

Scotland's Heat Network Fund: optimisation study grant funding – how to apply

Scottish Government Grant

To: All Chief Executives, Main Contacts and APSE Contacts in Scotland.
For information only: England, Northern Ireland and Wales.

1 Executive Summary

The Scottish Government has published [guidance](#) for a new optimisation study funding strand within [Scotland's Heat Network Fund](#) (SHNF), providing grant funding to support improvements to existing heat networks in Scotland.

The funding provides up to £25,000 per project, covering 100% of eligible costs, with a total budget of up to £200,000 available during 2026/27. The funding can be used to commission technical and optimisation studies which help with identifying inefficiencies within existing heat networks, assessing options for addressing inefficiencies, or exploring potential clean heating sources.

Public sector organisations, including local authorities, are eligible to apply where they own and currently operate a heat network in Scotland. The funding is available to councils managing existing heat networks where there are opportunities to improve efficiency, reduce operating costs and carbon emissions, or consider cleaner heating sources for use in future.

Applications demonstrating clear benefits for domestic customers will be prioritised, particularly where customers may be at risk of fuel poverty.

Applications must be submitted by **5PM on 7 October 2026**, with all funded projects to be completed by **March 2027**.

[Click here](#) for further information.

Email heatnetworkfund@gov.scot to request an application pack.

2 Overview

Scotland's Heat Network Fund has introduced a new funding strand for 2026/27 to support the optimisation of existing heat networks. The funding is intended to help heat network owners understand how their systems are performing, identify opportunities to improve efficiency, and assess potential options for cleaner future heat generation.

For local authorities that own and operate heat networks, the fund provides an opportunity to obtain specialist technical support without having to provide the full cost of an optimisation study themselves. The resulting work could help councils identify measures to improve network performance, reduce energy consumption and operating costs, and inform longer-term plans for decarbonising or expanding their heat networks.

2.1 Policy context and rationale

Heat networks are expected to play an important role in Scotland's transition towards cleaner heating and the achievement of the Scottish Government's statutory target of net zero greenhouse gas emissions by 2045. The [Heat Networks \(Scotland\) Act 2021](#) established a regulatory framework for heat networks and introduced requirements intended to support their development and expansion.

The Scottish Government's wider heat network policy seeks to increase the scale of heat networks while ensuring that existing heat networks operate effectively and provide reliable and affordable heat to customers. Improving the efficiency of existing networks can reduce the amount of energy required to provide heat, potentially lowering carbon emissions and operating costs while improving the experience of customers.

The optimisation study funding therefore provides support at an important stage of the process. Rather than funding capital improvements directly, it enables heat network owners to investigate how their existing systems are performing, identify potential improvements and consider clean heat source options where networks currently rely on fossil fuels. The Scottish Government identifies reducing customer detriment, reducing carbon emissions and identifying potential clean heat sources as key objectives of the funding.

The funding also links to Scotland's wider [commitment to tackling fuel poverty](#). Heat network customers can be particularly vulnerable to inefficiencies because they have limited ability to switch heat supplier and share system costs with other customers. Applications that demonstrate clear benefits for domestic customers, particularly those at risk of fuel poverty, will therefore receive priority if demand for funding exceeds the available budget.

2.2 Funding available and eligibility

A total of up to £200,000 is available through the 2026/27 funding strand. Grants will cover 100% of eligible costs, up to £25,000 per project. The funding is available to any heat network owner in Scotland, including public, private and third sector organisations, provided they currently operate a

heat network in Scotland.

Funding can be used for consultant fees associated with completing technical and optimisation studies. The studies are intended to identify current inefficiencies, assess options for addressing these problems, and consider potential clean heating options. All optimisation studies will be procured through Zero Waste Scotland's [Technical Evaluation for Low Carbon Heating and District Heating Networks Framework](#), with grant funding paid directly to the appointed consultant.

The funding cannot be used for internal staffing or project management costs, ongoing operation and maintenance costs, or resource costs incurred before an agreement has been signed between Zero Waste Scotland and the grant recipient. Projects must be completed by March 2027.

2.3 Application process

The optimisation study funding has a separate application process from the main Scotland's Heat Network Fund application. Applicants must request an application form from the Heat Networks Delivery team by emailing heatnetworkfund@gov.scot.

Applications must include supporting evidence demonstrating that the proposed project meets the mandatory criteria, along with the required documentation and the signature of a senior member of the organisation, such as a Chief Executive or Service Manager.

Applicants must demonstrate that their proposed optimisation study will:

- Seek to reduce carbon emissions through lower energy consumption;
- Consider connecting a clean heat source where the existing network relies on fossil fuels;
- Seek to reduce customer detriment;
- Demonstrate a need for government funding at the level requested;
- Be capable of being supported through to completion by March 2027.

Applications must be submitted by 5pm on 7 October 2026. Applications should also ensure they have sufficient capacity to work with Zero Waste Scotland and the appointed technical consultant, provide relevant data and facilitate site visits during the study.

3 APSE Comment

APSE welcomes the introduction of a dedicated funding strand to support the optimisation of existing heat networks across Scotland. As the number and scale of heat networks increases, ensuring that existing systems operate efficiently and provide reliable and affordable heat will be an important part of delivering the wider benefits of heat network development.

For local authorities that own and operate heat networks, the funding provides an opportunity to access specialist technical expertise to assess existing systems and identify opportunities for improvement. This could help councils build a stronger evidence base for future investment, identify opportunities to reduce energy use and operating costs, and consider how existing networks can

transition towards cleaner sources of heat.

The emphasis on customer benefits is also particularly relevant for local authorities. Improving the efficiency and reliability of heat networks has the potential to support more affordable and reliable heat for customers, while reducing carbon emissions and contributing to Scotland's wider net zero objectives.

APSE encourages eligible member authorities to consider whether an optimisation study could help progress existing heat network priorities or inform future investment and decarbonisation plans.

4 How can APSE help?

Discussions on the way forward with heat decarbonisation and sharing of best practice takes place in APSE Scotland's Climate Change and Renewables Network. Network meetings are free to attend for APSE members. Previous presentations are available online [here](#) and upcoming meetings are listed [here](#).

APSE Energy can support local authorities with heat network projects. We work with engineers who have experience of working with large scale heat networks alongside local authorities and can provide support to officers to ensure they understand the concepts, make appropriate funding bids and have expert support available throughout the project. For an informal discussion about the support we can provide please contact Phil Brennan at pbrennan@apse.org.uk.

All APSE members can also access the APSE Scotland network, which provides updates, information, and opportunities to engage with colleagues across local government in Scotland. Members can keep up to date with regional activities, events, policy developments, and networking opportunities by visiting the Scotland members' area. You can access the network using this link: [APSE Scotland](#)

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APSE member authorities have access to a range of membership resources to assist in delivering council services. This includes our regular network meetings, specifically designed to bring together elected members, directors, managers and heads of service, together with trade union representatives to discuss service specific issues, innovation and new ways of delivering continuous improvement. The networks are an excellent forum for sharing ideas and discussing topical service issues with colleagues from other councils throughout the UK.

Networks are a free service included as part of your authority's membership of APSE and all in-person meetings end with an informal lunch to facilitate networking with peers in other councils. If you do not currently receive details about APSE Network meetings and would like to be added to our list of contacts for your service area, please email enquiries@apse.org.uk.

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