

RISE

Retrofit information,
support & expertise

Reconciliation requirements for WH:LG

Need to know

April 2026

Funded by:



Department for
Energy Security
& Net Zero

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Contents

Contents	2
Introduction	3
Reconciliation Principles	3
End of year reconciliation guidance	3
Financial policy and principles:	3
Management of policy and principles in practice	4
Reconciliation Calculation	4
Reconciliation Outcomes	5
Underspend	5
Overspend	5
Reconciliation Calculation: Future Years	7
Rolling Financial Management and Behaviour Setting	8
Next steps	8

Introduction

This Quick Guide has been developed to support Warm Homes: Local Grant (WH:LG) Grant Recipients (GRs) in understanding and providing an overview to the reconciliation and adjustment process.

It is intended as an accessible introduction and should be read alongside the full DESNZ guidance and any training materials available on the RISE website for more detailed instructions.

Readers that would like this document in a more accessible format should contact rise@turntown.co.uk.

Reconciliation Principles

The following reconciliation principles should be noted by GR's compliance to these principles will be monitored by DESNZ and its Delivery Partners (DPs):

- GRs receive funding as upfront payments and batch payments each financial year
- GRs cannot carry funding across financial years
- GRs cannot transfer grant funding allocations between financial years
- Funding that cannot be incurred within the same financial year must be returned to DESNZ
- GRs incur costs when they become liable to pay for eligible goods or services received

End of year reconciliation guidance

Financial policy and principles:

Reconciliation terms are clearly defined by the principles agreed to upon receiving funding regarding either payment; transfer of funding between financial years; and the classification of incurred costs. This includes how GR's receive funding as upfront payments and batch payments each financial year. As part of this agreement GRs cannot carry funding across financial years (e.g. funding received in 25/26 must be used for costs incurred in 25/26). Therefore, GRs should not request more funding than can reasonably be incurred each financial year. This includes not being able to transfer grant funding allocations between financial

years (e.g. any grant allocation that has not been batched in 25/26 cannot be transferred to 26/27). Any funding that cannot be incurred within the same financial year must be returned to DESNZ. If not complete the principles outline that GRs could incur costs if they become liable to pay for eligible goods or services received.

Management of policy and principles in practice

There are circumstances where DESNZ recognises the challenges of meeting the incurred costs. For example, it is challenging for GRs to incur costs exactly in line with the funding received in each financial year especially because of temporary pauses on batch-editing and the temporary pause on the installation of batteries. Also DESNZ recognises that GRs may have begun work on batches in FY1 which they were not able to fully complete by the end of the financial year (31 March 2026). Because of this, conditions are in place where they will not have to reconcile payments:

- All batches commenced in FY1 can be completed in full, and DESNZ will not require GRs to return this unspent batched funding, providing that it is still needed.
- GRs that have underspent on A&A will be allowed to 'carry forward' this funding into next year

However DESNZ will still require GRs to return unspent funding in cases where underspend is due to batches costing less than planned. GRs that have underspent or overspent by more than £50,000 in FY1 will be asked to reset their FY1 and FY2 baselines/ forecasts via the change control process.

Reconciliation Calculation

At the end of each financial year, DESNZ will calculate how much of the funding paid in the preceding financial year has been incurred, aligned to Grant Determination Letters for 25/26.

In 2026, the following calculation will be applied:

- Total Funding Paid minus Total Incurred Costs Reported
- Total Funding Paid will be calculated by summing all funding disbursements approved within the payment period 1 April – 31 March, inclusive of:
 - Upfront disbursements
 - Standard (batch) disbursements
 - Payments approved in March but received by GRs in April

How will this be complete?

- Any negative batch payments, resulting from batch edits prior to 6 March but which have not yet actualised, will be captured in FY2 when they will 'net off' against positive batch payments.
- Total Incurred Costs Reported will be calculated by summing all actuals reported by GRs within the actuals period April 25 – March 26, inclusive of:

- Grant capital spend
- Grant A&A spend
- The value remaining will be the Total Variance.

Reconciliation Outcomes

Underspend

Underspend occurs when the GR has a variance greater than £0, they have incurred less cost than the funding received in FY1 and have 'underspent'. It is important to note the variations to this principle:

- Where underspend is due to a reduction in planned costs (because homes have dropped out, planned measures were not installed or because costs were lower than expected) GRs will be required to edit FY1 batches to reduce their value. This will trigger negative adjustments against future FY2 payments, effectively returning the unspent funding to DESNZ.
- Where underspend is due to delays or unspent A&A, GRs will be permitted to 'carry over' the balance held into 26/27 with no deductions made to FY2 payments.

If GRs have underspent by less than £50,000, they will not be required to adjust FY1 and FY2 baselines/ forecasts. However if GRs have underspent by more than £50,000, they will be required to adjust FY1 and FY2 baselines/ forecasts via the change control process, reducing the value of FY2 forecasts by the value of the underspend.

Example 1: GR underspends FY1 funding

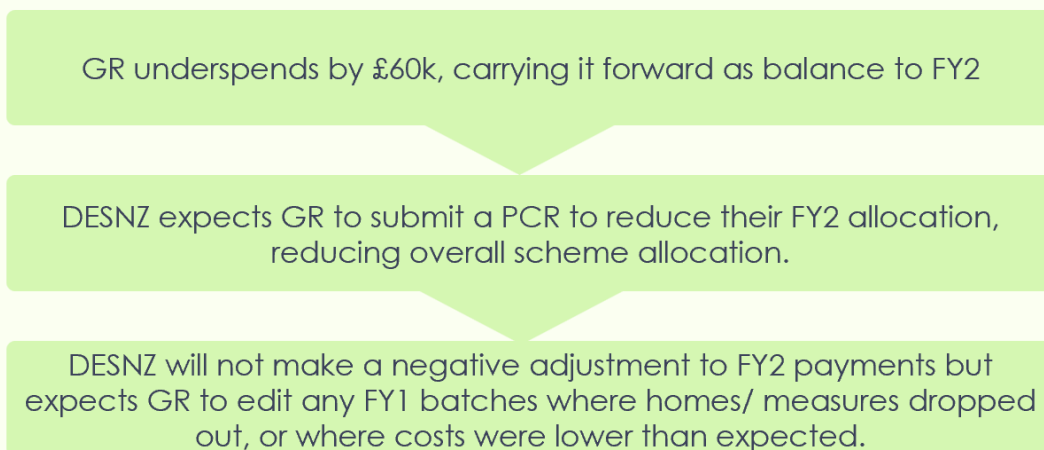


Figure 1 Example of Reconciliation Outcome: Underspend

Overspend

Overspend occurs when the GR has a variance less than £0, they have incurred more cost than the funding received in FY1 and have 'overspent'. In such cases, GRs will be asked to reopen FY1 batches to account for the increased costs. This

will result in additions to 26/27 batch payments ensuring that GRs are fully compensated for works completed. There are a few conditions for how the overspend can be re-issued and in which FY:

- If the overspend is related to A&A, a reconciliation payment can be made to ensure GRs are fully compensated for FY1 A&A costs. However, to minimise the risk of breaching the A&A policy (15% of capital spend by scheme-end) GRs may instead choose to use part of their FY2 upfront payment to recoup the FY1 overspend.
- If the costs incurred by the GR are still within their FY1 allocation, they are not required to revisit their FY2 forecast through change control. However, the FY1/FY2 allocations will be adjusted to ensure DESNZ can make additional 26/27 payments without increasing the GR's overall scheme allocation.
- If the costs incurred by the GR are more than their FY1 allocation, they will be expected to reduce their FY2 forecast accordingly, through the change control process. FY1/FY2 allocations will be adjusted to ensure DESNZ can make additional 26/27 payments without increasing the GR's overall scheme allocation.
- If the costs incurred by the GR are more than their FY1 allocation but this is due to expenditure on batteries, the GR will not be required to revisit their FY2 forecast. FY1/FY2 allocations will be adjusted to ensure DESNZ can make additional 26/27 payments and the GR's overall scheme allocation will increase proportionately.

Example 1: GR overspends within FY1 allocation:

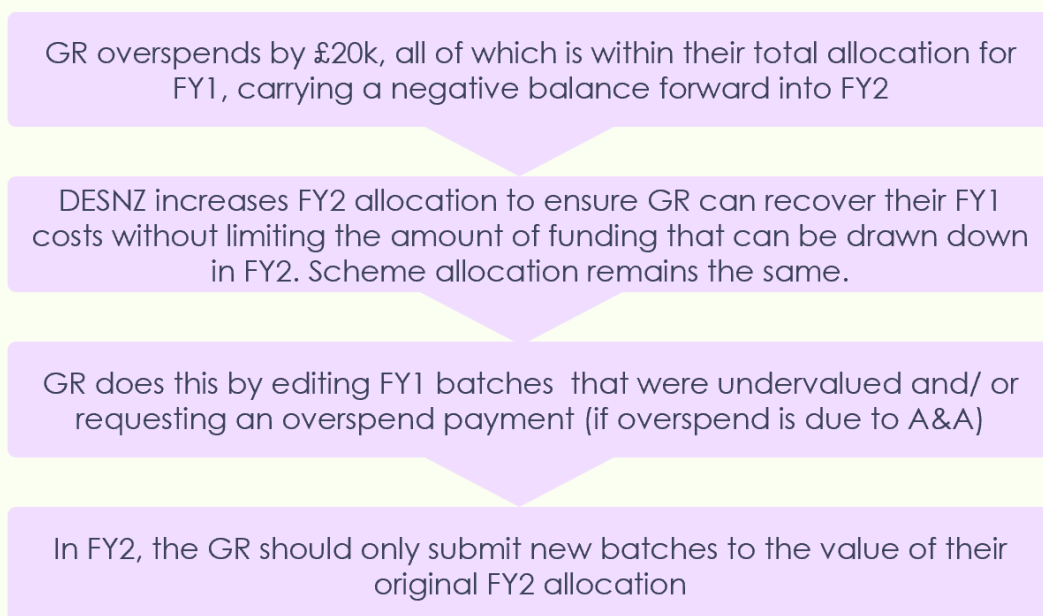


Figure 2 Example of Reconciliation Outcome: Overspend within FY1

Example 2: GR overspends above FY1 allocation

GR overspends by £30k, £20k of which is within their total allocation for FY1, carrying a negative balance forward into FY2

DESNZ increases FY2 allocation to ensure GR can recover their FY1 costs without limiting the amount of funding that can be drawn down in FY2. Scheme allocation remains the same

GR does this by editing FY1 batches that were undervalued and/ or requesting an overspend payment (if overspend is due to A&A)

GR revises FY2 forecast, reducing it by the value of overspend exceeding FY1 allocation and should only submit new batches to that value

Figure 3 Example of Reconciliation Outcome: Overspend above FY1

Example 3: GR overspends above FY1 allocation for batteries

GR overspends by £50k, £0 of which is within their total allocation for FY1, carrying a negative balance forward into FY2

DESNZ increases FY2 allocation to ensure GR can recover their FY1 costs without limiting the amount of funding that can be drawn down in FY2. Scheme allocation is increased.

GR does this by editing FY1 batches that were undervalued and/ or requesting an overspend payment (if overspend is due to A&A)

In FY2, the GR should only submit new batches to the value of their original FY2 allocation

Figure 4 Example of Reconciliation Outcome: Overspend on Batteries in FY1

Reconciliation Calculation: Future Years

If an underspend by the GR by over £50,000, or an overspend which required additions to 26/27 batch payments, In 26/27 and 28/29, the reconciliation calculation will account for the balance held by GRs at the end of the financial year*.

- In the case of an underspend in the previous year, this will be a positive balance

- In the case of an overspend in the previous year, this will be a negative balance

*DESNZ will review and reestablish its reconciliation policy for 26/27 in due course, informed by the value of GR batches and incurred costs. Stay informed via the RISE Website for up to date information as it is issued.

Rolling Financial Management and Behaviour Setting

It is recognised by DESNZ that the Automated Batch System contains the functionality to allow GRs to draw down funds as required and to manage changes to batch scope and value as they arise.

- GRs should be encouraged to use the batch editing functionality to ensure that funding requested matches requirements, limiting the build-up of unused grant funding and managing the risk of overspends.

DESNZ recognises that GRs should continue to report costs incurred as they become liable for them. This may require GRs to amend FY1 reports beyond the reconciliation date.

The reconciliation calculation is a ‘snapshot’ in time. It will be used to:

- Reset delivery expectations for FY1 and FY2 with GRs encouraged to use the change control process to make any significant adjustments
- Understand how well GRs have delivered against their FY1 forecasts, which may inform future rounds of allocation uplifts
- Analyse the performance of the WHLG scheme, including the achievement of benefits

Next steps

GRs should now have a clear understanding of the reconciliation, evidence checking, and adjustment requirements that apply to WH:LG projects.

To prepare for successful reconciliation submissions, GR's should:

- **Maintain accurate financial records** throughout delivery.
- **Retain and organise** evidence for all reported expenditure.
- **Ensure consistency** across monthly reporting, drawdowns, and reconciliation submissions.
- **Engage early** with their DSM if issues, changes, or delays are identified.

Further guidance and resources on related topics are available on the RISE website at [Knowledge Hub - RISE App](#).



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