSF work together to deliver scheme objectives.

Other Work StrandsPhase 2 of the PSDS

The Phase 2 of the PSDS element of this evaluation aims to provide a lighter-touch impact and cost-effectiveness analysis of the scheme. This work aims to:

- Assess the impact of the scheme on carbon savings; and
- Assess the cost-effectiveness of the scheme.

Phase 2 of the LCSF

Where it supports Phase 3 of the PSDS, the light-touch Phase 2 of the LCSF review will aim to:

- Understand whether the scheme enabled and/or supported decarbonisation measures in the public sector; and
- Understand wider lessons about the scheme design and policy.

Timings

It is anticipated that the evaluation will be divided into two stages:

- **Stage 1** - Process evaluation (October 2022 to March 2024)
- **Stage 2** – Ongoing process evaluation and impact and economic evaluation (April 2024 – March 2026)

Three contract break points will be included in the contract to allow the Department to manage the contract and its budget:

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- The first in May 2023 after the delivery of the first interim process evaluation report
- The second in March 2024 after delivery of the second interim process evaluation report (between Stage 1 and Stage 2 of the project)
- The third in March 2025 after the delivery of an interim internal note (before the start of a new Spending Review period from April 2025)

Process Evaluation Aims and Questions

The process evaluation will take place across both stages of the evaluation. The focus of the process evaluation is to investigate how the scheme develops from the initial setup through to the final delivery of projects. It aims to understand what happens during the scheme implementation, how the scheme design and administration have supported delivery of the PSDS aims and what worked more (or less) well and why. As part of the process evaluation, the application process and delivery of the LCSF will also be investigated.

The process evaluation will need to include primary research and secondary analysis of scheme data. It is expected to involve quantitative surveys and qualitative data collection with different groups of interest throughout the delivery of the schemes. This includes:

- Salix representatives;
- Phase 3 of the PSDS grant recipients (single-year and multiple-year projects);
- Phase 3 of the LCSF grant recipients;
- Consultants / contractors funded by Phase 3 of the LCSF;
- Installers / contractors funded by Phase 3 of the PSDS;
- Third Party Technical Assessors involved with the Salix application process;
- Supply chain representatives; and
- Non-participants (eligible non-applicants and scheme applicants who did not receive funding).

The process evaluation research questions cover five high-level evaluation questions (HLEQs), although these questions are subject to scoping by the appointed contractor:

HLEQ1. How effective is the application process and scheme delivery for Phases 3 of the PSDS and LCSF and what are the outcomes?

- 1.1. Have the schemes been implemented as intended?
- 1.2. What were organisations' experiences with engaging with the schemes (e.g. application, assessment, installation and usage)? How is this influenced by the schemes' designs?
- 1.3. Were there any trends in the types of organisations applying for or receiving PSDS and LCSF (e.g. building types, geographical locations, organisation type, size)?

Application process

- 1.4. How did public sector organisations go about developing their application?
- 1.5. How clear and accessible was the application process to receive a grant (e.g. guidance provided, level of burden in applying)?
- 1.6. How did PSDS applicants approach the sizing of new heating systems? Did LCSF support any applicants in their approach?
- 1.7. What were the motivations, enablers and barriers to applications? Which organisations did this affect?
- 1.8. Why did some eligible organisations not apply to the schemes? Does this vary across sectors?
- 1.9. How has LCSF been used to support the development of PSDS applications?

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- 1.10. Has the LCSF enabled more cost-effective projects to come forwards for PSDS applications?
- 1.11. What percentage of PSDS applications are applying as multi-year projects and of these how many are being approved? Are there any differences in the value of applications for multi-year projects compared to single-year projects (for the first financial year of each subphase)? If so, why?

Scheme/project delivery

- 1.12. What do the funded projects look like? What does the distribution of funded projects look like?
- 1.13. What were grant recipients' experiences of project delivery/the installation process? How did it affect building accessibility and functionality for service users?
- 1.14. What were the main skill gaps LCSF was used to address and how successful was it in addressing these skill gaps?
- 1.15. How has LCSF been used to aid the delivery of projects funded by PSDS?
- 1.16. How has LCSF been used to support the development of heat decarbonisation plans?
- 1.17. Are there any barriers/challenges experienced by organisations in delivering projects funded by the schemes? If so, what are they?

Wider decarbonisation activities

- 1.18. Have the schemes facilitated any additional, unfunded decarbonisation activities and/or led to further decarbonisation ambitions? If so, how?
- 1.19. How, if at all, have applicants to PSDS who did not receive funding addressed their planned decarbonisation strategies?
- 1.20. How, if at all, have applicants to the LCSF who did not receive PSDS funding address their planned decarbonisation strategies?

HLEQ2. How have the changes from Phases 1 and 2 of the PSDS (and any further changes between Phase 3 subphases) affected the delivery of the scheme and responses to it?

- 2.1. How has the change from previous phases (Phase 1) in threshold for cost per tonne of carbon saved affected and shaped project applications? How have applicants approached the threshold for cost per tonne of carbon and how has it been received by Phase 3 grant recipients?
- 2.2. How did applicants perceive the availability of technologies that were not previously available under Phase 1 of the scheme (including Biomass and Onshore Wind)? What was the take-up of these technologies under Phase 3 of the PSDS?
- 2.3. What informs applicants' approach to designing their applications? What are the key considerations?
- 2.4. How have grant recipients used bundling? How has the 'whole building' approach shaped applications?
- 2.5. How have changes to the policy detail and administrative requirements been received by applicants?
- 2.6. How do project costs and funding per project (including applicant contributions) compare between phases? What are the experiences of grant recipients and do they differ between subphases?
- 2.7. How has the inclusion of multi-year projects and planning years affected delivery? What are the experiences of multi-year grant recipients and how do they differ from single-year grant recipients?
- 2.8. How has Salix changed its processes to adapt to changes in eligibility requirements and scheme design?

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HLEQ3. How have the schemes contributed to understanding, awareness, perceptions and behaviours of decarbonisation in the public sector and to the schemes' outcomes?

- 3.1. To what extent do grant recipients understand decarbonisation? What has been the changes to understanding, awareness and perceptions around decarbonisation? How does it differ across grant recipient sectors (e.g. schools, NHS Trusts)?
- 3.2. What were grant recipients' experiences of the schemes' guidance? Were there any gaps in the guidance provided?
- 3.3. To what extent are eligible organisations aware of the schemes and understand schemes' requirements? What is the take up by public sector organisations under the schemes and how does it vary between sectors?
- 3.4. To what extent have the schemes improved awareness, understanding and aspiration of decarbonisation in the public sector? How does it vary across sectors?
- 3.5. How well have the schemes been marketed to potential new participants? How does this vary across sectors?
- 3.6. Why did some eligible organisations not apply to the schemes? Does this vary across sectors?
- 3.7. What assumptions are public sector organisations making about PSDS funding in the future? How is this effecting their future planning?

HLEQ4. How have the schemes affected the low carbon supply chain?

- 4.1. How has the low carbon supply chain responded to the schemes? How is it developing and adapting to meet demands?
- 4.2. Are there any barriers/challenges experienced by the low carbon contractors/installers in delivering projects funded by the schemes (e.g. capability, capacity, process issues, supply chain issues, etc)? If so, what are they?
- 4.3. How have installers (funded by PSDS) experienced the scheme?
- 4.4. How have the consultants and/or contractors funded by the LCSF experienced the scheme?

HLEQ5. What are the wider lessons from the schemes?

- 5.1. Were there any unexpected considerations around installing measures in sites, and if so, what were they?
- 5.2. Were there any unexpected considerations around undertaking a heat decarbonisation plan, and if so, what were they?
- 5.3. What learning can BEIS apply to future public sector and wider BEIS energy policy development and scheme design?
- 5.4. How does the PSDS and LCSF fit within the wider policy landscape? Are there any interactions with any BEIS policies or other government funding available to public sector organisations?

Impact Evaluation Aims and Questions

An impact evaluation will be required to assess the extent to which the scheme's benefits have been achieved. It is expected that, while the final measures funded by Phase 3 of the scheme need to be installed by 31st March 2025, the majority of impacts will not be realised or measurable until a while after Phase 3 of the PSDS closes. Bidders should also note that there is a delay in measuring

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some impacts as the datasets expected to be used (e.g. ND-NEED¹⁸) have a time lag to their availability. This will therefore need to be considered when scoping the impact evaluation approach.

It is expected that the successful contractor will conduct a quasi-experimental analysis (QEA) of Phase 3 of the PSDS, although Stage 1 of the project will require the contractor to scope and confirm the appropriate impact evaluation approach. Stage 2 will then require the QEA to be conducted to empirically assess the additional impact from organisations implementing projects funded by Phase 3 of the PSDS. The impact of the LCSF should also be explored within this analysis.

BEIS envisages that the impact evaluation will draw on qualitative and quantitative primary research findings, as well as scheme delivery data and meter data. When scoping, the successful contractor should consider any lags in data availability and outline how longer-term impacts could be measured at a later date (if BEIS decided that additional evaluation work was necessary).

The contractor is expected to support the development of the evaluation questions for this impact evaluation as part of initial scoping work. However, the impact evaluation questions are likely to be:

- What benefits have been achieved by the schemes (carbon and energy savings, etc.)?
- How effectively has the scheme delivered energy and carbon savings?
- To what extent did the scheme deliver energy efficiency and low carbon heat installations which were high quality?
- How have changes (e.g. inclusion of multi-year projects, all new policy levers) from previous phases of the scheme (including changes within Phase 3 subphases) affected outcomes and impacts (such as carbon savings)?
- To what extent are the impacts (e.g. carbon savings) of the scheme additional to what would have happened in its absence?
- Have there been any co-benefits or unforeseen impacts (positive and/or negative)?

It is expected that the successful evaluation contractor will draw on primary data collection as well as a significant amount of data analysis. In addition to the qualitative research conducted under the process evaluation, the methods expected to be used in the impact evaluation include:

- Analysis of Scheme Delivery Data (Stage 1 & 2);
- Quantitative data collection and analysis (Stage 1 & 2);
- Analysis of Supply Chain Data (Stage 2);
- Quasi-experimental analysis (Stage 2);
- Cost-benefit analysis (Stage 2).

BEIS envisages that impact analysis will be cut by different subgroups, including the split between single-year and multi-year projects, between projects from the different Phase 3 delivery years, and those projects that receive PSDS-only and those who have received LCSF. It is expected that results from the survey of eligible non-participants will be used as a control group in any impact analysis.

In addition to conducting an impact evaluation of Phase 3 of the PSDS, BEIS expects some additional impact analysis of Phase 2 of the PSDS. This work will also need scoping by the successful contractor, although it is expected that it will be smaller in scale and make use of matching and analysing secondary data sources (e.g., scheme administration data, scheme

¹⁸ Non-domestic National Energy Efficiency Data. See: <https://www.gov.uk/government/collections/non-domestic-national-energy-efficiency-data-framework-nd-need>

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monitoring data, and ND-NEED). Due to Phase 2 being smaller in scale, the successful contractor will need to confirm if and how impacts can be measured robustly. Subject to scoping, impact evaluation questions that could be explored include:

- What benefits have been achieved by the scheme (carbon and energy savings, etc.)?
- To what extent are the impacts (e.g. carbon savings) of Phase 2 additional to what would have happened in its absence?

Economic Evaluation Aims and Questions

An economic evaluation is required as part of this work. As with the impact evaluation, scoping work should be carried out as part of Stage 1 and the exact scope will be confirmed following this. BEIS expects the Phase 3 of the PSDS economic evaluation to take the form of a cost-benefit analysis which will determine the value for money of the scheme. Subsequently, the analysis will aim to assess the cost-effectiveness and calculate a social net present value (if it appears to be the most appropriate methodology with the data available). Bidders should note that LCSF should also be explored within this analysis. The outcomes which are expected to be monetised as part of this evaluation are non-traded carbon savings, traded carbon savings, energy savings and air quality, however the appointed contractor may identify further monetisable benefits. The approach used to conduct the economic evaluation must be compliant with principles of the Green Book¹⁹.

At a minimum, BEIS can provide data on spend, technologies installed, grant recipient and project characteristics and changes in fuel consumption which can be fed into this analysis²⁰. BEIS invites the contractor to scope the key questions that can be answered but they are expected to include:

- What are the monetisable benefits of PSDS and LCSF?
- How cost-effective is the scheme (for participants, society and government)?
- What is the average cost²¹ of installing specific technologies / measures²² in sites? How does this vary by measure or organisation type?
- To what extent did the scheme deliver energy efficiency and low carbon heat installations which represented good value for money?
- What costs are incurred by the different actors involved in the scheme (i.e. costs to governments, applicants, installers or society) and how much are the costs?
- Have there been any co-benefits of the scheme (i.e. building comfort, air quality, improved quality of public services, culture of decarbonisation)?
- How did value for money vary across single-year projects? (i.e. organisations, technologies used, geographical regions)
- How has the nature of multi-year projects influenced value for money?
- What is the difference in value for money between Phases (including subphases) of the scheme? If there are differences, what is the reason for them?
- What are the key factors in delivering value for money through the PSDS scheme?

¹⁹ HMT, 2020. The Green Book,

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/938046/The_Green_Book_2020.pdf

²⁰ Changes in energy use may be used to estimate and monetise carbon savings, air quality impacts, energy savings using Green Book supplementary guidance: <https://www.gov.uk/government/publications/valuation-of-energy-use-and-greenhouse-gas-emissions-for-appraisal>

²¹ The successful contractor is expected to scope which unit measures should be used for calculating the average cost for different technologies / energy efficiency measures.

²² The successful contractor should also scope additional breakdowns for some technologies / measures of interest (e.g. splitting heat pumps by the various types and sizes).

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As with the impact analysis, BEIS also expects the successful contractor to conduct cost-effectiveness analysis of Phase 2 of the PSDS. This will need scoping further, although BEIS expects that this work will be smaller in scale and make use of matching and analysing secondary data sources (e.g., scheme administration data, scheme monitoring data, and ND-NEED).

Stage and activity timings:

Evaluation stage	Expected Timing	Key research methods	Analysis method	Reporting
Stage 1 – Process Evaluation	October 2022 – March 2024	Interviews, surveys and case studies with key subgroups Analysis of scheme data	Data scoping for impact and economic evaluations	Interim reports May 2023 and March 2024
Stage 2 – Ongoing Process Evaluation and Impact and Economic Evaluation	April 2024 – March 2026	Interviews, surveys and case studies with key subgroups Analysis of scheme data	Quasi-experimental analysis and cost-benefit analysis	Internal interim note March 2025 Work strand reporting March 2026

Outputs

BEIS expects the main outputs from this evaluation to be:

- May 2023 and March 2024 interim reports - project update and interim finding reports focusing on findings to date and the impact scoping work (50-80 pages).
- March 2025 – Internal interim note to provide a project update and findings of interest from that year (5-15 pages).
- March 2026 – Final reporting of the process, impact and economic evaluation.

There are additional unpublished outputs set out in Section 5, including short slide decks (5-10 slides) after some data collection activities.

The evidence from this evaluation will be used to measure the performance of Phase 3, demonstrate benefits and record lessons learned to help design more refined and effective decarbonisation policy. Early evaluation evidence will be used to assess the initial success of Phase 3. The wider impact evidence will ensure that BEIS can demonstrate progress against its key targets regarding fuel poverty and net zero commitments and will feed into future public sector decarbonisation strategy.

Learning across these evaluations will also be used by other Energy teams within BEIS to inform decisions about the most effective and cost-effective delivery designs to meet non-domestic low carbon targets for net zero.

3. Suggested Methodology

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This section outlines a suggested methodology in order to highlight the range of methods that BEIS believes are appropriate and feasible to meet the aims set out above. BEIS will accept bids to deliver this work from both individual suppliers and consortia.

The below table has been included to support suppliers with costings and to give an understanding of the scale and skills required. However, BEIS is flexible on the methodology taken and expects suppliers to consider how best to conduct fieldwork. Therefore, BEIS would welcome bids which propose different methodologies or offer additional activities with justification.

Suppliers should also note that BEIS expects suppliers to outline their proposed timings for all fieldwork and activities, giving justification where relevant.

Interviews (qualitative)	<p><u>Stage 1:</u></p> <p><u>Within FY 22/23</u></p> <p>1 workshop:</p> <ul style="list-style-type: none"> - Representatives from the scheme administrators (Salix) <p>165 qualitative interviews:</p> <ul style="list-style-type: none"> - 40 grant recipients (Phase 3a single-year projects) - 20 grant recipients (Phase 3a single year projects who previously received LCSF Phase 2) - 30 installer / contractor representatives - 25 supply chain representatives - 30 non-participants (eligible non-applicants and scheme applicants who did not receive funding) - 10 non-participants (as above but those who previously received LCSF Phase 2) - 10 Phase 2 of the LCSF contractors / consultants <p>1 focus group:</p> <ul style="list-style-type: none"> - Third Party Technical Assessors representatives <p>15 case study interviews:</p> <ul style="list-style-type: none"> - 5 multi-year project sites of interest (3 interviews per site) <p><u>Within FY 23/24</u></p> <p>1 workshop:</p> <ul style="list-style-type: none"> - LCSF consultant / contractor representatives <p>90 qualitative interviews:</p> <ul style="list-style-type: none"> - 40 grant recipients (Phase 3b single-year projects) - 20 grant recipients (Phase 3b single-year projects who also received Phase 3 of the LCSF) - 30 installer / contractor representatives <p>45 case study interviews:</p> <ul style="list-style-type: none"> - Follow-up with the 5 multi-year project sites of interest which started in Phase 3a (3 interviews per site) - 10 additional multi-year project sites of interest which started in Phase 3b (3 interviews per site) <p><u>Stage 2:</u></p> <p><u>Within FY24/25</u></p>
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	<p>30 follow-up interviews (to Phase 3a single-year project quant survey):</p> <ul style="list-style-type: none"> - 30 grant recipients (Phase 3a single-year projects), mix of PSDS-only projects and those projects who also received LCSF <p>1 workshop:</p> <ul style="list-style-type: none"> - Follow-up with representatives from the scheme administrators (Salix) <p>1 workshop:</p> <ul style="list-style-type: none"> - LCSF consultant / contractor representatives <p>145 interviews:</p> <ul style="list-style-type: none"> - 40 grant recipients (Phase 3c single-year projects) - 20 grant recipients (Phase 3c single-year projects who also received Phase 3 of the LCSF) - 30 installer / contractor representatives - 25 supply chain representatives - 30 non-participants (eligible non-applicants and scheme applicants who did not receive funding) <p>1 focus group:</p> <ul style="list-style-type: none"> - Third Party Technical Assessors representatives <p>45 follow-up case study interviews:</p> <ul style="list-style-type: none"> - Follow-up with the 5 multi-year project sites of interest which started in Phase 3a and the 10 multi-year project sites of interest which started in Phase 3b (3 interviews per site) <p><u>Within FY25/26</u></p> <p>30 follow-up interviews (to Phase 3b single-year project quant survey):</p> <ul style="list-style-type: none"> - 30 grant recipients (Phase 3b single-year projects), mix of PSDS-only projects and those projects who also received LCSF
Interviews (survey)	<p><u>Stage 1:</u></p> <p><u>Within FY23/24</u></p> <p>Surveys of c.120-150 grant recipients:</p> <ul style="list-style-type: none"> - Quantitative telephone surveys with Phase 3a single-year projects <p><u>Stage 2:</u></p> <p><u>Within FY24/25</u></p> <p>Surveys of c.120-150 grant recipients</p> <ul style="list-style-type: none"> - Quantitative telephone surveys with Phase 3b single-year projects <p><u>Within FY25/26</u></p> <p>Surveys of c.350 grant recipients and non-participants</p> <ul style="list-style-type: none"> - Quantitative telephone surveys with c.120-150 Phase 3c single-year projects - Quantitative telephone surveys with c.15-30 multi-year projects - Quantitative telephone surveys with c.150 eligible non-participants (eligible non-applicants and scheme applicants who did not receive funding)
Any other specific requirements	<ul style="list-style-type: none"> - Theory of change development and refinement (Stage 1 and 2). - Additional scheme data analysis (Stages 1 and 2) and supply chain data analysis (Stage 2) to support main research questions. - Quasi-experimental analysis of impacts during Stage 2 (scope to be determined in Stage 1). - Cost benefit analysis during Stage 2 (scope to be determined in Stage

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	<p>1). - Additional impact and cost-effectiveness analysis of Phase 2 of the PSDS (scope to be determined in Stage 1).</p>
<p>To deliver the aims set out above, it is expected that the evaluation will need to include the following workstreams: process evaluation, impact evaluation and economic evaluation.</p> <p>Bidders should be aware that neither the final funding amount for FY 2024/25 of Phase 3 of the PSDS, nor any revised application guidance for that financial year will be published until 2023. As such, changes to the current evaluation plan may be required to be responsive to the final design for the final year of Phase 3. BEIS expects any required contract changes related to the final year of Phase 3 would apply to FYs 2024/25 and 2025/26 of the evaluation contract. These changes could include (but are not limited to): changes to the contract length, reallocation of spend within the contract, or a reduction to the overall contract value.</p> <p>Stage 1 (October 2022 – March 2024)</p> <p>The primary focus of Stage 1 will be to conduct a process evaluation to investigate how the schemes develop from the initial setup through to the final delivery of projects, as well as the response of involved parties to the changes to the schemes. Some light-touch qualitative work is also proposed to review Phase 2 of the LCSF. Work in this stage will also be required to scope the quasi-experimental impact analysis and cost-benefit analysis to be conducted in Stage 2. Bidders are welcome to suggest alternative and/or innovative methods for gathering evidence to support this stage beyond what is set out below.</p> <p>Year 1 (FY 2022/23)</p> <p><u><i>Development and refinement of Phase 3 of the PSDS Theory of Change (including link to LCSF)</i></u></p> <p>This work is required to further BEIS' understanding of the theory and assumptions behind Phases 3 of the PSDS and LCSF respectively. One theory of change model should be developed to help us identify areas where evidence of logic is weak and to refine our evaluation questions. Bidders are expected to identify how they will develop the theory of change, alongside BEIS' policy team and analysts, and other stakeholders. This context development may take the form of focus group discussions or workshops, although other or combined approaches can be suggested. The theory of change for PSDS Phase 1 will be shared with the successful contractor for their information.</p> <p><u><i>Secondary Data Scoping and Analysis</i></u></p> <p>The key data source for use in the evaluation is scheme delivery data from the scheme administrator, Salix (see Annex 1 for a list of PSDS variables and Annex 2 for a list of LCSF variables). Salix will collect and store the details of applicants of the schemes and the projects they seek to implement. Provision of scheme data and (after GDPR compliant permissions) contact data for both grant recipients and unsuccessful applicants for both PSDS and LCSF, for the purposes of the evaluation has been agreed with Salix²³. As part of the application process, installers/contractors are asked to complete a consent to contact form which is shared with BEIS directly. Whilst not all installers/contractors complete the form and agree, BEIS will share available the contact details from those who have. A limitation of this data for sampling purposes is that lead</p>	

²³ For further detail on the data that will be available from the scheme data, bidders are encouraged to refer to the application form that can be found on the Salix website:

https://www.salixfinance.co.uk/sites/default/files/Phase_3_PSDS_Application_Form_V1.7.xlsx

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contractors are most likely to submit the form so subcontractors may be harder to reach. The process evaluation would involve analysis of the scheme data to monitor the progress of the schemes, provide an understanding of the profile of applicants and highlight trends in the projects being implemented. It is expected that this analysis will also feed into the quasi-experimental analysis and the cost-benefit analysis. Subsequently, this workstream, along with insights from qualitative interviews, will support decisions around the scope of the impact evaluation as part of this contract. Bidders should be aware that Salix shares summary reports with BEIS which includes analysis of data around projects. To avoid duplication of work, these reports will be shared with the successful contractor to support the contractor with answering some of the research questions (e.g., process evaluation sub-questions 1.3 and 3.3).

Additionally, in this stage, bidders should consider scoping data matching of scheme administrative data²⁴ with gas and electricity meter numbers from applicant sites, and BEIS datasets (such as the ND-NEED²⁵ and potentially Subnational Energy Consumption data²⁶). This data matching will be required to support modelling of economic impacts and carbon savings.

Suppliers should outline any limitations and challenges with secondary data sources in their bids, as well as any appropriate mitigating actions. For example, suppliers should be aware that there is an 18-month lag for ND-NEED data (e.g., data for 2020 is not available until June 2022) due to the collection, cleaning and processing of data. The Subnational Energy Consumption data also has a time lag, although it is shorter than ND-NEED. Bidders should be aware that Phase 1 of the PSDS evaluation rejected the use of the Display Energy Certificates (DECs) dataset as the data decreases confidence in QEA estimates of energy impacts, and consequently, carbon impacts and VfM analysis. This is for several reasons, for example, energy consumption generally being underestimated in DECs and because annual DECs are mandated only for buildings which are bigger than 1000m².

As the scheme will likely impact the supply chain for low carbon technologies by stimulating demand for specific types of technology and skilled installers, the effect of the scheme on the sector will need to be observed as part of the evaluation. BEIS expects that this is scoped in more detail by the appointed contractor. Data around employment rates, turnover and work carried out would be informative for this evaluation. BEIS can provide access to the Inter-Departmental Business Register (IDBR) so the successful supplier can access data on employment rates and turnover. However, it is worth noting that the low carbon supply chain spans various sectors so there is not currently a simple way to identify companies working in this space within the IDBR. The successful contractor will therefore need to consider how they could identify those companies as part of scoping work.

Bidders are asked to set out their approach to, and potential timing of, this secondary data scoping, analysis and quality assurance (see Section 4 on *data collection and analysis considerations*).

Salix Workshop

The successful contractor will be expected to conduct a workshop with Salix delivery representatives within the first few months of the scheme implementation (Phase 3a). The aims of the workshop would be to gather and discuss their thoughts around the increase in the scale of the scheme and changes from previous phases, and subsequently how they have adapted in response to these changes and any lessons learnt. The workshop should also explore their thoughts around

²⁴ See previous footnote.

²⁵ <https://www.gov.uk/government/collections/non-domestic-national-energy-efficiency-data-framework-nd-need>

²⁶ <https://www.gov.uk/government/collections/sub-national-electricity-consumption-data>

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future rounds of the PSDS. Phases 2 and 3 of the LCSF should also be included in this workshop to provide Salix's insight on the scheme. The successful contractor will be expected to work with BEIS to agree on the sample, although bidders should outline their proposed approach to sampling, recruitment and analysis (see Section 4 on *data collection and analysis considerations*). Bidders should also propose the length of time to conduct this workshop and when they would look to conduct it.

Year 1 qualitative interviews

During Phase 3a of the PSDS, BEIS proposes that the successful contractor conducts qualitative telephone interviews with the following subgroups to evaluate the new scheme design, marketing of the scheme, the application process, and the supply chain response. Findings from these interviews will feed into both the process evaluation and impact evaluation, serving to monitor the progress of the scheme and fill gaps in the quantitative research.

BEIS also proposes that interviews are conducted with Phase 2 of the LCSF stakeholders to provide insight around decarbonisation activities and more generally the scheme design. These findings will be required at the latest by the end of February 2023 (in the form of a short internal note), so bidders will need to consider how this research is prioritised.

Group	Sample	Rationale
Phase 3a grant recipients ²⁷ (single-year projects)	Scheme administrative data. Should ensure there is a spread across organisations and projects.	To provide insight around the scheme and funding mechanisms, marketing of the scheme and their decision-making.
Non-participants (eligible non-applicants and scheme applicants who did not receive funding)	Scheme administrative data to identify those applicants who did not receive funding. Identifying eligible non-applicants from a range of PSDS-eligible organisations. Should ensure there is a spread (organisation types, geographies, etc).	To understand why non-applicants did not apply and to discuss marketing of the scheme and their strategy for decarbonisation in the absence of funding. For those who did apply, to also discuss the application process and what (if any) impact the development of their application had on their decarbonisation aspirations and strategy.

²⁷ As part of the application process and installer registration process, Salix will ask for consent for scheme participants to be re-contacted for research by the successful evaluator contractor.