



Glasgow City Region Cabinet

Report by Director of Regional Economic Growth

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Clyde Mission Heat Decarbonisation Fund

Purpose of Report:

The purpose of this paper is to update the Cabinet on the progress of the Clyde Mission Heat Decarbonisation Fund design and secure the necessary approvals to launch the scheme in November 2025.

Recommendations:

The Cabinet is asked to:

- note the report;
- approve the proposed Clyde Mission Heat Decarbonisation Fund design;
- approve a grant budget envelope for financial year 2026/27 of £5 million (subject to Scottish Government confirmation); and
- approve proposed delegation of authority to Chief Executives' Group to approve grant recommendations within the approved budget envelope.

Purpose

1. The purpose of this paper is to update the Cabinet on the progress of the Clyde Mission Heat Decarbonisation Fund (CM-HDF) design and secure the necessary approvals to launch the scheme in November 2025.

Background

2. CM-HDF is a targeted investment programme being established by Glasgow City Region (GCR). The Scottish Government is funding CM-HDF under the Clyde Mission programme. Its purpose is to accelerate the replacement of fossil fuel heating systems with low and zero carbon alternatives across the Clyde Mission corridor, in line with local, regional and national policy objectives. The aims of the CM-HDF are to:
 - Stimulate capital funding for high impact heat decarbonisation projects in the Clyde Mission corridor.
 - Provide necessary funding to support district heat decarbonisation projects in both the public and private sectors, ensuring economic viability for installation and operational phases.
 - Offer targeted supplementary funding to bridge funding gaps and enhance the viability of eligible projects.
3. CM-HDF complements national initiatives like the Heat in Buildings Strategy but is distinct in its place-based focus. By concentrating resources in the Clyde Mission corridor, the fund seeks to generate wider benefits: reducing emissions, lowering energy bills, addressing fuel poverty and stimulating local economic activity through green jobs and supply chain opportunities.
4. On 28 August 2023, oversight of the Clyde Mission, including the administration of the HDF, was transferred to the Glasgow City Region (GCR), with leadership from Glasgow City Region and Argyll & Bute Council and the Scottish Government remaining a key partner.

Progress to Date

5. Development of the CM-HDF scheme has focused on establishing a robust framework to enable impactful delivery, demonstrate alignment with policy objectives and provide assurance. Key features of the scheme design process include:
 - Full review of relevant local, regional and national policy objectives.
 - Integration with established GCR structures and processes.
 - Compliance with subsidy control regulations.
 - Consultation to garner input from key stakeholders, including Member Authorities, GCR PMO, Legal, Scottish Government and, regional organisations that are developing heat decarbonisation projects.
 - Appointment of a Strategic Spatial Delivery Programme Manager dedicated to Clyde Mission to support implementation, stakeholder engagement and ongoing monitoring of the fund.
 - Capital Investment Health Impact Assessment (CHIA) carried out with project partners to consider and identify health and wellbeing related factors/opportunities.
6. This comprehensive approach means CM-HDF is ready to progress to the implementation phase with the proposed governance, compliance and delivery structures.

Proposed Clyde Mission Heat Decarbonisation Fund Scheme

Eligibility

7. At least one element of project infrastructure (e.g. generation, storage, distribution, use) must be located within the Clyde Mission corridor illustrated in Figure 1. An interactive version of the map can be found by following [this link](#).



Figure 1: Clyde Mission Corridor

8. Eligible projects must offer any of the following:
- Focus on district energy connecting large/multiple properties (i.e. individual domestic homes are not eligible), but may include existing assets needing improvements and upgrades for economic viability.
 - Decarbonise heat.
 - Reduce greenhouse gas emissions.
 - Be anticipated to positively impact beneficiaries or building connections.
9. Eligible systems include:
- Heat energy supply.
 - New or extension to existing heat network.
 - Retrofit of District Heating (DH) for existing buildings.
 - Electricity generation to power heat energy infrastructure.
10. Eligible technologies include:
- Technologies that ensure efficient district heating operation and viability.
 - Projects must utilise mature technologies (Technology Readiness Level 9 minimum) to ensure short-term deployment and lower risk.
 - Technologies that focus on optimising system efficiency and economics through innovative solutions (e.g., controls, flexibility markets).
 - Technologies enhancing district heating efficiency, including thermal storage, controls, secondary side systems, and BMS upgrades (demand side technology).

Governance

11. The governance framework for CM-HDF is designed to integrate with existing GCR structures, ensuring strategic alignment, robust oversight and effective delivery. The governance framework is summarised in Figure 2 below.
12. At the highest level, strategic oversight provides decision making authority and ensures that all funding and programme activities align with scheme objectives and policy priorities. GCR Cabinet provides strategic oversight within the strategic economic development remit. It is proposed that Cabinet will approve the CM-HDF budget envelope on an annual basis, subject to confirmation of this figure by the Scottish Government as the source of CM-HDF funding. It is further proposed that Cabinet delegate authority to the Chief Executive's Group to approve funding recommendations from the Independent Assessment Panel within the approved annual budget envelope.

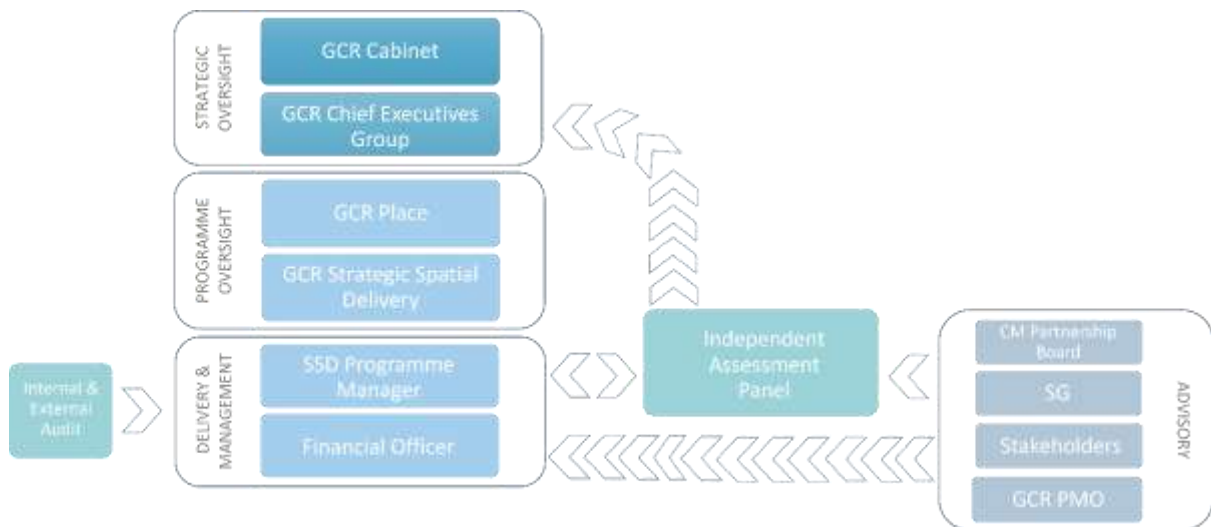


Figure 2: CM-HDF Governance Framework

13. Programme oversight is delivered through the GCR Place function, which acts as a central coordinator for spatial and place-based priorities. By liaising with Member Authorities and other stakeholders, this ensures that projects supported by CM-HDF will be consistent with scheme objectives and policy priorities.
14. Delivery and management responsibilities are undertaken by the Clyde Mission Programme Manager, supported by finance and other expertise as required. The Programme Manager will manage day-to-day programme execution, monitor budgets and fulfil reporting requirements. This ensures that all projects adhere to planned timelines, financial controls, and risk management strategies, maintaining accountability while remaining responsive to local delivery needs.
15. Advisory and support bodies (including the Scottish Government, a Clyde Mission Partnership Board and GCR PMO) will provide policy guidance, independent assurance and practical support to ensure projects are compliant, strategically aligned and deliver intended social, economic and environmental impacts.
16. Independent scrutiny is addressed through an Independent Assessment Panel and audit functions. This reinforces the integrity of the process, ensuring that projects are robust, deliverable and meet public sector governance and financial standards.

17. Together, this integrated governance model ensures that fund management operates transparently, aligns efficiently with the existing GCR structures and maintains a clear line of accountability from strategic decision-making to operational delivery, while embedding flexibility to respond to emerging risks and opportunities.

Application Process

18. A comprehensive application process (summarised at Appendix A) has been designed with stakeholder input. An Application Guidance document has been developed to assist applicants throughout the process, clearly detailing eligibility criteria, supported technologies and application requirements. An interactive digital eligibility test has been developed to assist with initial assessment.
19. A digital application platform has also been developed to ensure efficiency in information collection, assessment and reporting (a MS Word/PDF version of the application form will also be available upon request).
20. Applications will be evaluated by the Independent Assessment Panel using detailed criteria tailored to each development stage including financial, energy, carbon and community benefit factors. The panel will provide recommendations for consideration by the GCR Chief Executives' Group and/or GCR Cabinet, in line with the GCR Assurance, Governance and Programme Management Framework (2025).
21. Successful proposals will receive a grant offer which must be signed and returned. Grants will be provided on a reimbursement basis and paid in arrears upon submission of evidence of eligible expenditure.
22. Regular monitoring will track both spend and project progress. Upon project completion, an evaluation report will be required, evidencing project outcomes, lessons learned, and community benefit (where applicable)

Value for Money

23. The CM-HDF scheme has undergone a financial efficiency test and been designed to comply with the Scottish Public Finance Manual (SPFM) to deliver value for money by applying the principles of Economy, Efficiency, and Effectiveness. Robust planning and budgeting requirements ensure that costs are realistic and justified, prioritising interventions that deliver the greatest carbon reduction per pound spent and including contingencies to manage risk.
24. The scheme encourages competitive procurement practices and regular supplier reviews to secure the best combination of cost, quality and reliability. Incorporated cost monitoring and control measures (including milestone-linked payments, regular financial tracking and external/internal audits), ensure funds are spent prudently, prevent waste and maintain accountability.
25. The fund further enhances effectiveness by leveraging co-funding, minimising overheads and standardising heat decarbonisation processes to reduce per-unit costs and maximise carbon impact per pound invested. Collectively, these mechanisms demonstrate that the scheme implements SPFM best practice and maximises value for public spend while advancing Scotland's decarbonisation objectives.

Subsidy Control

26. Subsidy control has been fully embedded into the design of the CM-HDF scheme through a Subsidy Control assessment and engagement with legal colleagues to ensure compliance with the UK Subsidy Control Act 2022 and associated regulations. By structuring the fund around these rules, it can be demonstrated that the scheme promotes established policy objectives

such as decarbonisation heat whilst ensuring funding is proportionate and targeted at additional costs and minimises distortions to competition and investment.

27. This approach also enhances transparency and provides clear guidance to assist applicants. While the ultimate responsibility for compliance remains with applicants/grantees, embedding subsidy control throughout the scheme helps promote adherence to the regulatory principles, supports consistent assessment and reduces the risk of non-compliance.

Community Benefits Realisation

28. Community Benefits realisation arrangements are outlined within the CM-HDF Benefits Realisation Plan (BRP). The BRP sets out how CM-HDF will measure, monitor, and report on the benefits of funded projects. It follows the GCR Benefits Realisation Management Framework, ensuring consistency with GCR programme reporting, change control and evaluation requirements.
29. The BRP was also informed by outputs of the CHIA exercise and aligns with Community Benefits principles, embedding obligations for local jobs, skills development, SME engagement and wider social value. This ensures that decarbonisation investments also deliver inclusive economic growth and community benefits across the Clyde Mission corridor.
30. In practice, arrangements include:
- A Benefits Register linking each project's outputs, outcomes and impacts to Clyde Mission objectives.
 - Quarterly monitoring and reporting through the GCR PMO, with benefits tracked using RAG status.
 - Annual performance reporting and integration into the GCR Annual Implementation Plan.
 - Community Benefits commitments embedded in procurement and funding agreements, monitored via contractor returns and aggregated at programme level.
 - Evaluation and lessons learned, including economic impact assessments to ensure continuous improvement.

Risk Management

31. A CM-HDF Risk Register has been developed in accordance with the GCR Assurance Framework. Key risks identified in the register include:
- **Financial Strain:** Challenges such as budget constraints and arrears based payment models may impact project scope and cash flow and associated grant uptake.
 - **Delivery Challenges:** Issues like securing private investment, obtaining statutory consents, and addressing technical feasibility can affect project timelines and outcomes.
 - **Operational Risks:** Factors including supply chain disruptions, policy shifts, and underperformance against carbon reduction targets require vigilant monitoring and adaptive strategies.
32. Mitigation strategies are embedded within the Risk Register, encompassing early engagement with stakeholders, robust contingency planning, and adherence to the GCR's governance and assurance processes. This alignment ensures that CM-HDF will operate within a structured and accountable framework, facilitating the achievement of its objectives while managing associated risks effectively.

Budget

33. CM-HDF has an overall budget of £25 million sourced from the Scottish Government over three years. Annual budget allocations are subject to approval through the Scottish Government budget process and facilitated by a standard Grant Offer Letter approach.
34. Grants from the scheme will be provided on a match funding basis, with a maximum contribution of up to 50% of eligible project costs. A small proportion of CM-HDF will be made available to support capitalisable project development activities, with the majority of the fund intended to support infrastructure delivery.
35. Grant funding will be made available in arrears, ensuring payments are only released against verified expenditure. To support this, a structured monthly evaluation cycle will operate. Each funded project will be required to submit evidence of eligible spend.
36. To maintain efficiency and financial oversight, GCR Place will prepare a consolidated quarterly claims to the Scottish Government covering all live CM-HDF projects, balancing robust governance with predictable cashflow for delivery partners, and ensuring alignment with GCR programme monitoring and reporting standards.
37. Table 1 provides an indicative budget profile over a three year period.

2026/27

Budget Line

development projects
delivery projects

Allocation	budget %
£ 500,000	10%
£ 4,500,000	90%
£ 5,000,000	

2027/28

Budget Line

development projects
delivery projects

Allocation	budget %
£ 1,000,000	10%
£ 9,000,000	90%
£ 10,000,000	

2028/29

Budget Line

development projects
delivery projects

Allocation	budget %
£ 1,000,000	10%
£ 9,000,000	90%
£ 10,000,000	

Table 1: CM-HDF Budget

Indicative Programme

CM-HDF Implementation Framework

- 05/11/2025 – GCR Chief Executives' Group decision
- 18/11/2025 – GCR Cabinet decision
- 18-24/11/2025 – launch

HDF Tranche 1

- 27/02/2026 – applications deadline
- March/April 2026 – assessment and recommendations to GCR CEG
- April/May 2026 – GCR CEG approval
- May 2026 – Offers of Grant

HDF Tranche 2

- 26/06/2026 – applications deadline
- 30/07/2026 – assessment and recommendations to GCR CEG
- 06/08/2026 – GCR CEG approval
- 20/08/2026 – Offers of Grant

HDF Tranche 3

- 25/09/2026 – applications deadline
- 29/10/2026 – assessment and recommendations to GCR CEG
- 05/11/2026 – GCR CEG approval
- 20/11/2026 – Offers of Grant

Recommendation

38. The Cabinet is asked to:

- note the report;
- approve the proposed Clyde Mission Heat Decarbonisation Fund design;
- approve a grant budget envelope for financial year 2026/27 of £5 million (subject to Scottish Government confirmation); and
- approve proposed delegation of authority to Chief Executives' Group to approve grant recommendations within the approved budget envelope.

APPENDIX A: Application Process Summary

