



Department for  
Energy Security  
& Net Zero

# Social Housing Decarbonisation Fund Wave 3

Scheme Guidance

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# 1. Introduction

The purpose of the Social Housing Decarbonisation Fund (SHDF) is to improve the energy performance of Social Housing in England. The 2019 Conservative Manifesto committed to a £3.8bn Social Housing Decarbonisation Fund over a 10-year period to improve the energy performance of social rented homes, on the pathway to Net Zero 2050.

The SHDF will upgrade a significant amount of the social housing stock to meet an Energy Performance Certificate (EPC) Band C standard, delivering warm, energy-efficient homes, reducing carbon emissions and fuel bills, tackling fuel poverty, and supporting green jobs. By improving the energy performance of homes below EPC Band C, the fund will facilitate the subsequent widespread adoption of decarbonised heating systems as part of the social housing landlords' normal asset management strategy.

£1.25bn has been committed for the SHDF as part of the £6bn for energy efficiency measures announced in December 2023. SHDF Wave 3 will look to allocate a large proportion of this funding to support the installation of energy performance measures in social homes in England. This follows earlier waves of the Programme:

- The **SHDF Demonstrator** announced funding in January 2021 and awarded around £60m of funding to social landlords across England and Scotland to test innovative approaches to retrofitting at scale, seeing up to 2,000 social homes improved to at least EPC band C and supporting around 1,200 local jobs.
- **Wave 1 of the SHDF** announced funding in March 2022 and awarded around £179m of funding for delivery from 2022 to 2023 and will see energy performance improvements to up to 20,000 social housing properties, reducing bills and carbon emissions.
- **Wave 2.1 of the SHDF** announced funding in March 2023, to further support the installation of energy performance measures in social homes in England. £778 million of government funding was allocated for Wave 2.1 of the SHDF in March 2023. Wave 2.1 will see proposed energy performance improvements to around 90,000 social homes.
- **Wave 2.2 of the SHDF** announced funding in March 2024 and allocated over £75 million in grants to eligible Social Housing Landlords, including local authorities and housing associations, so they can install energy efficiency measures such as insulation and heat pumps in socially rented homes, supporting some of the most fuel poor households in the country.

Lessons learned from the SHDF Demonstrator and SHDF Waves 1, 2.1, and 2.2 have been incorporated into the design of SHDF Wave 3.

The key aims and objectives for SHDF Wave 3 are set out below:

- **Fuel Poverty:** Reduce the number of households in fuel poverty by improving the energy efficiency rating of social homes below EPC Band C and reducing energy bills. On this basis, tenant energy bills must not increase as a result of the retrofit works, relative to what they would otherwise have been.
- **Carbon:** Deliver cost effective carbon savings to contribute to carbon budgets, and progress towards the UK's target for Net Zero by 2050 by reducing CO2 emissions from social housing.
- **Tenants:** Improve the comfort, health, and wellbeing of social housing tenants by delivering warmer and more energy-efficient homes.
- **Green Economy:** Support economic resilience and a green recovery in response to the economic impacts of Covid-19, supporting thousands of jobs.
- **Develop the Retrofit Sector:** Create the conditions for growth in the retrofit supply chain capacity and capabilities, boosting productivity and innovation in the construction sector. Additionally, upskilling social landlords in retrofit to support future improvements to energy efficiency in the social housing sector.

## 1.1 Outline of SHDF Wave 3

The Department for Energy Security and Net Zero (DESNZ) is inviting social housing landlords to apply for funding to be used to improve the energy performance of social housing. Please refer to section 2.1 for further information about eligible applicants.

The SHDF programme seeks to raise the energy performance of as many as possible of the 1.2m social homes below EPC Band C up to that level, as part of the journey for the social housing stock towards Net Zero 2050. SHDF Wave 3 will increase the provision of low carbon heating incentives with these targets in mind.

Details of the application process, including the two routes to apply, can be found in section 4.1 of this document. Where Applicants are successful in the application process, DESNZ will aim to make grant offers as per the timelines outlined in section 1.4 of this document. Lead Applicants will be contacted individually to inform them of the outcome of their application aligned to the publication of successful applications on gov.uk.

Successful Lead Applicants will then be required to sign and return a Grant Offer Letter (GOL), Grant Funding Agreement (GFA) and a Data Sharing Agreement (DSA) so DESNZ can issue grant payments to the Lead Applicant under Section 98 of the Natural Environment and Rural Communities Act 2006 (NERC).

The delivery window for SHDF Wave 3 will run from signing of the legal documentation (see section 5.2) to 30<sup>th</sup> September 2028. All grant funding for SHDF Wave 3 projects must be transferred to the Grant Recipient and spent by 31<sup>st</sup> March 2028, and within the financial year the grant funding was allocated, meaning Grant Recipients can use only co-funding in the final 6 months of delivery. Applicants are asked to submit applications they are confident can meet these deadlines.

DESNZ reserves the right to cancel the launch of SHDF Wave 3 at any stage prior to grant funding being awarded.

DESNZ will appoint third-party organisations to act on its behalf in management of the scheme. Grant Recipients will be required to work collaboratively with all organisations working on DESNZ's behalf. Within the competition guidance and FAQs, references to DESNZ stand not just for DESNZ but also any third-party organisations that act on DESNZ's behalf.

Support is available at no cost to Applicants interested in accessing funding under SHDF Wave 3 from the DESNZ-established Technical Assistance Facility under the name of 'RISE' – Retrofit Information, Support and Expertise. Further information can be found in section 3 and at [www.riseretrofit.org.uk](http://www.riseretrofit.org.uk).

## 1.2 What's new for Wave 3

- **Application routes:**

- There are two new routes to access funding under SHDF Wave 3: via the Challenge Fund and via Strategic Partnerships.
- The Challenge Fund is expected to suit the vast majority of Grant Recipients. One of the key principles of this approach is that all applications that meet the minimum standards of the scheme will be awarded funding (although if oversubscribed, this may not be the amount of funding requested). In addition, this model will facilitate the phased approach to delivery taken by many organisations, with detailed information required on the homes included within a phase only once it is ready to start delivery.
- A small number of Grant Recipients with a proven track record of successful delivery at scale (1000s of properties) can access funding through a Strategic Partnership. To reflect the capability evidenced by these landlords and to support delivery at scale, these Grant Recipients will not be required to provide detail on specific homes and measures until works have been carried out, as part of routine delivery monitoring. Both individual and consortium applications will be permitted through this route.

- For more information on these new application routes, please see section 4 of this document.
- **Delivery Window:** The Wave 3 delivery window will run to 30<sup>th</sup> September 2028. All grant funding for SHDF Wave 3 projects must be transferred to the Grant Recipient and spent by 31<sup>st</sup> March 2028, and within the financial year the grant funding was allocated, meaning projects can only use co-funding in the final 6 months of delivery.
- **Performance outcomes:** Grant Recipients are expected to get homes to EPC C, but we accept that there may be circumstances where this is not achievable within the cost caps. If this is the case, homes are expected to attain the maximum EPC grade achievable within the cost caps. The 90/kWh/m<sup>2</sup>/year space heating demand consideration in Wave 2<sup>1</sup> no longer applies for Wave 3.
- **Cost caps:** There is a new single cost cap for energy efficiency measures which is consistent across all homes and does not vary by starting EPC band or wall type as it did in Wave 2. The Wave 3 cost cap is £7,500 of grant funding per home. This cap can be averaged across homes in an application (including across different consortium members). There is a separate £7,500 grant funding cost cap for low carbon heating measures in homes off the gas grid.
- **Low carbon heating on the gas grid:** There is a new optional low carbon heating incentive for homes on the gas grid. Up to 10% of homes in an application can gain access to a £20,000 grant fund per home to install low carbon heating measures on the gas grid (instead of the usual £7,500 off the gas grid cost cap). This grant requires no co-funding, sits outside of the wider co-funding structure of the application, and is additional to what might be included in an application in terms of off the gas grid low carbon heat measures.
- Low carbon heating measures eligible for installation using this incentive offer are limited to air source heat pumps, ground source heat pumps, shared ground loops, and heat networks.
- **EPC C+ homes:** In previous Waves of SHDF, homes already at or above EPC band C could only be included on an infill basis. For Wave 3, homes already at or above EPC C can also be included in applications where low carbon heating measures are being installed. Applications are limited to 10% of homes starting at or above EPC band C.
- **Mixed tenure and non-social homes:** Mixed tenure blocks/terraces can be treated in their entirety as long as there are at least 30% social homes in the block/terrace

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<sup>1</sup> Wave 2 encompasses both Waves 2.1 and 2.2 throughout this document

(this minimum was 50% in Wave 2). The eligible measures in such blocks/terraces are limited to insulation, ventilation, and communal low carbon heating. The requirement for owner occupiers and private rented sector landlords/tenants to contribute to measure costs no longer applies. These costs must be incorporated into the application as for any other home. As such, there is now no requirement to establish the low-income status of such tenants.

- **Revisiting homes:** Homes previously treated in SHDF Wave 1 or the SHDF Demonstrator are eligible to be treated in SHDF Wave 3 as long as they comply with SHDF Wave 3 eligibility requirements and only where installing low carbon heating measures. Homes treated in SHDF Wave 2 are not eligible.
- **Minimum number of homes:** Wave 3 Challenge Fund applications must include a minimum of 100 eligible social housing properties at EPC band D-G per application. Small social housing landlords (defined for this purpose as those who own or manage fewer than 1000 homes) can apply with fewer than 100 homes. For such landlords, there is no minimum application size. We expect such landlords to try to reach 100 homes, or to join a consortium where this is not possible.
- Strategic Partnership applicants will be expected to propose projects of significant scale, retrofitting multiple thousands of homes.
- **Approach to KPIs and Milestones:** The approach to both KPIs and milestones has been reformed for Wave 3, with milestones specific to either the Challenge Fund or Strategic Partnerships and a reformed set of KPIs that will be validated by evidence.

### 1.3 Guidance Overview

This section provides an overview of the key headlines of the Social Housing Decarbonisation Fund (SHDF) Wave 3 policy. It is not a replacement for the full text further down the document – which Applicants must read before applying.

Section	Overview
Application Support	DESNZ has established a Technical Assistance Facility to provide support for all Applicants interested in accessing funding under SHDF Wave 3, under the name of 'RISE' - Retrofit Information, Support and Expertise. This technical assistance will be available to all Applicants across England who intend to apply for SHDF Wave 3 funding. Further detail



	<p>is available on the RISE website which is accessible via <a href="http://www.riseretrofit.org.uk">www.riseretrofit.org.uk</a> and by emailing <a href="mailto:rise@turntown.co.uk">rise@turntown.co.uk</a>.</p> <p>DESNZ expects that Applicants will inform RISE of their intent to apply for SHDF Wave 3.</p> <p>See section 3 for further details.</p>
Eligible Applicants	<p>Local Authorities, Combined Authorities, Registered Providers of social housing and Registered Charities that own social housing can apply directly, or as part of a consortium, for funding under Wave 3 of the SHDF to support the installation of energy efficiency and low carbon heating measures in social homes in England. Arms-length management organisations (ALMOs) that are not registered providers, can apply as part of a consortium led by an organisation that is eligible to lead an application.</p> <p>See Section 2.1 for more details.</p>
Eligible Properties	<p>All existing social housing, as defined by the Housing and Regeneration Act 2008 (sections 68-70), below EPC C owned by Applicants, as defined in section 2.1, is eligible for SHDF Wave 3 funding, regardless of archetype (including high rise blocks). There are some exceptions to this (please see Section 2.4). Homes retrofitted in Wave 2.1 or Wave 2.2 of the SHDF are not eligible for inclusion in Wave 3. Homes retrofitted in the SHDF Demonstrator or SHDF Wave 1 are eligible for inclusion in Wave 3 provided they are installing a low carbon heating system.</p> <p>See Section 2.3 for more details.</p>
Non-social Homes and Homes at or Above EPC Band C	<p>Non-social homes can be included on an infill basis. An application can include up to 30% non-social homes. The maximum proportion of non-social homes within a particular block/terrace is 70%.</p> <p>Homes at or above EPC band C can be included on an infill basis, or where installing low carbon heating measures. An application can include up to 10% of EPC C+ homes.</p> <p>See Section 2.4 for more details.</p>

<p>Minimum Application Size</p>	<p>Wave 3 applications must include a minimum of 100 eligible social housing properties at EPC band D-G per bid, apart from in the case of small social housing landlords.</p> <p>Small social housing landlords (defined for this purpose as those who own or manage fewer than 1000 homes) can apply with fewer than 100 homes. We expect such landlords to try to reach 100 homes, or to actively consider joining a consortium given the benefits this can bring, where this is not possible.</p> <p>Strategic Partnership applicants will be expected to propose projects of significant scale, retrofitting multiple thousands of homes.</p> <p>See Section 2.5 for more details.</p>
<p>Eligible Installers</p>	<p>All installers must be TrustMark Registered or equivalent, and compliant with corresponding requirements. All measures must be lodged on the Trustmark data warehouse.</p> <p>See Section 2.6 for more details.</p>
<p>Performance Outcomes</p>	<p>Grant Recipients must improve their social homes to at least a minimum energy efficiency rating threshold of EPC Band C unless they cannot reasonably achieve this level within the cost caps.</p> <p>If homes cannot reasonably achieve Band C, homes are expected to attain the maximum EPC grade achievable within the cost caps.</p> <p>See Section 2.8 for more details.</p>
<p>Eligible measures</p>	<p>Eligible measures are any energy efficiency and heating measures compatible with the Standard Assessment Procedure (SAP) that will help improve the energy performance of homes, excluding heating systems which are solely fuelled by fossil fuels.</p> <p>See Section 2.9 for more details.</p>
<p>Low Carbon Heating</p>	<p>Whilst it is not a requirement that applications to SHDF Wave 3 include low carbon heating, DESNZ encourages applications which include low carbon heating, given its vital</p>

	<p>role on the journey to Net Zero. There is an additional cost cap available for low carbon heating measures off the gas grid, and an additional incentive offer for low carbon heating measures on the gas grid.</p> <p>See Section 2.9.1 for more details.</p>
Engagement with Trustmark	<p>It is a requirement that all measures must be lodged in the Trustmark data warehouse to be eligible for grant funding. Therefore, Grant Recipients must engage with Trustmark throughout the delivery of their project.</p> <p>See Section 2.10 for more details.</p>
Consideration of Tenants	<p>Applicants must demonstrate how tenant needs will be considered throughout the project and report on any tenant engagement undertaken.</p> <p>Applicants are expected to outline how works will benefit tenants, with suitable support and information provided both during retrofit and occupancy, so that tenants are able to maximise benefits from installations.</p> <p>See Section 2.11 for more details.</p>
Grant Funding	<p>There is a single cost cap for energy efficiency measures which is consistent across all homes and does not vary by starting EPC band or wall type as it did in Wave 2. The Wave 3 cost cap is £7,500 of grant funding per home. This cap can be averaged across homes in an application (including across different consortium members). There is a separate £7,500 grant funding cost cap for low carbon heating measures in homes off the gas grid. Homes on the gas grid which are accessing the on-grid low carbon heat incentive offer have access to a maximum of £20,000 grant funding to cover both low carbon heat and energy efficiency measures.</p> <p>Lead Grant Recipients must spend all their grant funding by 31 March 2028 and will lose their opportunity to claim grant funding after this date.</p> <p>Project grant funding spend must be aligned to the SHDF spend profile of 40% in FY25/26, 40% in FY26/27 and 20% in FY27/28.</p>

	<p>Note also that <u>grant funding must be spent within the financial year it was allocated</u>, it is not transferable between financial years.</p> <p>See Section 2.12.1 for more details.</p>
Co-Funding	<p>A minimum of 50% co-funding is required and there is no upper limit to the amount of co-funding which a Grant Recipient can provide. The 50% co-funding minimum does not include grant funding which goes to homes on the gas grid which are accessing the on-grid low carbon heating incentive offer. These homes do not require co-funding and do not contribute to the wider co-funding structure of a bid.</p> <p>See Section 2.12.2 for more details.</p>
Administration and Ancillary Costs	<p>Applicants are expected to have administration and ancillary (A&amp;A) costs associated with the delivery of the project. A&amp;A costs are expected to be as low as possible, with a requirement that grant funding for A&amp;A comprises no more than 15% of total grant funding spend by the end of the project (with total grant funding including both grant funding for capital costs for retrofit works and grant funding for A&amp;A).</p> <p>See Section 2.12.4 for more details.</p>
Value for Money	<p>DESNZ must ensure that taxpayer's money is spent as effectively and efficiently as possible. Value for money justification will therefore be required at various stages of the application process under both application routes, including comparison against cost benchmarks under the Challenge Fund application route.</p> <p>See Section 2.12.5 for more details.</p>
Interaction with other Energy Efficiency Schemes	<p>Applicants under previous waves of the SHDF may apply for SHDF Wave 3, subject to their proposal meeting the Wave 3 eligibility criteria. Funding from previous waves of SHDF cannot be used to support SHDF Wave 3 projects. Funding from other government schemes may be used to support works on the same home provided this is compliant with the individual scheme but cannot be used to fund the same individual measure twice.</p>

	See Section 2.13 for more details.
VAT	<p>The grant funding to the Lead Applicant falls outside of scope of VAT. This is because the provision of the grant is not a consideration of supply for VAT purposes.</p> <p>This means recoverable VAT must not be included in the grant requested in the application.</p> <p>To ensure consistent treatment in the assessment process, all costs will be assessed excluding VAT.</p> <p>See Section 2.14 for more details.</p>
UK Subsidy Control Rules	<p>SHDF Wave 3 provides funding in line with the UK's obligations and commitments to subsidy control, both internationally and under the Subsidy Control Act 2022 (SCA).</p> <p>See Section 2.16 for more details.</p>
Project Delivery Timescales	<p>The delivery window for SHDF Wave 3 will run to 30th September 2028. All grant funding for SHDF Wave 3 projects must be transferred to the Grant Recipient and spent by 31st March 2028, meaning projects can use only the Grant Recipients' own funding provided by way of co-funding in the final 6 months of delivery.</p> <p>See Section 5.1 for more details.</p>
Delivery Support	<p>DESNZ will appoint third party organisations to act on its behalf in management of the scheme. Grant Recipients will be required to work collaboratively with all organisations working on DESNZ's behalf.</p> <p>See Section 5.4 for more details.</p>
Independent DESNZ Evaluation	<p>To manage public spend and inform future scheme design, DESNZ will commission an independent evaluation partner to manage and deliver the evaluation of Wave 3. Grant Recipients must support DESNZ's independent evaluation research, in addition to the self-conducted evaluation requirements for Grant Recipients in the Strategic Partnership route.</p>

	<p>DESNZ has identified the lawful basis for DESNZ and its third parties to process SHDF Wave 3 data for evaluation, research and statistical purposes as a public task (UK GDPR Article 6(1)(e)).</p> <p>See Section 5.6 for more details.</p>
Strategic Partnerships	<p>A small number of Grant Recipients can access SHDF Wave 3 funding through a Strategic Partnership. These will be special funding agreements between DESNZ and organisations with a proven track record of successful delivery at scale (1000s of properties), with a flexible delivery process in place to reflect the capability evidenced by these landlords and to support delivery at scale. Strategic Partnership applicants will be expected to propose projects to upgrade multiple thousands of homes. Both individual and consortium applications will be permitted through this route.</p> <p>See Section 5.7 for more details.</p>
Challenge Fund	<p>The vast majority of Grant Recipients are expected to access SHDF Wave 3 funding through the Challenge Fund. One of the key principles of this model is that all applications which meet the minimum standards of the scheme will be awarded funding. In addition, this model will facilitate the phased approach to delivery taken by many organisations, with detailed information required on the homes included within a phase only once it is ready to start delivery.</p> <p>See Section 5.8 for more details.</p>
Payment of the Grant	<p>Grant payments will be made on spend incurred following the submission of a drawdown request by the Grant Recipient, and in line with the agreed per-financial year spend profiles. Lead Grant Recipients must spend all their grant funding by 31 March 2028 and will lose their opportunity to claim grant funding after this date. Further to this, grant funding must also be spent within the financial year it was allocated.</p> <p>Grant Recipients will be able to submit these drawdown requests at most monthly and at least quarterly. Drawdown requests submitted in month 1 will be paid out in early month</p>

	<p>3. Evidence of spend will be checked each quarter as part of the reconciliation process.</p> <p>See Section 5.9 for more details.</p>
Information Management	<p>Applicants will be required to provide contact details for at least one named person to DESNZ (including their nominated single point of contact).</p> <p>DESNZ may wish to publicise the results of the scheme, which may involve engagement with the media, including press, social media, and other channels.</p> <p>See Section 6 for more details.</p>

## 1.4 Key Dates

The following table outlines indicative dates for SHDF Wave 3 milestones.

Milestone	Indicative Date
Draft Guidance published – clarification period begins	13 <sup>th</sup> May 2024
Clarification period ends	3 June 2024
Application launch – Challenge Fund and Strategic Partnerships. Final documents published (guidance, application form, FAQs) and draft Grant Funding Agreement and Data Sharing Agreement published	To be announced. Expected to be Summer 2024.
Application window closes	<p>To be announced.</p> <p>We intend to stagger the closing dates so that any unsuccessful bids for Strategic Partnerships can still apply for the Challenge Fund.</p>
Successful projects notified	To be announced.

## 1.5 Enquiries

This document sets out the SHDF Wave 3 scheme guidance and must be read prior to submitting an application for funding.

There will be a clarification period ending on 3 June 2024 for prospective applicants to ask further questions. All queries should be addressed to [shdfwave3enquiries@energysecurity.gov.uk](mailto:shdfwave3enquiries@energysecurity.gov.uk).

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## 2. Eligibility Criteria

### 2.1 Eligible Applicants

Local Authorities, Combined Authorities, Registered Providers of social housing and Registered Charities that own social housing can apply directly, or as part of a consortium, for funding under Wave 3 of the SHDF to support the installation of energy performance measures in social homes in England. Arms-length management organisations (ALMOs) that are not registered providers, can apply as part of a consortium led by an organisation that is eligible to lead an application.

Throughout this document, “Applicants” refers to all eligible applicants as defined in this section, including consortium members. “Lead Applicant” refers to the consortium lead or single applicant if not part of a consortium. “Grant Recipient” is used to describe all Applicants and Lead Applicants who have been successful in their application for SHDF Wave 3. “Lead Grant Recipient” refers to all Lead Applicants who have been successful in their application for SHDF Wave 3.

In order to be eligible for the Strategic Partnerships application route, the Lead Applicant must have delivered on the SHDF Demonstrator, Wave 1, Wave 2.1 or Wave 2.2 (either as the lead Grant Recipient or as a consortium member). Please refer to section 4 for more information on the two application routes.

### 2.2 Consortium Applications

#### 2.2.1 Overview

Applicants for funding under Wave 3 can do so as a single applicant or as part of a consortium. There are many benefits to forming a consortium, including the ability to work at scale, unlock efficiencies and call on the strengths and experience of different organisations to address challenges and incorporate best-practice ways of working.

For guidance and support in setting up or leading a successful consortium, consortium leads are encouraged to engage with the ‘RISE’ – Retrofit Information, Support and Expertise service (see section 3).

Section 4 below sets out specific guidance on the forming of consortia under each application route, as well as detail on how consortia must approach forming the answers in their applications. Consortium applications will not score higher than single applicant applications based on the fact the application comes from a consortium.

DESNZ recognises that there are a range of drivers and benefits in forming a consortium when applying for SHDF funding and delivering a social housing retrofit project. Therefore, organisations that are forming consortia are encouraged to develop an approach that best fits their objectives.

## 2.2.2 Consortium Behaviours

There are some consortium behaviours that must be adopted and evidenced to ensure delivery of the grant funding and the relationship with DESNZ progresses smoothly. These behaviours are as follows:

- **Legal documents:** DESNZ will sign a Grant Funding Agreement (GFA) with only the consortium lead (the 'Lead Applicant'). Therefore, agreements between consortium members and between the consortium lead and other consortium members must be managed by the consortium lead. The consortium lead must ensure that all members understand the terms of the GFA with DESNZ and are content to proceed to delivery. The consortium lead must also ensure a robust process is set up to manage these agreements once DESNZ share the final GFA for signature, to minimise delays in project kick off. DESNZ will make the draft GFA available to the sector at publication of final scheme guidance, to provide enough time for these agreements to be managed effectively.
- **Due diligence on members:** The consortium lead will be responsible for ensuring deliverability of each member's project, including appetite and commitment from the organisation to deliver as per the GFA terms, availability of co-funding to complete delivery, and any other due diligence checks necessary.
- **Contingency plans in case of withdrawals:** Consortia may benefit from being able to manage scope reductions or withdrawals between the consortium members. For example, if one member can no longer treat the number of homes they set out to do, another member may increase the number of homes they are treating and absorb the grant funding, providing co-funding requirements are upheld. DESNZ will hold the consortium lead accountable for delivery against the total number of homes in the original consortium application. The consortium lead must therefore have a plan to continue to deliver the same number of homes as in the GFA should a member(s) choose to withdraw. This must be managed as necessary by the consortium, including bringing new organisations into consortia where appropriate. Should a consortium not be able to deliver on its targets as per their application, this will be managed by a change request and/or grant variation, likely resulting in a reduction in overall grant funding available.
- **Data and Reporting:** A Data Sharing Agreement (DSA) will be signed between DESNZ and the consortium lead alongside the GFA, and in signing this the

consortium lead will be acting on behalf of all its members. Consortium leads will be responsible for signing data agreements amongst consortium members where necessary, in line with the obligations of the overall DSA. The consortium lead must have a strategy for collecting, checking, and summarising financial and delivery data received from all members in a timely and effective manner in order to report this to DESNZ. DESNZ may need to deep dive into certain projects within the consortium during delivery, and so member-specific data must be held by the consortium lead and be made available to DESNZ on request.

- **Governance:** Consortia must not be formed ‘in name only’ and a level of joint governance and shared working is expected to be evidenced. This is necessary to assure DESNZ that any shared risks or approaches can be agreed, there is clear communication between members and joint decision-making can be effective. By the time GFAs are signed, all partners must be in a position to receive funds from the lead applicant, contract work and share data between consortium partners.

## 2.3 Eligible Properties

All existing social housing, as defined by the Housing and Regeneration Act 2008 (sections 68-70), below EPC C owned by Applicants, as defined in section 2.1, is eligible for SHDF Wave 3 funding, regardless of archetype (including high rise blocks). Homes retrofitted in Wave 2 of the SHDF are not eligible. Homes retrofitted in the SHDF Demonstrator or SHDF Wave 1 are eligible for Wave 3 where installing low carbon heating measures.

It is a requirement that properties included in SHDF applications are domestic dwellings, for which it is possible to create domestic EPCs through RdSAP (Reduced data Standard Assessment Procedure).

Homes both on and off the gas grid are eligible for funding. There is no income related eligibility requirement for social housing tenants, although Applicants may wish to consider the income profile of tenants to determine how best to make progress towards reducing fuel poverty, a key objective of the SHDF.

Non-social homes and social homes at EPC band C or above can be included in bids, as long as they adhere to the rules and restrictions laid out in section 2.4.

## 2.4 Non-social homes and homes at or above EPC band C (infill properties)

The intended purpose of SHDF funding is to improve the energy performance of social homes below EPC C up to that level. However, DESNZ recognises that in some cases some homes that do not fit into that category are required to be retrofitted in order to

achieve this. It is a requirement that any such infill properties are kept to the absolute minimum required. For consortia applications, it is expected that all members will abide by the principle of focusing on the delivery of below EPC C social homes. This section of the guidance outlines the instances where infill funding is available.

In addition to this, homes at or above EPC band C are now eligible where low carbon heating measures are being installed.

### 2.4.1 Homes at EPC C or above

The focus of SHDF Wave 3 applications will be on social homes with an EPC rating of Band D, E, F or G.

There are two instances in which homes at or above EPC band C are eligible for SHDF Wave 3 funding:

- On an infill basis: where a small number of properties in a block or terrace are at EPC Band C or above (for instance – a tower block/low rise with a small number of properties at EPC Band C or above due to individual home upgrades), they can be included in bids where work to those properties enables effective works to social housing below EPC Band C. Challenge Fund Applicants must justify this approach in Phase Requests, including providing the % of properties at EPC Band C or above. There would need to be a significant reason for inclusion of these properties – any application without appropriate justification will not be successful. Any inclusion of properties at EPC Band C or above would need to be on an ‘infill’ basis. The policy:
  - Is limited to situations in which social homes below EPC Band C would be adversely affected without it, for example cases where these social homes would not be able to meet EPC C, bearing in mind reasonableness and cost effectiveness (see ‘Performance Outcomes’ section 2.8), or where works must be undertaken on a whole block for planning or logistical reasons.
  - Can only apply to a maximum of 10% of the homes in the application.
  - Can only be used to install certain measures:
    - Insulation and associated ventilation, and communal low carbon heating. Applicants may include additional measures on an exceptional basis if a justification is given as to why a whole block approach is essential for the attainment of SHDF Wave 3 performance outcomes (see section 2.8) for the below EPC Band C homes. Any Applicant wishing to install a measure that is not an infill measure onto these homes must do so out of their own money, separately to their co-funding contribution.

- Homes at or above EPC band C are eligible for the installation of low carbon heating measures, though the 10% cap of homes at or above EPC band C still applies. In this scenario, the only eligible measures are low carbon heating measures. It is expected that landlords will prioritise the most efficient forms of low carbon heating (see section 2.91.). These measures are eligible, and do not have to be installed on an infill basis. These homes have access to either the off-grid low carbon heating cost cap, or the on-grid low carbon heating incentive offer.

Applications are limited to a maximum of 10% of all homes within the bid being at or above EPC band C.

DESNZ expects the majority of applications will include homes exclusively below EPC Band C. DESNZ expects that applications that do contain homes at or above EPC Band C will keep the number of such homes as low as possible (the 10% is a limit, not a target, and this criteria will not impact on scoring).

The grant funding cost caps for retrofit works for EPC Band C+ homes are the same as that for EPC Band D homes (see section 2.12.3).

## 2.4.2 Non-social homes

Private domestic homes, such as those owned by leaseholders, may be eligible for funding under the Wave 3 infill policy on non-social homes. Shared ownership homes fall under the scope of Wave 3 infill policy on non-social homes. SHDF Wave 3 infill policy on non-social homes is designed to support works to social homes in situations where there is also the presence of other tenure types.

The policy:

- Is limited to situations in which social homes would be adversely affected without it, for example cases where social homes would not be able to meet EPC C without works taking place on non-social homes, bearing in mind reasonableness and cost effectiveness (see 'Performance Outcomes' section 2.8), or where works must be undertaken on a whole block for planning or logistical reasons.
- Can only apply to a maximum of 30% of the homes in the application.
- Is available for insulation, associated ventilation, and communal low carbon heating. Applicants may include additional measures on an exceptional basis if a justification is given as to why a whole block approach is essential for the attainment of SHDF Wave 3 performance outcomes (see section 2.8). Any Applicant wishing to install a measure that is not an infill measure onto these homes must do so out of their own money, separately to their co-funding contribution.

Non-social homes treated under SHDF Wave 3 require at least 50% co-funding, as with all homes in applications. The requirement for owner occupiers and private rented sector

landlords/tenants to contribute to measure costs that applied in previous waves of the SHDF no longer applies.

Inclusion of non-social housing must comply with UK subsidy control rules as laid out in section 2.16 of this guidance.

### Mixed Tenure Blocks and Terraces

Mixed tenure blocks and terraces are eligible for SHDF funding. In any block/terrace being treated, at least 30% of the homes within the block/terrace must be social homes. The above infill policy on non-social homes applies to the non-social homes within the block/terrace.

### 2.4.3 Non-social homes and homes at or above EPC band C summary table

Home type	Limit
Non-social homes within a bid	30%
Non-social homes within a block/terrace	70%
Homes at or above EPC band C within a bid	10%

## 2.5 Minimum Application Size

### Challenge Fund

Wave 3 applications must include a minimum of 100 eligible social housing properties at EPC band D-G, apart from in the case of small social housing landlords.

Small social housing landlords (defined for this purpose as those who own or manage fewer than 1000 homes) can apply with fewer than 100 homes. For such landlords, there is no minimum application size. We expect such landlords to try to reach 100 homes, or to join a consortium if they are unable to include 100 in-scope homes in their application. Consortia composed of small landlords can apply for funding without including 100 in-scope homes if they are unable to do so. Non-social homes (see section 2.4.2) and EPC C+ properties (see section 2.4.1) must be in addition to the minimum of 100 social homes at EPC bands D-G.

To support those who are unable to meet the minimum property threshold, support will be offered in forming consortia, with resources available through 'RISE' – Retrofit Information, Support and Expertise (further information can be found in section 3.1 of this document).

## Strategic Partnerships

Strategic Partnership applicants will be expected to propose projects of significant scale, retrofitting multiple thousands of homes.

## 2.6 Eligible Installers

Applicants must provide details of their contractors and TrustMark registration or equivalent and, where applicable, their Microgeneration Certification Scheme (MCS) certification number.

All installers of energy efficiency measures must be TrustMark Registered, certified to MCS for the technology they are installing or equivalent,<sup>2</sup> and compliant with corresponding requirements. All measures must be lodged on the Trustmark data warehouse.

All projects must be compliant with either “PAS 2035:2019 Retrofitting dwellings for improved energy efficiency Specification and guidance” (PAS 2035:2019) or “PAS 2035:2023 Retrofitting dwellings for improved energy efficiency Specification and guidance” (PAS 2035:2023). The requirements of PAS 2035 include installations taking place in accordance with the installation standard requirements set out in either PAS 2035/2030:2019+A1:2022 or PAS 2035/2030:2023. All installers will be required to have the appropriate certifications to install under the appropriate standard.

### PAS 2035/30:2023

PAS 2035/30:2023 combines and updates the previous PAS 2035 and PAS 2030 documents in line with the most current industry best practice. It is freely available to download at the [British Standards Institute \(BSI\)'s webstore](#).

Following publication of the updated standard, a transition period of 18 months has been set to allow industry time to adopt the changes to PAS 2035/2030:2023, during which PAS 2035/2030:2019+A1:2022 will remain available for use. This transition period will end on 30 March 2025, after which BSI will withdraw the PAS 2035/2030:2019+A1:2022 and all retrofit projects must be conducted in accordance with PAS 2035/2030:2023. Wave 3 projects can be conducted under either PAS 2035/2030:2019+A1:2022 or PAS 2035/2030:2023. However, applicants should be aware of the transitional arrangements so they can plan projects accordingly.

### Adaptation

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<sup>2</sup> Or able to demonstrate registration with a scheme which has been deemed equivalent by the Secretary of State.

Government is committed to considering current and future climate scenarios, including overheating risk and indoor air quality risk, when developing policies to deliver Net Zero. PAS 2035/2030 requires a whole house approach to home retrofit projects and ensures that the risks of unintended consequences are avoided. This will also be the case for SHDF Wave 3. The PAS 2023 update recognises the importance of climate change adaptation and has strengthened some of its guidance and requirements.

### Low Carbon Heat

Low carbon heat installers must be certified to MCS for the technology they are installing. MCS certification requires an installation company to be assessed by an affiliated certification body, and to have demonstrated suitable competency against relevant technology standards, as well as conduct installations in accordance with MCS installation standards.

Where a communal heat network/district heating scheme is to be installed, this must be done in accordance with the Heat Trust Consumer Protection Scheme. Once regulations introduce mandatory minimum heat network technical requirements, expected in 2025, the installation of communal and district schemes must comply with these requirements and follow the processes set out under the Heat Network Technical Assurance Scheme (HNTAS). Prior to technical standards regulation, whilst not a formal requirement, the installation of communal and district heating systems should aim to be in accordance with CIBSE's Code of Practice 1 (2020).

### Supply Chain

Applicants are encouraged to support and boost local green growth by considering local and small and medium-sized enterprises (SME) installers as part of a contribution to levelling up society whilst investing in the skills and supply chains necessary to meet net zero. Applicants should consider the role of SMEs in the supply chain and ensure that barriers to participation are minimised in their procurements.

### Procurement

Applicants are also encouraged to consider and implement all relevant Public Procurement Notices in their procurement activity. A summary of relevant public procurement policy can be found at the following [link](#).

## 2.7 Safety and Quality

Applicants must adhere to all relevant building and construction product regulations and requirements, in particular those that are considered safety critical and in line with industry best practice. Applicants must ensure any installations are in line with all concurrent legal requirements for manufacturers to ensure that products are safe at the time of installation.



Applicants are required to detail their adherence to all appropriate safety and construction standards in line with PAS2030:2019 and PAS2035:2019, including ensuring sufficient checks are in place to ensure installers are compliant with the same standards.

A retrofit coordinator will advise on suitable measures to be installed in properties, ensuring there are no negative impacts, no unneeded installations and that good value for money is maintained.

## 2.8 Performance Outcomes

Grant Recipients must improve their social homes to at least a minimum energy efficiency rating threshold of EPC Band C.

Homes which cannot reasonably reach EPC C within the cost cap are exempt from this requirement. However, at Phase Request stage Challenge Fund Grant Recipients must demonstrate the maximum achievable EPC grade within the cost cap (i.e., why it would cost over £15,000 to get the home to EPC C). These homes are not required to reach a certain EPC grade but are expected to attain the maximum EPC grade possible within the cost caps, as demonstrated in the evidence provided by the Applicant. DESNZ reserves the right to reject phases or exclude homes from phases if this information is not provided.

As highlighted in the Powering up Britain document,<sup>3</sup> the government is currently working on proposals for improving Energy Performance Certificate (EPC) metrics and intends to consult on these in the coming months. The consultation will consider how changes to EPC metrics will be introduced and how a transition between existing and new metrics would be managed. The transition arrangements will need to ensure that duty holders are clear about how to comply with requirements. The government does not want changes to metrics to penalise duty holders who may have taken action in advance to bring themselves into compliance with future targets or to affect existing compliance. An update to SHDF Wave 3 guidance may be required to provide clarity to duty holders once Government has made a final decision EPC metrics and the timing of their introduction.

## 2.9 Eligible Measures

Eligible measures are any energy efficiency and heating measures compatible with the Standard Assessment Procedure (SAP) that will help improve the energy performance of homes, excluding heating systems which are solely fuelled by fossil fuels. Applicants are expected 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. One of the core objectives of the SHDF is

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<sup>3</sup> <https://www.gov.uk/government/publications/powering-up-britain>

to support the UK to reach its Net Zero target by 2050. Therefore, 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 projects including these fossil fuel measures will be ineligible for funding through SHDF Wave 3. Prior to installing a hybrid heating system, retrofit coordinators are encouraged to upgrade existing systems to stand alone heat pumps, where possible.

Applicants are expected to adopt a least regrets approach to retrofit, meaning that works should minimise the potential of measures installed through SHDF having to be replaced in the future on the journey to Net Zero for the social housing stock. Applicants are expected to take a value for money approach to retrofit.

Challenge Fund Applicants must quantify the mix of measures they are intending to install at Phase Request stage and provide justification as to why they are considered the most appropriate measures for targeted properties; and why they represent good value for money.

Measures installed must adhere to requirements within PAS 2035 and be installed by an appropriately certified PAS 2030 or Microgeneration Certification Scheme (MCS) installer which is Trustmark registered (or equivalent).<sup>4</sup> All measures must be lodged onto the Trustmark data warehouse.

Where Applicants plan to install measures which are typically less cost effective in making progress towards the SHDF Wave 3 objectives and strategic approach, the proposal must justify why they are a suitable, cost-effective measure for the properties applied with.

SAP-eligible technologies which would enable Smart Meter Enabled Thermal Efficiency Ratings (SMETER) (such as smart thermostats) are an eligible measure for SHDF Wave 3. Applicants who intend to install SMETER technologies are encouraged to install these into homes before any other measures, so that the effect of changes to the home can be recorded.

### 2.9.1 Low carbon heating

Whilst it is not a requirement that applications to SHDF Wave 3 include low carbon heating, DESNZ encourages applications which include low carbon heating, given its vital role on the journey to Net Zero, as was the case in SHDF Wave 2. Applicants may propose low carbon heating (LCH) installations in any eligible home, provided that the following key principles are complied with:

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<sup>4</sup> Or able to demonstrate registration with a scheme which has been deemed equivalent by the Secretary of State.

- Bills must not increase as a net result of all retrofit works to the home, relative to what they would have otherwise been.
- Post retrofit, homes must comply with SHDF performance outcomes.

### Homes off the gas grid

For the purposes of SHDF Wave 3, an off-gas grid home is defined as one that does not use mains gas for heating purposes.

An additional cost cap of £7,500 grant funding for low carbon heating in homes off the gas grid will be available, on top of the energy efficiency cost cap. This will provide Applicants with funding support to install both energy efficiency and low carbon heating measures if they wish to. See section 2.12.3 for details on cost caps.

Funding for both energy efficiency measures (from the £7,500 energy efficiency cost cap) and low carbon heating measures (from the off-grid low carbon heating cost cap) can also be averaged out across homes and across measures.

### **New Wave 3 On Gas Grid Incentive Offer**

#### **Homes on the gas grid**

New for Wave 3 of SHDF, homes on the gas grid now have access to the on the gas grid low carbon heating incentive offer. This is an optional offer, and participating Applicants will have access to a £20,000 per home grant offer, available for up to 10% of the homes included in the application. For example, in an application with 1,000 homes, 100 of them would have access to this incentive offer, though all of these 100 would have to be on the gas grid. The other 900 homes would have access to the usual £7,500 cost cap and the off grid LCH cost cap (if the home is off the gas grid). This offer is to incentivise on the gas grid heat decarbonisation, with the aim of scaling up the deployment of low carbon heat measures and developing experience of these installations within the sector.

With the £20,000 grant funding, installation of a low carbon heating measure is mandatory in each home, and it is expected that energy efficiency measures are also installed to ensure bills do not go up in each home. Funding for both the low carbon heating and energy efficiency measures comes from the £20,000 grant offer.

The £20,000 grant offer for on-grid low carbon heating installation sits outside the co-funding structure of the application and does not require co-funding. Any co-funding spent on these homes will also not contribute to the overall application's minimum 50% co-funding requirement.

Low carbon heating measures eligible for installation using this incentive offer is limited to air source heat pumps, ground source heat pumps, shared ground loops, and heat networks.

Homes on the gas grid that are not included in that 10% are still eligible for LCH measures, but will not have access to any additional grant funding beyond the base £7,500 cost cap.

### **Eligible low carbon heating measures**

As with other SHDF eligible measures, eligible low carbon heating measures (LCH) must be compatible with the Standard Assessment Procedure (SAP) and help improve the energy performance of homes. Heating systems which are solely fuelled by fossil fuels are not eligible.

Where low carbon heating is supported, Applicants should consider systems that are consistent with net zero and considerations such as affordability, air quality, and sustainability.

Applicants are expected to focus on low temperature heat pumps and heat networks as the lead technologies. In homes wishing to install low carbon heating where low temperature hydronic heat pumps are unsuitable for the dwelling, we expect, in order of priority:

- connection to low-carbon heat networks (where available currently and/or where a heat network connection is expected to be available within the wave 3 funding window,<sup>5</sup> and if appropriate for the stock applied with),
- high temperature hydronic heat pumps,
- air to air heat pumps,
- solid biomass,
- or high retention electric storage heaters (in electrically heated flats and small dwellings only) to be considered when determining the next best option for deliverability, value for money, affordability, sustainability, and air quality.

Whilst solid biomass is an eligible measure, these are only expected 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 Applicant were to propose the use of biomass boilers within their funding application, a justification must be provided as to:

- why biomass is the most appropriate technology,

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<sup>5</sup> For example, areas of England which are expected to be designated as heat network zones. See: <https://www.gov.uk/government/collections/heat-network-zoning>

- and how the Applicant intends to ensure the ongoing use of sustainable fuels, such as by adhering to the sustainability and air quality requirements from the Domestic Renewable Heat Incentive (now closed to new applicants) and Boiler Upgrade Scheme, and appropriate maintenance of these systems.

Properties will not be eligible for the installation of low carbon heating measures if that property has previously received funding under the Renewable Heat Incentive or Boiler Upgrade Scheme.

### **Hybrid heating**

Funding may be used to install hybrid heat pumps for homes currently heated by mains gas, whether this is; a new hybrid system made of several units, or fully integrated within a single unit; or 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. Prior to installing a hybrid heating system, retrofit coordinators are encouraged to upgrade existing systems to stand alone heat pumps, where possible.

Where an existing boiler is replaced with a new boiler as part of a hybrid system, funding cannot be used for this. Hybrid heating systems for homes off gas grid are not permitted. Other forms of transitional heating that are fuelled by mains gas are not permitted.

## **2.10 Engagement with Trustmark**

As stated in section 2.9 it is a requirement that all measures must be lodged in the Trustmark data warehouse to be eligible for grant funding. Therefore, Grant Recipients must engage with Trustmark throughout the delivery of their project. In accordance with Trustmark guidance, works should be lodged within 20 working days of completion.

Further to this, DESNZ will be undertaking evidence checks throughout the delivery of the project to ensure that all eligible measures and homes completed reported to us have been lodged in the Trustmark data warehouse. Grant Recipients will be required to provide the data needed for these evidence checks to be undertaken e.g. addresses, lodgement numbers. The process for providing this evidence will be set out at Grant Funding Award.

Therefore, Grant Recipients must consider this in the planning and procurement activities for their project. For example, Grant Recipients could include a service-level agreement with organisations who will be lodging the measures on Trustmark to ensure this is done in a timely manner.

Further to this, if evidence of lodgement on Trustmark cannot be provided for measures, and grant funding has been claimed for them, then the associated costs for these

measures could be subject to clawback given they would not be classed as eligible measures.

## 2.11 Consideration of Tenants

The SHDF Wave 3 competition will aim to improve the comfort, health, and well-being of Social Housing tenants by delivering warmer and more energy-efficient homes. Applicants must demonstrate how tenant needs will be considered throughout the project and report on any tenant engagement undertaken.

Learnings from previous waves of SHDF have highlighted the importance of tenant engagement and securing tenant 'buy-in'. Poor engagement is likely to be a challenge to successful delivery of projects, leading to refusal of access or tenants withdrawing from the project at a later stage. DESNZ expects tenant engagement to go beyond leafleting and cold calling, which DESNZ does not consider to be sufficient methods of tenant engagement when implemented in isolation.

Applicants are expected to outline how suitable support and information will be provided both during retrofit and occupancy so that tenants are able to maximise benefits from installations. Reasonable adjustments must be made to minimise negative impacts and inconvenience to tenants (especially those of a protected characteristic covered by the Equality Act 2010). Applicants may also wish to consider whether properties containing tenants who are particularly vulnerable to the cold are best to target for retrofit.

Applicants must consider their responsibilities under the Public Sector Equality Duty (PSED) and conduct an equality assessment or analysis if they deem necessary.

PSED applies to public sector organisations and any organisation where it is carrying out a public function.

Applicants may also find the ['Embedding Equality, Diversity, and Inclusion \(EDI\) in Housing Retrofit' toolkit](#) which was recently launched by DESNZ helpful in this area. This toolkit is designed for registered providers of social housing, local authorities, and other stakeholders, to support them with the following:

- The Design and Delivery of their Retrofit Projects;
- Improving Equality, Diversity, and Inclusion (EDI) within their own organisations;
- Generating Social Value through Retrofit Projects.

Ensuring that EDI is embedded in housing retrofit projects from the outset is essential to attract diverse talent to organisations, cater to the diverse needs of residents with

protected characteristics, and ensure effective solutions to complex challenges impacting residents' lives.

Organisations can also use the EDI Maturity Assessment Tool within the toolkit to help develop a bespoke and meaningful EDI strategy for their retrofit projects. The case studies included throughout the toolkit will help organisations set clear targets and strategies for monitoring and measuring their progress across the full retrofit project journey.

In the event funds have to be repaid to DESNZ, this must not affect the tenants. Where possible, funding should also not be raised through the sale of social housing.

## 2.12 Funding and Eligible Costs

The delivery window for SHDF Wave 3 will run to 30th September 2028. All grant funding for SHDF Wave 3 projects must be transferred to the Lead Grant Recipient and spent by 31st March 2028, meaning projects can use only co-funding in the final 6 months of delivery. Applicants are asked to submit applications they are confident can meet these deadlines.

### 2.12.1 Grant Funding

Lead Grant Recipients can claim grant funding from 1<sup>st</sup> April 2025, provided they have signed a Grant Funding Agreement (GFA) and Grant Offer Letter (GOL). Lead Grant Recipients must spend all their grant funding by 31<sup>st</sup> March 2028 and will lose their opportunity to claim grant funding after this date. Further to this, grant funding must also be spent within the financial year it was allocated. Grant Recipients are expected to deliver their projects within this timeframe, and all applications must be based on these timelines.

As part of the application process, Lead Applicants must set out the total grant funding to be spent in each financial year of the project. These per-FY totals will be recorded in the Grant Funding Agreement as part of the baseline and DESNZ expects projects to spend their baselined, agreed grant funding amount in each financial year.

Lead Grant Recipients that underspend against their agreed baselined grant funding in each financial year will not be able to receive this underspent grant funding in the following financial year. Where there is expected or actual underspend against this baseline in any financial year, Lead Grant Recipients must make DESNZ aware of this eventuality as early as possible.

Applicants to the Challenge Fund route must pay particular attention to how the amounts set out per-FY align with the timing of the Phase Request submissions in their application, given these unlock the ability to claim the majority of grant funding for the homes in that 'phase' (see section 4.3.3 for detail on Phase Requests).

Project grant funding spend must also be aligned to the SHDF Wave 3 spend profile of 40/40/20 over the three financial years of the project. Lead Applicants are therefore required to plan to spend around these percentages in each financial year of the project, utilising co-funding alongside this throughout delivery to support the project spend profile as a whole.

<b>FY25/26</b>	<b>FY26/27</b>	<b>FY27/29</b>
40% of grant funding	40% of grant funding	20% of grant funding

Lead Grant Recipients cannot claim for funding above and beyond the amount in their GFA. However, if additional funding is available, there may be opportunity for successfully delivering projects to increase their grant funding award, where this will be used for delivery of additional homes.

Any grant funding spent on homes accessing the on-grid low carbon heating incentive offer does not contribute to the wider co-funding/grant funding structure of the bid. The 50% minimum co-funding is calculated excluding these homes.

### 2.12.2 Co Funding

On the journey to decarbonising the lowest performing Social Housing, there is a co-funding requirement to maximise the number of properties that can be treated with the funds available. As such, DESNZ will require at least 50% of total eligible costs to be provided by the Applicant when applying for SHDF Wave 3 funding. Non-eligible costs must not be included in co-funding – either to meet the 50% minimum, or to go beyond that level. The co-funding percentage calculation includes costs on all homes to reach EPC C, excluding any costs on homes accessing the on-gas grid low carbon heating incentive. Co-funding must comply with the conditions of the GFA and can only be spent on eligible costs in connection with delivery of the grant proposal.

It is expected that co-funding is spent throughout the project, and applicants will be required at application stage to set out their co-funding for each financial year which will form the baseline of a project (further details on baseline in section 5.7.1 and 5.8.1) and therefore will be monitored and required to report on their co-funding contributions (further details on monitoring and reporting in section 5.7.3 and 5.8.3).

Applicants are requested to state their overall co-funding contribution to achieving the outcomes of SHDF Wave 3 at application stage. Applicants must also confirm the source of funds for co-funding and are expected to provide evidence of secured co-funding such as board sign off, minutes from meetings or letters of commitment. The co-funding value shown in evidence must match the value input to the application form.



The 50% co-funding minimum does not include grant funding which goes to homes on the gas grid which are accessing the on-grid low carbon heating incentive offer, which do not require co-funding and do not contribute to the wider co-funding structure of a bid.

Any grant funding spent on homes accessing the on-grid low carbon heating incentive offer does not contribute to the wider co-funding/grant funding structure of the bid. The 50% minimum co-funding is calculated excluding these homes.

### 2.12.3 Cost caps

To maximise value for money across Wave 3 of the SHDF, a single cost cap for energy efficiency measures will be implemented. This is the maximum grant funding permitted for capital costs for retrofit works, exclusive of administration and ancillary costs (see section 2.12.4).

Each home has access to £7,500 of grant funding for energy efficiency measures, which is the cost cap. Applicants are required to contribute at least as much co-funding as grant funding used on each home (thereby contributing at least 50% to total project costs).

#### Additional low carbon heating cost caps

The off the gas grid LCH cost cap is available alongside the energy efficiency cost cap, meaning the total available grant funding for each such home is £15,000.

The on grid LCH cost cap is available for up to 10% of homes in an application instead of the energy efficiency cost cap. This means that for homes utilising that offer, the total available grant funding for each home is £20,000. For the other on the gas grid homes who do not access the incentive offer, the total available grant funding is the base £7,500 cost cap. (Please see section 2.9.1: Low Carbon Heating for more info).

Homes accessing the on the gas grids LCH incentive offer cannot access the base £7,500 cost cap. While co-funding is not required on these homes, it is not forbidden, but any co-funding input into these homes will not contribute to the overall application requirement of minimum 50% co-funding.

A table summarising the Wave 3 cost caps is set out below:

	Maximum grant funding	Minimum co-funding requirement	Total per home
Energy efficiency cost cap	£7.5k	£7.5k	£15k

Off gas grid homes	Additional £7.5k on top of energy efficiency cost cap	Additional £7.5k on top of energy efficiency co-funding	Additional £15k on top of energy efficiency total spend
On gas grid homes (up to 10% of homes in the bid)	£20k (cannot be used in addition to the £7.5k cost cap)	£0	£20k

### Averaging of Cost Caps

It is possible to average the amount of grant funding across homes within an application, to allow for some homes in the application to spend more to reach the SHDF performance outcomes, and some homes less, as long as the average is less than or equal to the cost cap.

For example, an application with 100 homes. If each home just accesses the £7,500 energy efficiency cost cap, and provides equivalent co-funding, the Grant Recipient can spend £15,000 per home. But, if required, the Grant Recipient is allowed to spend £20,000 per home on 50 of the properties, as long as they make up for this by spending £10,000 per home on the other 50 properties. For simplicity, this example excludes all Admin & Ancillary (A&A) costs (see section 2.12.4 for more detail on A&A).

Funding for both energy efficiency measures (from the £7,500 energy efficiency cost cap) and low carbon heating measures (from the off-grid low carbon heating cost cap) can be averaged out across homes and across measures. Funding accessed through the on gas grid low carbon heating incentive offer cannot be averaged out across other homes, nor can these homes receive leftover grant funding from other homes. These homes sit outside the co-funding and cost cap averaging structure of the wider application.

Grant funding is designed to provide up to 50% of the funding required to reach EPC C. Bearing in mind reasonableness and cost effectiveness— it is not the case that Applicants wishing to go beyond the performance outcomes (achieving EPC band C) can use more grant funding than the cost cap to do so, even if other homes in the application ‘balance out’ the average at or below the cost cap level. Applicants wishing to go beyond these performance outcomes must read ‘Going Beyond the Required Performance Requirements’ (section 2.8) and will need to provide more than 50% co-funding. Any co-funding that will be used to go beyond the performance outcomes set by SHDF must not be included in the main co-funding contribution and must be reported separately.

### Maximising Cost Caps

It is anticipated that most homes will not require the level of spend allowed by the maximum cost caps (combined with the corresponding co-funding amount) to reach the

performance requirements. Therefore, it is not expected that all Applicants will apply for the maximum grant funding for retrofit works available to them for every home. The level of funding applied for must be dependent on the cost of improving the stock to the SHDF performance outcomes and must not be dependent on the maximum level of grant funding for retrofit works available. Applicants will be required to provide a detailed cost breakdown of the project, along with a justification of these costs and how they contribute towards progress towards SHDF Wave 3 objectives in a way that provides value for money, as detailed in section 2.12.5 below.

### **Going Beyond the SHDF Performance Outcomes**

It is anticipated that some Applicants may wish to use grant funding for retrofit works as part of funding for retrofit of homes that they wish to improve beyond the performance outcomes for SHDF Wave 3 (EPC Band C bearing in mind reasonableness and cost effectiveness). For example, if an Applicant has an internal target for stock improvement of EPC B+, or if it requires limited extra measures to improve the energy performance of a home to an EPC Band B in comparison to improving to EPC Band C.

While SHDF funding may only be used on measures that will uplift a home to EPC Band C, and not beyond, Applicants are able to go beyond this level in their projects. Funding for these extra measures must be entirely funded by the Grant Recipient. Any co-funding that will be used to go beyond the performance outcomes set by SHDF must not be included in the main co-funding contribution and must be reported separately. This excludes homes at or above EPC band C, which are included on an infill basis, or for low carbon heating installations, as per section 2.4 on infill properties. These homes have access to the same cost caps as social homes below EPC band C.

It is expected that the grant funding for retrofit works applied for (along with associated co-funding) will be that required to achieve the performance outcomes for SHDF Wave 3 (EPC Band C bearing in mind reasonableness and cost effectiveness and relevant exemptions to this outcome as outlined in section 2.4).

#### **2.12.4 Administration and Ancillary Costs**

Due to the scale and size of the projects, Applicants are expected to have administration and ancillary (A&A) costs associated with the delivery of the project. A&A costs are expected to be as low as possible, with a requirement that grant funding for A&A comprises no more than 15% of total grant spend by the end of the project (with total grant spend including both grant funding for capital costs for retrofit works and grant funding for A&A). We expect that total costs for A&A (grant funding for A&A + co-funding for A&A) will comprise no more than 15% of the total project spend (total grant funding + total co-funding, including both capital costs for retrofit works and A&A costs).

Applicants must consider which costs will be non-capital costs and make sure these are accounted for in the administration and ancillary budget. Examples of what spend could be included in the administration and ancillary budget and example of capital costs are given below. It is acknowledged that for certain activities, there is flexibility in whether these are considered as administration and ancillary, or capital. DESNZ is not prescriptive about where costs sit and understands the need for flexibility and so Applicants must work with their Accounting Officers to ensure that their budgeting and allocations are fit for purpose.

Administration and Ancillary costs may include:

- Project management, reporting and governance costs
- New pre-installation assessment and EPCs to verify eligibility of households to demonstrate starting EPC rating
- Building works to prepare for installation – for example, removal of failed cavity wall insulation
- PAS2035 retrofit assessor and coordinator costs (although this could also be considered as a capital cost)
- High Rise Insurance Backed Guarantees
- Search costs associated with resident recruitment, low-income verification for eligible owner occupier and private rental sector tenants and sign-up including communication activities
- After-care services to ensure households know how to use any new technology

Capital costs may include:

- Installer and designer labour costs
- Costs for scaffolding
- PAS2035 on-site costs such as airtightness tests, ventilation updates, SAP measurements
- Materials and transportation
- TrustMark or equivalent lodgement fees
- PAS2035 retrofit assessor and coordinator costs (although this could also be considered an admin cost)

## 2.12.5 Value for Money

DESNZ must ensure that taxpayer money is spent as effectively and efficiently as possible. The application process and assessment criteria for both SHDF Wave 3 application routes have been designed to assess the value for money of each proposed project, to ensure that programme value for money can be assured.

### **Strategic Partnerships**

Strategic Partnership applicants will be required to explain why their proposal represents good value for money. DESNZ will review these proposals, with the suitability of bids exhibiting relatively very high costs or very low costs likely to be considered as part of the portfolio review (see section 4.2.2 for further detail on the assessment process).

Additional points will be available for applicants who will adopt strategies to ensure that cost per home is lower than might otherwise be expected, recognising the benefits which can be accrued by delivery at scale.

### **Challenge Fund**

Value for money assessments of Challenge Fund Grant Recipients will be made at Phase Request stage.

Applicants are expected to propose cost effective measures appropriate for their chosen stock which align with the SHDF Wave 3 objectives and strategic approach.

Applicants will be required to detail the costs of the phase, both including and excluding non-recoverable VAT, including a breakdown of capital costs for retrofit works and administration and ancillary costs. Applicants must justify their proposed capital costs for retrofit works and associated administration. Some factors that may affect costs are spread of dwellings, cost of materials, cost of installers, supply chain infrastructures, archetypes treated/inclusion of hard-to-treat properties and level of funding required to meet SHDF performance outcomes.

At Phase Request stage, applicants are expected to provide an accurate cost breakdown that is based on significant engagement and/or signed contracts with suppliers. DESNZ will conduct a measure cost benchmarking exercise (i.e. comparing equivalent costs against costs seen in previous Waves of SHDF and in other Wave 3 Phase Requests) - with the aim of ensuring that phases represent good value for money. In the case of a phase with especially high costs, or which represents poor value for money, DESNZ may contact the applicant to gain further understanding, or to request a change to lower costs. If this cannot be achieved, such phases may be rejected and required to re-submit with lower costs/without those measures.

Applicants are not expected to maximise the available grant funding for retrofit works for every home (as outlined in section 2.12) and must request grant funding at Phase Request stage based on the costs required to upgrade homes to SHDF performance outcomes.

### 2.12.6 Inflation management

Applicants are expected to account for inflation in their cost estimates in applications. Support on how Applicants can do this will be provided through RISE.

Further information can be found at the [RISE website](#).

## 2.13 Interaction with other Energy Efficiency Schemes

Both successful and unsuccessful Applicants who have previously applied to the SHDF Demonstrator, Wave 1 and Wave 2 may apply for funding under SHDF Wave 3, subject to their new proposal complying with the eligibility criteria for SHDF Wave 3 set out in section 2 of this document.

Homes retrofitted in Wave 2.1 or Wave 2.2 of the SHDF are not eligible for inclusion in Wave 3. Homes retrofitted in Wave 1 of the SHDF and the SHDF Demonstrator are eligible for inclusion in SHDF Wave 3 as long as they are installing low carbon heat.

It is not possible to use funding from previous SHDF Waves to support SHDF Wave 3 projects.

Applicants may use funding from other government schemes, such as the Energy Company Obligation (ECO), to support works on the same home but funding from multiple government schemes cannot be used to fund the same individual measure twice. It is the Applicant's responsibility to ensure that any blending of funding is compliant with each individual scheme and the respective requirements and objectives for each fund is met.

### Interaction with Devolution Deals

The MCAs and their constituent local authorities will not be permitted to bid into competitive programmes for which the MCAs have already received an allocation through the single settlements. As set out in the trailblazer deals, the MCAs and their constituent local authorities will retain the right to bid into new competitive programmes which are not included in the defined list of funds the MCAs will not be able to access during the SR period.

Housing Association projects with stock only in the MCA area should apply to their respective MCA. We will produce guidance for funding housing association projects which have stock in both the MCA area and outside of it.

## 2.14 VAT

The grant funding to the Lead Applicant falls outside of scope of VAT. This is because the provision of the grant is not a consideration of supply for VAT purposes.

If the Lead Applicant enters a third-party contractual relationship with a supplier (per the terms of DESNZ issuing the grant), and incurs non-recoverable VAT on the supply provided, the Lead Applicant must ensure this does not exceed the total grant DESNZ provided. This means recoverable VAT must not be included in the grant requested in the application.

In the case of a consortium, there may be different VAT implications depending upon the organisation(s) involved in the consortia applying for SHDF Wave 3. To ensure consistent treatment in the application assessment process, all costs will be assessed excluding VAT in the Value for Money section of the application assessment.

When working out the VAT costs for retrofit works, Applicants must consider what is being supplied. Is there a single supply of a mixture of services which will attract a single VAT liability or are there a number of separate supplies each attracting their own individual VAT liability?

In cases of uncertainty, Applicants may wish to confirm with their suppliers the amount of VAT they will charge them before submitting an application. DESNZ expects VAT implications of works to have been considered prior to application submission, to ensure costings are accurate.

DESNZ recommends that Applicants procure their own VAT advice where there is uncertainty to ensure that the current application of VAT rules applies to the works that are being completed.

## 2.15 Financial Viability of Applicants

Applicants must satisfy the due diligence, financial, organisational and potential fraud and error checks that will be carried out by DESNZ, prior to receiving public funds. This will assess trustworthiness, suitability, and track record of Applicants.

## 2.16 UK Subsidy Control Rules

SHDF Wave 3 provides funding in line with the UK's obligations and commitments to subsidy control, both internationally and under the Subsidy Control Act 2022 (SCA). DESNZ are the public body responsible for ensuring the SHDF's compliance with the SCA. Further information about the UK Subsidy Control requirements can be found within the

SCA and the government's [Statutory Guidance for the United Kingdom Subsidy Control Regime](#) and in the [statutory guidance for beneficiaries](#).

### **Single Applicants**

Where grants are made to a Local Authority or Combined Authority for use on their own social housing stock, this will not be considered a subsidy.

Where grants are made to Private Registered Providers of Social Housing, for example Housing Associations, this will be considered a subsidy in accordance with the task of provision of affordable, energy efficient social housing under Services of Public Economic Interest (SPEI).

Applicants who are a Private Registered Provider of Social Housing that receives state support of less than £725,000 across three financial years for the above-mentioned task must declare this on their application. They will be exempt from subsidy control if the amount of grant funding received for Wave 3 of the SHDF, in addition to the total amount of state support that they have already received over the relevant period for the above-mentioned task, totals less than £725,000. Any subsidy awards made that are over £100,000 will be declared on the subsidy transparency database.

Applicants who are a Private Registered Provider of Social Housing that receives state support of more than £725,000 across three financial years for the above-mentioned task must declare this on their application. Their application will be assessed by DESNZ in accordance with the Principles in the SCA as they apply to a body tasked with provision of affordable, energy efficient social housing.

Applicants who are a Registered Charity that owns social housing will have their application assessed in accordance with the subsidy Principles set out in Schedule 1 of the SCA.

Applicants are also reminded of the Minimal Financial Assistance Exemption. To receive funding under this exemption, Applicants must declare that the support they are receiving does not exceed the threshold of £315,000 across three financial years. Subsidies below this amount are exempt from the subsidy provisions of the SCA. This could include applications where leaseholder or freeholder (right to buy) properties, including those that are privately rented, are included in the Proposal. Any subsidy awards made that are over £100,000 will be declared on the subsidy transparency database.

### **Consortium Applications**

Where grants are made to a consortium with members who are all Local Authorities or Combined Authorities for use on their own social housing stock, this will not be considered a subsidy.



If a consortium is made up of Local Authorities, Combined Authorities and includes a Private Registered Provider of Social Housing or registered charity, we will assume the consortium receives more than £725,000 over three financial years for the above-mentioned task. An application in this circumstance will be assessed by DESNZ in accordance with the Principles in the SCA as they apply to a body tasked with provision of affordable, energy efficient social housing. If the consortium cumulatively does not receive more than £725,000 in state support over three financial years for the above-mentioned task, then this must be declared on the application.

If a consortium contains a body that is a non-Registered Provider of Social Housing or a Registered Charity, their application will be assessed in accordance with the subsidy Principles in the SCA. Applicants are again advised to declare the level of state support supplied to each consortium member, if any, on application. The Minimal Financial Assistance Exemption also can apply to consortia.

Consortium Applicants must also declare the amount of funding to be allocated to each consortium member, and the purposes for which it will be used.

#### **Further Information for all Applicants**

Care must be taken by all Applicants to avoid using subsidy to improve non-social homes where possible. If an Applicant who intends to apply grant money to properties that are not social housing this must be declared on any application along with the rationale for doing so. Where SHDF Wave 3 grant funding is used to treat leaseholder or freeholder (right to buy) properties, including those that are privately rented, this will be done under the Minimal Financial Assistance Exemption. Grant Recipients will need to comply with the procedural requirements set out in paragraphs 7.11 - 7.20 of [the Statutory Guidance for the United Kingdom Subsidy Control Regime](#).

There are special provisions that apply in respect of awarding grant funding to an ailing or insolvent enterprise. We will conduct financial viability and eligibility tests to confirm this is not the case following the application stage.

Grant Recipients who are unsure about their obligations under the UK Subsidy Control arrangement should take independent legal advice.

If there are any changes to the above requirements that mean we need to change the terms of SHDF Wave 3, we will tell Grant Recipients as soon as possible. Grant Recipients will be expected to comply with the UK's obligations and commitments to subsidy control and maintain appropriate records as evidence of this.

This applies to consortiums as well as their members individually.

## 3. Support for Applicants

### 3.1 Retrofit Information, Support and Expertise (RISE)

DESNZ has established a Technical Assistance Facility to provide technical support for all prospective Applicants interested in accessing funding under SHDF Wave 3. This technical assistance will be available at no cost to all prospective Applicants across England who intend to apply for SHDF Wave 3 funding.

Technical assistance for SHDF Wave 3 will be delivered under the name of 'RISE' – Retrofit Information, Support and Expertise - through the SHDF commercial technical support partner Turner & Townsend Consultancy Ltd. Technical support from RISE for Wave 3 will be available to prospective Applicants in any stage of their project development, through group and bespoke one to one learning and development content and technical support - further detail is available on the RISE website which is accessible via [www.riseretrofit.org.uk](http://www.riseretrofit.org.uk) and by emailing [rise@turntown.co.uk](mailto:rise@turntown.co.uk).

**DESNZ expects that Applicants will inform RISE about their intent to apply for SHDF Wave 3. Applicants can do so via the self assessment form found at [www.riseretrofit.org.uk](http://www.riseretrofit.org.uk) or email [rise@turntown.co.uk](mailto:rise@turntown.co.uk).**

This technical support comprises:

- A comprehensive knowledge hub providing support and information to guide an prospective Applicant through a retrofit project life cycle. The information draws together industry best practice and guidance.
- Workshops, seminars and drop-in sessions on specific focus areas.
- Examples of some of the types of support offered:
  - Data collection and stock analysis, business case development, developing delivery models, scoping and specification of the project, internal governance, application writing and tenant engagement.

Further information about the RISE technical support process is provided in Annex A.

While strongly encouraged, prospective Applicants intending on applying for SHDF Wave 3 funding do not need to have requested/received support from RISE to apply for SHDF Wave 3 funding. Receiving support from RISE does not guarantee that the application for SHDF Wave 3 funding will be successful. The Applicant remains responsible for ensuring the application meets SHDF Wave 3 eligibility requirements. Delivery support for Grant Recipients is outlined in Section 5.4.

## 4. How to Apply

### 4.1 Application Routes

There are two routes to access funding under SHDF Wave 3: the Challenge Fund and Strategic Partnerships. If an applicant is unsure which application route is most appropriate for their organisation, they can find more information through RISE [www.riseretrofit.org.uk](http://www.riseretrofit.org.uk).

#### 4.1.1 Challenge Fund

The vast majority of Grant Recipients are expected to access funding through the Challenge Fund. One of the key principles of this model is that all applications which meet the minimum standards of the scheme will be awarded some funding. In addition, this model will facilitate the phased approach to delivery taken by many organisations, with detailed information on the homes included within a phase required only once it is ready to start delivery.

A new application process has been designed to accommodate this model, comprising an Initial Application stage as well as one or more submissions of a Phase Request during delivery. A Phase Request will cover all or a proportion of the homes within a project, providing the further detail of retrofit work to be undertaken in that phase. The project will then be delivered on this phased basis – with each phase covering up to the end of installation and lodgement of measures on the homes in that phase. Phases may be delivered concurrently.

For more information on the details of this application process, please see section 4.3 of this document.

#### 4.1.2 Strategic Partnerships

In addition to the Challenge Fund, a small number of Grant Recipients can access funding through a Strategic Partnership. These will be special funding agreements between DESNZ and organisations with a proven track record of successful delivery at scale (1000s of properties), with a more flexible delivery process in place to reflect the capability evidenced by these organisations and to support delivery at scale. For more information on this delivery process, please see section 5.7 of this document.

Both individual and consortium applications will be permitted through this route. To be eligible for a Strategic Partnership, the Lead Applicant must have delivered on the SHDF Demonstrator, Wave 1, Wave 2.1 or Wave 2.2, either as the Lead Grant Recipient or as

part of a consortium. Strategic Partnership Applicants will be expected to propose projects of significant scale, retrofitting multiple thousands of homes. They will also be expected to deliver against at least one of the strategic priorities set out for the Strategic Partnership route, which are:

- Delivery at scale
- Preparing for the future scale-up of retrofit
- Low carbon heating
- Innovation

For more information on the strategic priorities, please see section 4.2.3 of this document.

A new competitive application process has been designed for Strategic Partnership applications, with a reduced focus on specific project detail and a greater emphasis placed on evidence of delivery capability as well as on strategic alignment between the project and SHDF aims. For more information on the details of this application process, please see section 4.2 of this document.

DESNZ will seek to offer Strategic Partners opportunities to share learnings with one another and to provide recommendations to DESNZ when determining future policy. More information on knowledge sharing processes will be shared with successful Strategic Partners after GFA signing.

Strategic Partnership Lead Applicants will be informed of the outcome of their application before the closure of the Challenge Fund application window. Any unsuccessful Strategic Partnership Applicants will therefore have the opportunity to submit an application to the Challenge Fund after being informed of the outcome of their Strategic Partnership application, meaning there is no need for Strategic Partnership Applicants to apply to the Challenge Fund before this point. The additional work required to submit a Challenge Fund application will be limited, although Applicants will be able to start preparing an application on the application portal before then if they wish.

#### 4.1.3 Applications from consortia - both routes

Consortium Applicants must submit a single application to DESNZ, which is coordinated by the consortium lead ('Lead Applicant'). The responses in the application form must focus on the consortium lead's approach, with high level information about the approach taken by other consortium members. Where it is not appropriate for the consortium lead alone to draft the response submitted (e.g. they are not stock-holding or have a comparatively small project to other members), the consortium lead must work jointly with the largest consortium member (in terms of number of homes being treated) to draft the

response submitted. The responses must give a more detailed view of the largest consortium member's project, while still giving high level information about the other consortium members. Where consortia choose to adopt a unified approach to a particular topic, this must be detailed in the response to DESNZ. Consortium Applicants will be granted an extended word count allowance to convey these additional details in their responses.

#### 4.1.4 Application Submission – both routes

For both application routes, Lead Applicants must submit their application via the online application portal (noting that a separate application will be required for each route). A link to this portal and a copy of the application form questions will be available on the SHDF webpage when the application window opens.

Details provided in the application submitted by the Lead Applicant will be used as the basis of the Grant Funding Agreement, upon which grant funding is issued. All Applicants must therefore be mindful that the eligibility criteria, homes to be targeted and upgrades will form part of this agreement. Further detail on what data forms the 'baseline' for a project under each application route is set out in section 5.

Applicants will be notified of the opening and closing date of the application window. Applications received after the application deadline will not be considered.

Applicants are requested to follow the guidance within the application form regarding formatting and number of words per section. Applicants must refer to this guidance document where necessary and ensure that they have complied with all the competition requirements.

For information on the support available for organisations planning to apply, please refer to section 3.

For any queries on the portal itself, please contact [shdfwave3enquiries@energysecurity.gov.uk](mailto:shdfwave3enquiries@energysecurity.gov.uk)

## 4.2 Strategic Partnership Applications

### 4.2.1 Consortium Strategic Partnership Applications

Consortium Strategic Partnerships will be permitted. However, consortia must not be formed solely to reach the scale expectation set out for Strategic Partnerships. Instead, consortium Strategic Partnerships are expected to have formed for a clear strategic purpose and to have thought carefully about how they will ensure that the project will be

delivered successfully across the consortium. Consortium Applicants who are unable to demonstrate both of these things are very unlikely to be successful at application stage.

## 4.2.2 Assessment of Strategic Partnership Applications

Eligible applications for funding will be assessed by DESNZ officials and external partners working on their behalf. Applications will first be reviewed through an initial sift compliance check, where some initial clarifications may be requested. A full review of compliant applications will follow. The assessed part of the application form will be set out into the following sections:

- **Strategic fit:** an assessment of how well the proposal fits with the aims, desired outcomes and eligibility criteria of the SHDF Wave 3 Strategic Partnership competition, including how well the proposal delivers against the strategic priorities of the fund (see section 4.2.3 for more detail on these priorities.).
- **Delivery forecast:** an assessment of the plan for the project, including proposed costs.
- **Commercial assurance:** an assessment of the feasibility and credibility of the commercial agreements and procurement strategy.
- **Delivery assurance:** an assessment of the feasibility and credibility of the project, with particular reference to past delivery experience of the applicant.

There will be three types of questions in the Strategic Partnership application form:

1. **Questions that are for information only and will not be assessed (these questions will be flagged as ‘for information only’)** – whilst not marked, this will help DESNZ understand necessary information on projects, and therefore enable facilitation of effective delivery.
2. **Binary questions that are not weighted and do not count towards the overall score.** These will still be assessed, and Applicants will either pass or not pass that individual question (these questions will be flagged as ‘assessed but not weighted’). Binary questions will form part of moderation and will be considered as part of the suitability review.
3. **Questions that are assessed and weighted to contribute towards the application score (these questions will be flagged as ‘assessed and weighted’).**

Assessed and weighted questions will be scored against set criteria on a non-linear scale (0, 1, 3, 7, 10). Generally, an answer will score 0 where there is no evidence provided of the information required in their answer, or where the Applicant does not show that they will comply with the requirements of the scheme. Applicants who demonstrate some evidence of compliance and provide some of the information required will receive a higher

score, with those providing the most clear and credible answers scoring the highest for each question.

After assessment, there will be a moderation process and a portfolio review, including review of the suitability of applications that score well overall but poorly on one or more individual question(s). In general, applications with higher scores will qualify for funding ahead of those with lower scores, with funding provided to a suitable number of applications.

In support of the levelling up agenda, DESNZ also reserves the right to review the distribution of funding across England comparative to the number of social homes per region and take this into consideration when deciding which applicants to fund.

All assessments including the initial compliance sift will be quality assured. DESNZ 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 SHDF Wave 3. Depending upon the nature of applications received, DESNZ reserves the right to vary the allocation of grant funding, taking account of the scheme criteria and the number and scale of Value for Money proposals it receives.

DESNZ will not be liable for any costs incurred in the preparation or submission of applications.

### 4.2.3 Strategic Priorities

As part of the Strategic Fit section of the assessment process for Strategic Partnerships, applications will be assessed on how well they meet the four, equally weighted, strategic priorities of the fund, set out below. Applicants are not required to deliver against every strategic priority. At application, projects will be assessed in the round, with up to 10 points available for each strategic priority, so applications which deliver on a greater number of priorities are potentially able to score more highly, but applications which do not deliver on several priorities will not be automatically ruled out. These four strategic priorities are:

- **Delivery at scale:** The Strategic Partnership route has been designed to encourage the delivery of retrofit at very significant scale. Delivery at scale is valuable not only for upgrading a large number of homes but also for making it possible to harness economies of scale and thus to reduce cost per home, increasing value for money. Points will be awarded to applicants that will:
  1. Deliver approaching to or exceeding 4,000 homes. The greater the proposed scale of the project, the more points the project will receive.
  2. Adopt any strategy (including harnessing economies of scale) to ensure that the cost per home is lower than might otherwise be expected.

- **Low carbon heating:** In order to meet the government’s legally binding net zero target, it will be necessary to increase installations of low carbon heating technologies. For the purpose of this strategic priority, eligible low carbon heating technologies will be limited to air source heat pumps, ground source heat pumps, shared ground loops, and heat networks. Points will be awarded to applicants that will:
  1. Install low carbon heating in a significant number of the homes included in this project.
  2. Trial different types of low carbon heating to understand which technologies are most suitable for which property types, which can be shared more widely with the retrofit sector.
  3. Develop case studies of successful installs of low carbon heating which will be disseminated, in order to encourage other landlords to install more low carbon heating.
  
- **Preparing for the future scale-up of retrofit:** In order to meet the government’s legally binding fuel poverty and net zero targets, it will be necessary to ensure that **all** social landlords are supported to retrofit their stock and that the supply chain is prepared for the scale of retrofit that will be required. As mature landlords, Strategic Partners can play a role in supporting less mature landlords to upskill themselves in order to start retrofitting their stock and in supporting the development of the retrofit supply chain. Points will be awarded to applicants that will:
  1. Support less mature landlords to upskill themselves in retrofit. Ways in which this could be done include:
    - a. Taking part in or organising knowledge sharing forums.
    - b. Sharing resources/products with less mature landlords.
    - c. Supporting less mature landlords to start upgrading their stock by including them in a consortium Strategic Partnership.
  2. Support the development of the supply chain. Ways in which this could be done include:
    - a. Offering apprenticeships.
    - b. Training additional retrofit coordinators or assessors.
    - c. Supporting contractors to become PAS/MCS/TrustMark accredited.
    - d. Using SME contractors.
  3. Develop their own data collection, analysis and reporting capacity and capability and share learnings with less mature landlords. Ways in which this could be done include:
    - a. Opting in to undertake additional data collection and analysis on topics of interest (Group B of the self-conducted evaluation activities – see section 5.7.5).
    - b. Undertaking further independent evaluation and/or research activity beyond the self-conducted activities in either Group A or Group B (see section 5.7.5).



- c. Attending and/or organising relevant knowledge sharing forums, including annual lesson sharing sessions coordinated by DESNZ's independent evaluation partner.
- **Innovation:** Innovation in retrofit will be important both to overcome some of the challenges currently facing the sector and to take advantage of the many opportunities. Points will be awarded to applicants that will:
  1. Develop approaches to mixed tenure retrofit. Ways in which this could be done include:
    - a. Delivering blocks/terraces with a significant number of non-social homes, in order to gain experience of the challenges this poses and how they can best be overcome.
    - b. Trialling innovative approaches to mixed tenure retrofit projects.
  2. Take an area-based approach to retrofit. Ways in which this could be done include:
    - a. Taking an area-based approach to procurement, including generating learnings on this approach which could be shared with the wider sector.
    - b. Sharing learnings on particular local archetypes with other social landlords who share that archetype.
    - c. Taking a joint approach to retrofitting estates which are partly owned by multiple social landlords.
    - d. Blending government or other funding streams in order to retrofit nearby private homes at the same time as carrying out the SHDF project.
    - e. Taking any other form of area-based approach to delivery.
  3. Exploring the digitalisation of retrofit. Ways in which this could be done include:
    - a. Using smart technology, sensors and/or monitoring platforms to collect relevant real-world data (from the properties being retrofitted) for the assessment of properties to enable retrofit, and/or after retrofit for monitoring and evaluation purposes.
    - b. The usage of building information modelling technology to design retrofit solutions using real world data from the properties being retrofitted.
    - c. The usage of energy efficiency measurement and electricity demand management tools to optimise energy usage, including reducing peak demand.
  4. Exploring ways in which private finance could be leveraged into retrofit projects. Ways in which this could be done include:
    - a. Accessing any form of private finance in order to provide part of the co-funding contribution for this retrofit project.
    - b. Trialling commercial models which can generate a return on investment for retrofit projects.

DESNZ will also consider the variety and mix of approaches in proposals when determining successful Strategic Partnerships.

On a yearly basis, Strategic Partners must provide an update on how they are progressing against the plan for delivery against the strategic priorities that they set out at application stage. For more information on the yearly review process please see Section 5.6.3.2 of this guidance document. Achievement of these strategic priorities must also be demonstrated at project closure.

#### 4.2.4 Outcome of Strategic Partnership Applications

Proposals that are shortlisted for Strategic Partnership funding through the review process will then require approval via the relevant DESNZ governance boards as well as from the Minister.

In the case of successful Strategic Partnership applications, DESNZ will set out the level of funding being approved as part of notification, followed by the process of signing of the Grant Funding Agreement.

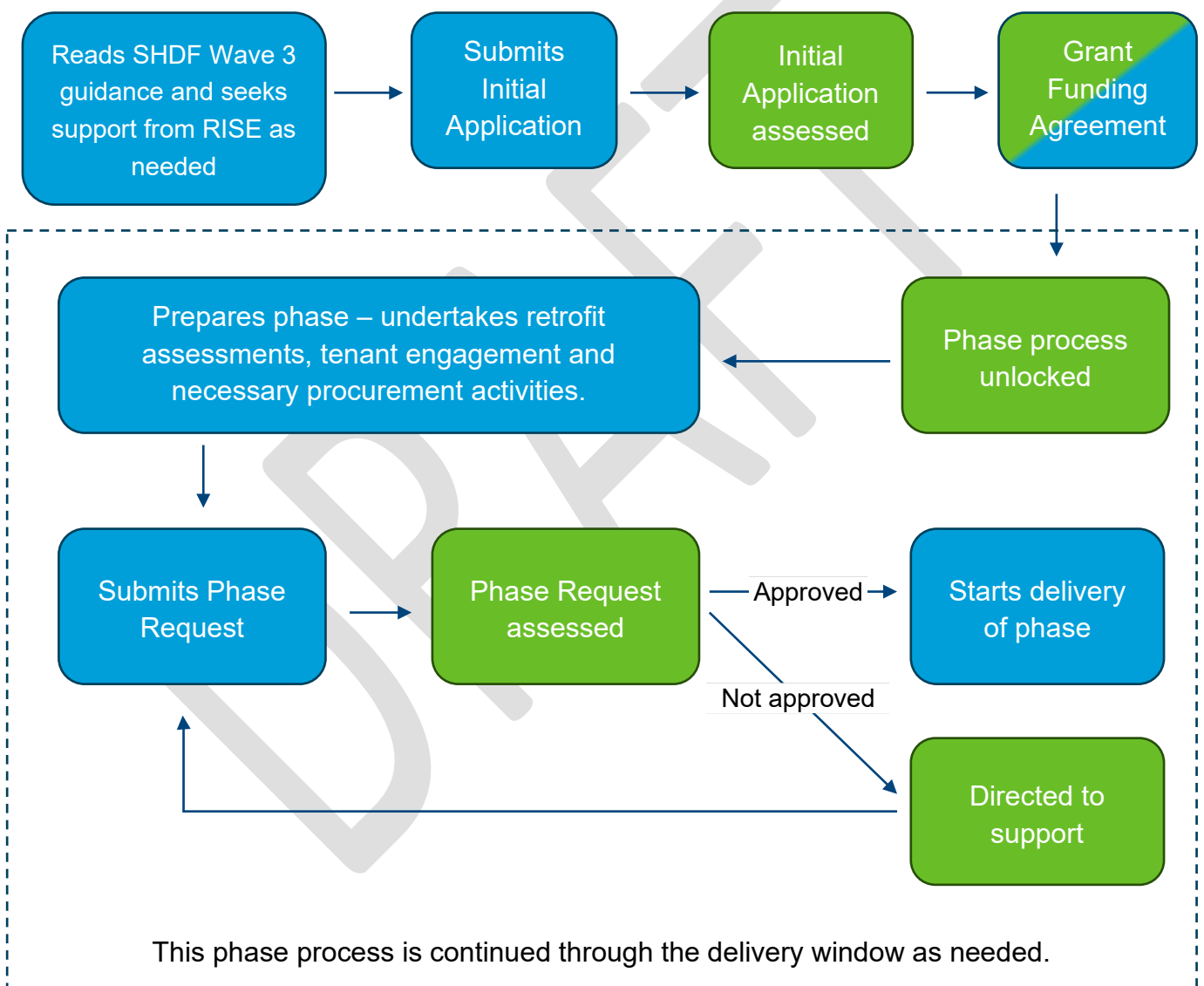
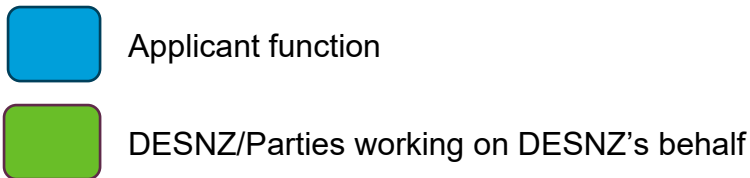
#### 4.2.5 Interaction with the Challenge Fund

Strategic Partnership applicants will be permitted to apply to the Challenge Fund, where applying with different homes. However, Applicants must ensure that this will be deliverable, and will be required to justify their confidence in its deliverability as part of the Challenge Fund Initial Application.

However, if any Strategic Partnership Applicants are unsuccessful, they will also have the opportunity to submit an application to the Challenge Fund. Consequently, there is no need for landlords applying for Strategic Partnerships to also apply for the Challenge Fund before they are aware of the outcome of their Strategic Partnership application, unless they want to upgrade homes through both routes. Unsuccessful Strategic Partnership Applicants will be required to submit a new application to the Challenge Fund. However, it is expected that the work required to do this will be limited.

## 4.3 Challenge Fund Applications

### 4.3.1 Overview of application process



### 4.3.2 Initial Applications

At initial application, Challenge Fund Applicants will not be required to provide information on specific homes to be upgraded or specific measures to be installed. Instead, Applicants

will be asked for information to demonstrate that they will be able to deliver a project to the required specifications.

### **Assessment of Challenge Fund Initial Applications**

Eligible applications for funding will be assessed by DESNZ officials and external partners working on their behalf. Applications will first be reviewed through an initial sift compliance check, where some initial clarifications may be requested.

The application form contains three types of questions:

1. **Questions that are for information only and will not be assessed (these questions will be flagged as ‘for information only’)** – whilst not marked, this will help DESNZ understand necessary information on projects, and therefore enable facilitation of effective delivery.
2. **Questions that will be assessed but will not be material for determining whether the applicant has met the minimum standards of the scheme (these questions will be flagged as ‘assessed – not minimum standards’).**
3. **Questions that will be assessed in order to determine whether the applicant has met the minimum standards of the scheme (these questions will be flagged as ‘assessed – minimum standards’).**

Questions will be assessed on the following basis:

- **Red:** the answer gives no assurance that the Applicant will comply with the requirements of the scheme.
- **Amber:** the answer gives some assurance that the Applicant will comply with the requirements of the scheme, although further clarification may be needed for full assurance.
- **Green:** the answer provides full assurance that the Applicant will comply with the requirements of the scheme.

After an application has been assessed, it will then be reviewed to determine whether it has met Challenge Fund minimum standards.

The assessed part of the application form will be set out into the following sections:

- **Strategic fit:** an assessment of how well the proposal fits with the aims, desired outcomes and eligibility criteria of the SHDF Wave 3 Challenge Fund.
- **Delivery forecast:** an assessment of the plan for the project, including proposed costs.

- **Commercial assurance:** an assessment of the feasibility and credibility of the approach to procurement as well as of the proposed contracts required to move to Phase Request stage.
- **Delivery assurance:** an assessment of the feasibility and credibility of the project including resource; project management strategies; risk and issues management and confidence in delivery of the project.

All applications that meet the minimum standards of the scheme will be awarded funding in-principle. However, if the scheme is oversubscribed, DESNZ reserves the right to vary the allocation of grant funding and Lead Applicants may be contacted and asked to scale down their applications, on the general principle that Lead Applicants receiving more red and amber scores at initial application are likely to be asked to scale down before those receiving fewer. In support of the levelling up agenda, DESNZ also reserves the right to review the distribution of funding across England comparative to the number of social homes per region and take this into consideration when deciding which Lead Applicants to ask to scale down.

DESNZ encourages applications from smaller landlords, defined for these purposes as those who own or manage fewer than one thousand homes. £30m of funding will be set aside from the Challenge Fund specifically for applications from these landlords.

All assessments including the initial compliance sift will be quality assured. DESNZ reserves the right to terminate the process at any time, and may decide not to award any grants, or to award grants for less than the total funding available under SHDF Wave 3.

DESNZ will not be liable for any costs incurred in the preparation or submission of applications.

### **Outcome of Challenge Fund Initial Applications**

Proposals that are shortlisted for Challenge Fund funding through the review process will then require approval via the relevant DESNZ governance boards as well as ministerial approval.

In the case of successful Challenge Fund applications, DESNZ will set out the level of funding being approved as part of notification, followed by the process of signing of the Grant Funding Agreement.

## **4.3.3 Phase Requests**

### **Phasing**

Before measures are installed in any homes, a Phase Request covering those homes must be submitted to and approved by DESNZ. The detail on the number of Phase Requests to be submitted, timing of these submissions and number of homes in each

submission are set by Lead Applicants, who will be required to set these out at the Initial Application stage so they can be baselined. Please refer to section 5.8 for further detail on the baseline and change control process.

The Phase Request process has been developed to reflect the way projects are delivered, with information required by DESNZ at the point it is available. However, projects should not be broken down into phases arbitrarily but only where this reflects a sensible delivery plan. We expect that projects will not have more than 10 phases or less than 10% of homes in any one phase and reserve the right to reject applications going outside of this. Lead Applicants who choose to phase a project must explain as part of the application process why this reflects a sensible delivery plan. When deciding how or if a project will be phased, Lead Applicants may wish to consider factors such as location of homes to be upgraded, tenure types, local procurement environments or differences between consortium members.

### **Phase Request submission**

The Phase Request form and detail on the submission process will be made available after grant awards are made. However, Phase Requests are likely to require full detail on the homes to be upgraded and the measures to be installed.

The information in each Phase Request should be based on a significant number of completed retrofit assessments, to ensure that both DESNZ and the Grant Recipient can have sufficient confidence in the accuracy of the information provided, but it is up to the Lead Grant Recipient to decide when they are confident to submit a Phase Request. It is suggested that to provide sufficient confidence, around 70% of flats in a block should have had retrofit assessments completed, or around 90% of homes where they are spread around an area.

Phase Requests will be accepted up until September 2027. Grant Recipients must consider the deliverability of their Phase Requests within these timeframes and set this out at application stage. DESNZ reserves the right to challenge the submission and completion dates of Phase Requests if they could result in delivery or grant spending falling outside of the schemes approved delivery window (see section 5.1).

Where a Lead Grant Recipient is facing significant delivery problems on phases that have passed through the Phase Request process, depending on the specific circumstances, they may not be allowed to submit additional Phase Requests until delivery is back on track. In extreme cases, some or all of the as yet unlocked funding may be removed.

### **Assessment of Phase Request submissions**

The assessed part of the Phase Request form will be broken into the following sections:

- **Strategic fit:** an assessment of how well the proposal fits with the aims, desired outcomes and eligibility criteria of the SHDF Wave 3 Challenge Fund.

- Please note that Lead Grant Recipients will be permitted to exceed the per property cost cap in individual phases, but will be held responsible for ensuring that the project as a whole averages to be within the cost cap. This may mean that if a Phase Request is submitted with costs which in DESNZ's view would make it difficult for the project to remain within the cost cap, the Lead Grant Recipient will be required to justify their confidence that this will not be an issue.
- **Contractor procurement:** an assessment of the suitability of the contractors that have been procured for delivery of this phase.
- **Delivery assurance and internal resourcing:** an assessment of the feasibility and credibility of the project, including organisational design, fraud management and planning.
- **Delivery forecast:** an assessment of the proposed activities and spend to take place each month.
- **Value for money:** an assessment of the costs of the proposed measures to be installed, a cost breakdown of the phase and a justification for the cost of the phase.

If a Phase Request is not approved on its first submission, the Lead Grant Recipient will be directed to further support and invited to re-submit once they have made any required changes. There is no limit on the number of times a Lead Grant Recipient can re-submit a Phase Request. However, if a Lead Grant Recipient shows no ability to submit satisfactory phases within a reasonable timeframe, some or all of their in-principal funding award may be removed.

### **Eligible expenditure interaction with Phase Requests**

Grant Recipients will be permitted to count eligible costs incurred when putting together Phase Requests as part of their co-funding contribution for the project. Such costs might include those incurred when carrying out retrofit assessments and tenant engagement. Additionally, from the 1<sup>st</sup> of April 2025, Lead Grant Recipients will be able to draw down up to 20% of their total grant funding award for eligible costs incurred in order to put together Phase Requests; made up of 15% A&A and 5% capital (see section 2.12.4 for detail on classification). Lead Grant Recipients will only be able to draw down the remainder of their grant funding following the approval of a Phase Request. Please refer to section 2.12.4 for detail on classification of spend. Co-funding may be used throughout the duration of the project.

## 5. Delivering the Project

### 5.1 Delivery Window

The delivery window for SHDF Wave 3 will run to 30th September 2028. Grant funding may be drawn down from 1<sup>st</sup> April 2025 and must be spent by 31<sup>st</sup> March 2028. Co-funding (as described in section 2.12.2) can be spent from the signing of the Grant Funding Agreement by DESNZ to 30<sup>th</sup> September 2028. Applicants are asked to submit applications they are confident can meet these deadlines and must develop evidenced project plans showing their ability to complete projects by the dates above, including considering any risks to this plan.

### 5.2 Legal Documentation

At grant award, successful Lead Applicants will be issued with a pack of information that they will need to review and return (the 'GFA pack'). This includes a Grant Offer Letter (GOL), Grant Funding Agreement (GFA) and a Data Sharing Agreement (DSA) which must be signed and returned before DESNZ will countersign. The GFA and GOL will include detail on the funded activities that Grant Recipients will deliver and enable DESNZ to issue grant payments to them under Section 98 of the Natural Environment and Rural Communities Act 2006 (NERC).

To enable prompt project kick off, Lead Applicants are requested to return completed and signed documents within 15 working days of notification that their application has been successful. A draft GFA will be available on gov.uk at the opening of the application window, and it is expected that Lead Applicants review this to enable prompt signature upon notification of the outcome of their application. Ability to administer grant payments is dependent upon the timely receipt of a signed Grant Funding Agreement and accompanying documents. Where the documents are not signed and returned within 30 days, the grant offer may be rescinded.

### 5.3 Managing potential fraud, error and other non-compliance

DESNZ requires Grant Recipients to adopt a proactive, structured, and targeted approach to managing the risk of fraud, error and other non-compliance. To ensure the safe administration of funding, Grant Recipients must have appropriate measures in place to mitigate against the risks of both fraud, error and other non-compliance. Lead Grant Recipients through the Challenge Fund must submit a fraud management plan and fraud risk assessment with their first Phase Request. Lead Grant Recipients through the



Strategic Partnership route must submit a fraud risk assessment and fraud management plan with their signed Grant Funding Agreement prior to the project starting.

The Internal Audit Service of the Lead Grant Recipient is expected to be engaged throughout delivery of the project.

Applicants are reminded of their responsibility to ensure that steps are taken to mitigate risks, which may include but are not limited to the following:

- 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.
- Conflicts of interest/collusion through illegitimate procurement or price inflation.

A range of measures to prevent and detect fraud will be utilised by the scheme. DESNZ will utilise data matching between energy efficiency schemes to monitor that the same measure installed in the same home is not claimed for under different schemes. DESNZ will be managing fraud and conducting targeted spot checks via its third parties working on their behalf. Further information on data required to mitigate fraud, funding duplication and non-compliance will be outlined in the Data Sharing Agreement.

DESNZ takes fraud, error, and other non-compliance seriously, as such we reserve the right to take appropriate action including withdrawing or clawing-back funding if the scheme requirements/eligibility criteria are not met and/or pursue prosecutions where there is evidence of serious criminality. DESNZ reserves the right to audit/inspect any aspect of the work funded under the scheme, including installations, and participants must allow us to inspect the work, at any given time during the project, to confirm that it has been undertaken in compliance with scheme rules.

DESNZ will undertake due diligence checks whilst assessing applicants, whereby the applicant may be asked to provide more information and is expected to comply with the additional checks.

## 5.4 Delivery Support

DESNZ will appoint third-party organisations to act on its behalf in management of the scheme. Grant Recipients will be required to work collaboratively with all organisations working on DESNZ's behalf.

## 5.5 Support during mobilisation

The scheme will commence with an initial mobilisation period, in advance of full project delivery. Grant Recipients are expected to undertake a range of preparatory activities during this period. These include administrative onboarding, along with further developing project plans and management arrangements. All Grant Recipients will receive specific support during this period. Challenge Fund Grant Recipients will receive dedicated support with the development of their initial Phase Request submission.

Each Grant Recipient will receive specific guidance and support for administrative onboarding, such as getting set-up on the Data Management System (DMS). Further onboarding activities and resources will be provided to Grant Recipients to support their understanding of and/or compliance with scheme requirements for processes such as reporting, monitoring, Phase Requests (Challenge Fund only), payments, change control, etc. Further details on the onboarding process will be provided in the GFA pack.

Challenge Fund Grant Recipients are expected to utilise the technical support on offer from RISE – Retrofit Information, Support and Expertise service. The expected level of engagement with RISE will vary for each Grant Recipient, depending on its previous experience and readiness to deliver. RISE support for mobilising Challenge Fund Grant Recipients will fall into two main categories:

1. Technical support for project development
2. Phase request development support

Strategic Partner Grant Recipients will also be able access technical support for their mobilisation activities from Retrofit Information Support and Expertise (RISE).

<https://www.riseretrofit.org.uk>

Further information on the support available to Grant Recipients from RISE will be included in the GFA pack.

## 5.6 Independent DESNZ Evaluation

To effectively manage public spend, deliver lessons learnt and inform future scheme design, evaluation is required to assess whether SHDF Wave 3 has been delivered as intended and achieved its intended outcomes. An independent evaluation partner will be commissioned to manage and deliver the DESNZ evaluation of SHDF Wave 3.

DESNZ's evaluation will include interviews and focus groups throughout the delivery lifecycle with Grant Recipients and scheme management stakeholders within and external to DESNZ.

Grant Recipients in both the Strategic Partnership and Challenge Fund routes must support DESNZ's independent evaluation research activities by:

- Issuing DESNZ SHDF Wave 3 Privacy Notice, and their own Privacy Notice, to project participants. This will inform them that they may be contacted by DESNZ's evaluation partner to be invited to participate in evaluation research.
- Facilitating interviews and fieldwork with selected project leads, delivery partners and project beneficiaries.
- Where applicable, sharing additional project-level data with DESNZ and its evaluation partners to supplement secondary desk research.

### 5.6.1 Self-conducted evaluation undertaken by Grant Recipients

In addition to the above, Grant Recipients in the Strategic Partnership route must also undertake mandatory self-conducted data collection, analysis and reporting activities, beyond the monitoring requirements outlined in section 5.7.3. These will form part of DESNZ's independent evaluation (see section 5.7.5 for details).

Grant Recipients in the Challenge Fund route may also opt in to delivering self-conducted evaluation activity (see section 5.8.5 for details). These Grant Recipients must note that this activity will complement and contribute to DESNZ's independent evaluation of Wave 3 and does not replace the requirement to support it.

### 5.6.2 Processing SHDF Wave 3 data

In accordance with its responsibilities as independent Controller, DESNZ has identified the lawful basis for DESNZ and its third parties to process SHDF Wave 3 data for evaluation, research and statistical purposes as public task (UK GDPR Article 6(1)(e)), where processing is necessary for the Secretary of State's responsibility to report and evaluate the effectiveness of its policies. DESNZ's evaluation partner will process SHDF Wave 3 data shared by DESNZ to invite project participants to take part in evaluation research. By taking part in research, data subjects give their consent to DESNZ's evaluation partner to process their responses as SHDF Wave 3 Research Data (UK GDPR Article 6(1)(a)).

The use of anonymised or pseudonymised data will be considered as the primary form of data sharing with parties outside of DESNZ. Only where the public task legal purpose cannot be achieved using anonymised or pseudonymised data will personal data be shared.

Designated teams within DESNZ may use SHDF Wave 3 data to generate research and official statistics concerning SHDF, national housing stock, and other DESNZ schemes. Results will be reported in an anonymised, aggregated format.

Further information on data required to deliver research, statistics and evaluation will be outlined in the Data Sharing Agreement.

### 5.6.3 Publication of evaluation findings

Independent evaluation findings may be published on GOV.UK for the purpose of transparency and to facilitate mutual learning. Any published research findings will be pseudonymised or anonymised in line with the terms of UK GDPR.

## 5.7 Strategic Partnerships

This section sets out the detail of key delivery requirements for Grant Recipients in the Strategic Partnerships route. Please refer to section 5.8 for details of the Challenge Fund route.

### 5.7.1 Baseline

#### **Baselined information**

Lead Applicants for the Strategic Partnerships application route will be required to set a baseline for their project at application stage.

Baselines will be set on the anticipated outcomes of the project, both for the overall project and also by financial year (milestones). These outcomes will be set out in terms of:

- Total number of homes to be treated and completed (measures lodged on Trustmark) and the total number of these that will achieve EPC C
- Total grant and co-funding spend
- Total carbon savings

Upon grant award, the figures making up this baseline will form part of the Grant Funding Agreement, and Lead Grant Recipients will be monitored against their progress towards the baseline throughout the lifecycle of their project.

As stated above, Lead Applicants will be required to set out the anticipated carbon savings for the project. Carbon savings must be based on modelling via full SAP or PHPP and Lead Applicants must set out the methodology used and any assumptions in their application. Lead Applicants must follow HMT Green Book guidance to convert energy

savings (kWh) into carbon savings (tCO<sub>2</sub>e): guidance and data tables can be found here: <https://www.gov.uk/government/publications/valuation-of-energy-use-and-greenhouse-gas-emissions-for-appraisal>

Once in delivery, Lead Grant Recipients will be required to provide figures on actual carbon savings, and therefore the same methodology as detailed at application stage must be used to ensure consistency.

### Milestones

The milestones will show what the Lead Grant Recipient expects to achieve in each year of the project in terms of the anticipated outcomes. These will be reviewed as part of the yearly reviews (see section 5.7.3).

	Description	Time period covered
<b>MS1</b>	End of Year 1 Outcomes	Up to March 2026
<b>MS2</b>	End of Year 2 Outcomes	Up to March 2027
<b>MS3</b>	End of Year 3 Outcomes	Up to March 2028

As projects can run up to September 2028 on co-funding (see section 5.1), the achievement of outcomes after MS3 will be reviewed as part of project closure, in terms of the achievement of overall project outcomes.

### 5.7.2 KPIs

Grant Recipients in the Strategic Partnership route will also be tracked against key performance indicators (KPIs) to support the achievement of the milestones and monitor the progress of the project. KPIs will be delivery focused and will not form part of the baseline.

Grant Recipients must report the progress against these KPIs via the reporting process outlined in section 5.7.3.

	Description	Detail
<b>KPI 1</b>	No. of homes identified as suitable for retrofit	All stages in the PAS 2035 process up to and including the Whole Dwelling Assessment have been completed

<b>KPI 2</b>	No. of homes ready for installations to start	The Design and Co-ordination stage in the PAS 2035 process has been completed and tenants have been signed up
<b>KPI 3</b>	No. of homes with installations started	The installation of measures [being installed using SHDF funding] has started.
<b>KPI 4</b>	No. of homes with installations completed	The installation of all measures [being installed using SHDF funding] has completed.
<b>KPI 5</b>	No. of homes completed (all measures have been completed and lodged on Trustmark)	The Handover phase in the PAS 2035 process has completed.

### 5.7.3 Monitoring and reporting

Grant Recipients must adhere to the monitoring and reporting regime of SHDF Wave 3. Monitoring and reporting are key activities to ensure that Grant Recipients are supported to deliver their projects and provide DESNZ with oversight of how projects are progressing against their outcomes. Reporting is also required for tracking the benefits of the project, and for the publication of official statistics of the project which are a requirement for transparency when spending public money. DESNZ will work with third parties to manage the monitoring and reporting regime for the scheme on its behalf.

#### Monitoring

Lead Grant Recipients in the Strategic Partnership route will be required to attend meetings with DESNZ or their representatives on a regular basis to review progress towards the outcomes of the project. The frequency of these meetings will be confirmed following the grant funding award but is expected to be on at least a quarterly basis and will be based on the needs of the project.

#### Yearly review

A formal review of progress against the baseline will occur on a yearly basis, in alignment with the milestones. This will be a meeting where Lead Grant Recipients will be expected to demonstrate their progress towards achieving the outcomes detailed in the baseline.

This review will provide the opportunity for Lead Grant Recipients to raise any amendments needed to the baseline, which can then be considered via the change control process. Whilst this yearly review provides a fixed opportunity to revisit the baseline, Lead

Grant Recipients may raise any amendments to the baseline outside of this regime by notifying their lead point of contact.

The yearly review will also be an opportunity to reflect on progress to date, look ahead to the next year and raise any blockers or issues.

As part of this yearly review, Lead Grant Recipients under the Strategic Partnerships route must also provide detail on how they are progressing against the strategic priorities that they set out at application stage (see section 4.2.2), utilising evidence from their self-conducted evaluation activity (see section 5.7.5).

### Reporting

Grant Recipients must supply DESNZ with data on a routine basis, at most monthly, following the reporting cycle set out in the Grant Funding Agreement (GFA) and Data Sharing Agreement (DSA). This data is required to enable delivery progress to be effectively managed and reported, for publishing quarterly statistics, and to conduct Evaluation.

Grant Recipients will supply this data via the Data Management System (DMS) and the process for this will be set out during the mobilisation period following grant award.

It is expected that Grant Recipients will report on the following data points:

- Project summary
- Project team
- Baselines
- Project update (RAG rating)
- Actuals and forecasts, including KPIs
- Risks, fraud, and error
- Finance
- Properties, tenants, measures, and installers

#### 5.7.4 Change Control

Lead Grant Recipients must submit a change request via the change control process for changes to the project outcomes set at the application stage and that form the baseline of the project (see section 5.7.1).

Lead Grant Recipients may submit a change request at any point during the project, however, as detailed above in section 5.7.3 there will be a formal review of the outcomes of the project at set intervals for the duration of the project, and this will give Lead Grant Recipients the opportunity to request changes to their outcomes should they need to.

### 5.7.5 Mandatory self-conducted evaluation activities

Evaluation is important to assess whether SHDF Wave 3 has been delivered as intended and achieved its intended outcomes. As part of this, it is necessary to assess Strategic Partnership project delivery and benefits.

Grant Recipients in the Strategic Partnership route will be required to undertake specific self-conducted data collection, analysis and reporting activities beyond the monitoring requirements outlined in section 5.7.3, as part of the overall scheme evaluation of SHDF Wave 3.

As outlined in section 5.6, an independent evaluation partner will be appointed to manage and deliver the scheme evaluation. Grant Recipients must note that the mandatory self-conducted evaluation activity described in this section is distinct from the requirement to participate in and support DESNZ's independent evaluation activities (set out in section 5.6), and that self-conducted evaluation activities undertaken by Grant Recipients will complement and contribute to DESNZ's independent evaluation of SHDF Wave 3.

DESNZ's independent evaluation partner will support Grant Recipients in the Strategic Partnership route to undertake these self-conducted evaluation activities, and to develop the necessary skills and experience required to continue evaluating retrofit delivery in the long-term. Developing these evaluation skills will enable Grant Recipients to build an understanding of how their projects may be improved, and in turn to prepare for retrofit post-2030.

Evaluation data collected will support Grant Recipients to evidence the extent to which they are meeting SHDF's strategic priorities (as described in section 4.2.3). It also provides an opportunity to shape future scheme design, as evaluation insights are used to inform future schemes.

Costs incurred when carrying out mandatory self-conducted evaluation activities will be counted as eligible projects costs and thus can be funded by SHDF grant funding.

#### **Available evaluation support**

As outlined in section 5.6, DESNZ will appoint an independent evaluation partner to manage the scheme's evaluation. The evaluation partner will also provide support to Grant Recipients in the Strategic Partnership route to deliver self-conducted evaluation activities. Support is expected to comprise of:



- Initial training sessions to provide guidance on self-conducted evaluation requirements and setup of evaluation activities
- Drop-in sessions to provide tailored evaluation advice throughout delivery
- Review, feedback and agreement on evaluation plans and reports
- Quarterly drop-in sessions and keep-in-touch sessions with every project
- Annual lesson sharing sessions

### Approach

Grant Recipients in the Strategic Partnership route must comply with the mandatory self-conducted evaluation requirements set out within Group A below. They may optionally choose to also undertake additional evaluative activity set out within Group B, if relevant to their specific project aims. However, applicants should note that any costs incurred to carry out the additional evaluative activity set out within Group B must be entirely self-funded.

Group A is likely to contain three sets of outcome indicators, which Grant Recipients in the Strategic Partnership route will be required to collect quantitative data on and report against, according to a methodology set out by DESNZ. Each set of outcome indicators covers a different outcome area that is relevant to all projects and the SHDF Strategic Priorities.

Group B contains a longlist of evaluation topics on a range of themes, which Grant Recipients may optionally choose to answer with additional data collection and analysis of their own design.

See the table below for a summary of the outcomes and data collection approaches each Group is likely to include. Further details will be provided following the grant funding award.

Group	Outcomes and example outcome indicators	Data collection approach and frequency
Group A: Mandatory outcome indicators	Social housing landlord capacity and capability development e.g. <i>Division of roles within Grant Recipients' retrofit capacity.</i>	Grant Recipients complete an annual data form and return to DESNZ, aligning with annual monitoring processes.
	Supply chain capacity and capability development e.g. <i>Upskilling</i>	Grant Recipients issue an annual data form to their retrofit supply

	<i>undertaken within Grant Recipients' supply chain.</i>	chain and ensure timely return to DESNZ, aligning with annual monitoring processes.
	Tenant outcomes e.g. <i>Satisfaction with measures installed</i>	Grant Recipients issue a post-installation tenant questionnaire. See below for further details.
Group B: Optional evaluation topics	Up to three evaluation topics from a broad longlist <sup>6</sup> e.g. <i>Influences on successful project delivery, Delivery of environmental and cost benefits</i>	To be proposed by Grant Recipients. See below for further details.

Following the grant funding award, Grant Recipients will be required to develop and share an evaluation plan with DESNZ that sets out their proposed data collection and analysis approaches for Group A's outcome indicators and optionally, Group B's additional evaluation topics. DESNZ will provide a template document that Grant Recipients will be required to follow. Support from the DESNZ evaluation partner will be provided to review and advise on evaluation plans.

#### Tenant questionnaire: further details

Post-award, DESNZ will provide a small number of questions that Grant Recipients will be required to issue to tenants via a tenant questionnaire, as well as further technical instructions. This will allow overall metrics for these outcomes to be produced across the scheme and provide Grant Recipients with rigorous data on the experiences of and impact of installations on their social housing residents.

Grant Recipients can choose to conduct questionnaires through in-house research teams or external contractors, as best suits individual project contexts and contractual arrangements. We anticipate Grant Recipients will determine the exact questionnaire method which best suits their tenants and individual project contexts. Specific data collection modes could include online, computer assisted telephone interviewing (CATI), paper questionnaires, or face to face. DESNZ and the Evaluation partner will provide detailed guidance and can provide project-specific advice if required. Grant Recipients may wish to make use of existing data collection activities to administer these tenant questions.

<sup>6</sup> Support and methodological guidance from DESNZ's Evaluation partner will be provided for up to three evaluation topics, though Grant Recipients may choose to explore further topics from Group B independently.

### Group B: further details

Post-award, DESNZ will provide Grant Recipients with a longlist of broad evaluation topics and corresponding evaluation questions on a range of themes. Grant Recipients in the Strategic Partnership or Challenge Fund route may optionally choose to undertake additional self-conducted evaluation data collection, analysis and reporting on any of these topics where relevant to their project contexts and in support of their research interests.

Unlike Group A, Grant Recipients must propose their own data collection and analysis approaches. Support – including methodology guidance – from DESNZ’s evaluation partner will be provided for up to three evaluation topics, though Grant Recipients may choose to explore further topics independently.

Grant recipients may choose to use Smart Meter Enabled Thermal Efficiency Ratings (SMETER) in the evaluation of retrofit and this would help them to deliver (and receive points) under the ‘Innovation’ Strategic Priority. SMETER is a cost-effective approach for assessing energy performance while the home is ‘in-use’ (occupied) using smart meters and other low-cost data sources to produce energy performance metrics, such as the rate of heat loss. Social landlords may benefit from using this technology to better understand their housing stock, heat pump readiness and the effectiveness of retrofits for social housing residents.

### Evaluation in the application process

As part of the application process set out in section 4.2, Applicants must provide evidence of existing evaluation capacity and experience within their application form to demonstrate that the Applicant is sufficiently resourced and has access to the relevant resources required to manage mandatory self-conducted evaluation activities.

Details provided will be used as a basis for DESNZ officials to assess the level of evaluation support required. They will not be scored or form the basis upon which grant funding is issued but reflect the importance DESNZ places on evaluation and will help assure DESNZ of Applicants’ ability to deliver evaluation activities.

Additional guidance on the type of evidence required from Applicants will be provided within the application form. Applicants must refer to this guidance where necessary and ensure that they have complied with all requirements.

### Self-conducted evaluation reporting requirements

It is likely that Grant Recipients in the Strategic Partnership route will be required to deliver one mid-delivery evaluation report and one end-delivery evaluation report.

DESNZ will provide reporting templates that Grant Recipients will be required to follow. The exact timing and content of the mid-delivery and end-delivery evaluation reports will be confirmed following the grant funding award, but they are expected to include interim and final self-conducted evaluation findings respectively, methodological detail and quality

assurance undertaken. They will be timed to align with yearly reviews and/or closure reporting, where relevant for that year.

Data included in these reports may form part of DESNZ's independent evaluation reporting, which will be published on GOV.UK for the purpose of transparency and to facilitate mutual learning.<sup>7</sup>

## 5.8 Challenge Fund

### 5.8.1 Baseline

#### **Baselined Information**

Lead Grant Recipients under the Challenge Fund application route will be required to set the initial baseline for their project at the initial application stage.

The initial baseline will be set on the following:

- Total number of homes to be treated and completed (measures lodged on Trustmark) and the total number of these that will achieve EPC C
- Total grant and co-funding spend, per financial year
- Number of Phase Requests, number of homes in each phase and timing of phase start and end (milestones – see further detail below)

Lead Grant Recipients under the Challenge Fund route must submit Phase Requests for their project in line with the milestones set out at initial application (or follow the Change Control process if they wish to update these – see section 5.8.4); these will add further detail to the baseline and unlock capital grant funding spend (see section 4.3.3). Following the approval of a Phase Request, this detail will be added to the baseline. Lead Grant Recipients will be required to deliver against this detailed baseline once each Phase Request has been approved.

The detailed baseline will be set on the following, and this will be per phase:

- Total number of homes to be treated and completed (measures lodged on Trustmark) and the total number of these that will achieve EPC C, per phase
- Number of measures to be installed
- Type of measures to be installed

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<sup>7</sup> The published outputs of the completed SHDF Demonstrator evaluation are available [here](#).

- Total grant and co-funding spend within this phase

If amendments are needed to either the initial or detailed baseline, Lead Grant Recipients must make this change via the change control process (see section 5.8.4). As the detailed baseline should be based on a significant number of completed retrofit assessments to ensure that both DESNZ and the Grant Recipient can have full confidence in the accuracy of the information provided, it is expected that this should limit the probability for changes to the baseline (also see section 4.3.3).

### Milestones

As part of the initial baseline, Lead Grant Recipients will set milestones which show the submission of a Phase Request and the completion of that phase, including the number of homes in each phase. The number of milestones in a project will be dependent on the number of phases in that project, as set by the Lead Grant Recipient (see section 4.3.3). For example:

	Description
<b>MS1</b>	Submission of Phase Request 1
<b>MS2</b>	Completion of Phase Request 1
<b>MS3</b>	Submission of Phase Request 2
<b>MS4</b>	Completion of Phase Request 2
	Etc (to cover all Phase Requests of the project)

Milestones can be completed concurrently if a project has multiple phases in delivery at the same time.

### 5.8.2 KPIs

Grant Recipients in the Challenge Fund route will also be tracked against key performance indicators (KPIs) to support the achievement of the milestones and monitor the progress of the project. KPIs will be delivery focused, reported on per-phase and will not form part of the baseline.

Grant Recipients must report the progress against these KPIs via the reporting process outlined in section 5.8.3.

	Description	Detail
<b>KPI 1</b>	No. of homes identified as suitable for retrofit	All stages in the PAS 2035 process up to and including the

		Whole Dwelling Assessment have been completed
<b>KPI 2</b>	No. of homes ready for installations to start	The Design and Co-ordination stage in the PAS 2035 process has been completed and tenants have been signed up
<b>KPI 3</b>	No. of homes with installations started	The installation of measures [being installed using SHDF funding] has started.
<b>KPI 4</b>	No. of homes with installations completed	The installation of all measures [being installed using SHDF funding] has completed.
<b>KPI 5</b>	No. of homes completed (all measures have been completed and lodged on Trustmark)	The Handover phase in the PAS 2035 process has completed.

### 5.8.3 Monitoring and reporting

Grant Recipients must adhere to the monitoring and reporting regime of SHDF Wave 3. Monitoring and reporting are key activities to ensure that Grant Recipients are supported to deliver their projects and provide DESNZ with oversight of how projects are progressing against their outcomes. Reporting is also required for tracking the benefits of the project, and for the publication of official statistics of the project which are a requirement for transparency when spending public money.

DESNZ will work with third parties to manage the monitoring and reporting regime for the scheme on its behalf.

#### Monitoring

Lead Grant Recipients in the Challenge Fund route will be required to attend meetings with DESNZ or their representatives on a regular basis to review progress towards the outcomes of the project. The frequency of these meetings will be confirmed following the grant funding award but is expected to be on at least a monthly basis with the possibility to increase frequency depending on the needs of the project.

#### Reporting

Grant Recipients must supply DESNZ with data on a routine basis, at most monthly, following the reporting cycle set out in the Grant Funding Agreement (GFA) and Data

Sharing Agreement (DSA). This data is required to enable delivery progress to be effectively managed and reported, for publishing quarterly statistics, and to conduct Evaluation.

Grant Recipients will supply this data via the Data Management System (DMS) and the process for this will be set out during the mobilisation period following grant award.

It is expected that Grant Recipients will report on the following data points:

- Project summary
- Project team
- Baselines
- Project update (RAG rating)
- Actuals and forecasts, including KPIs
- Risks, fraud, and error
- Finance
- Properties, tenants, measures, and installers

#### 5.8.4 Change Control

Lead Grant Recipients must submit a change request via the change control process for changes to the initial baseline set at the initial application stage, or the detailed baseline set at each Phase Request submission (see section 5.8.1). Lead Grant Recipients must engage with DESNZ or their representatives as soon as possible if they identify there may need to be a change request submitted.

#### 5.8.5 Optional self-conducted evaluation activities

As outlined in section 5.6, evaluation is necessary to assess whether Wave 3 has delivered as intended and achieved its intended outcomes. DESNZ will appoint an independent evaluation partner to manage and deliver the independent evaluation of SHDF Wave 3. As part of this, Grant Recipients in the Strategic Partnership route will also be required to undertake specific self-conducted data collection activities, outlined in section 5.7.5 above, that will form part of project and scheme-level evaluation.

Grant Recipients in the Challenge Fund route are encouraged to opt in to undertaking self-conducted evaluation activity alongside Grant Recipients in the Strategic Partnership

route. Support and feedback will be available from DESNZ and the evaluation partner to support evaluation skills development.

Grant Recipients must note that the self-conducted evaluation activity described in this section is distinct from the requirement to participate in and support DESNZ's independent evaluation activities (set out in section 5.6), and that self-conducted evaluation activities undertaken by Grant Recipients will complement and contribute to DESNZ's independent evaluation of Wave 3.

Grant Recipients in the Challenge Fund route who wish to opt in to undertaking self-conducted evaluation activity should refer to the guidance in section 5.7.5 for details of the available support, application requirements, required evaluation activity, and reporting requirements. Costs incurred when undertaking Group A evaluation activities will be eligible for SHDF grant funding. However, any costs incurred when undertaking Group B evaluation activities must be entirely self-funded.

## 5.9 Payment of the grant

As per section 2.12.1, grant payment will begin after April 1<sup>st</sup> 2025 and once the Grant Funding Agreement (GFA) has been signed by both parties.

In the Challenge Fund route, Lead Grant Recipients will only be able to draw down up to 20% of their total grant funding award before their Phase Requests are approved; made up of 15% A&A and 5% capital (see section 2.12.4 for detail on classification). They will be able to draw down the remainder of the grant following the approval of Phase Requests.

Payments will be made on spend incurred following the submission of a drawdown request by the Lead Grant Recipient. Lead Grant Recipients will be able to submit a claim for payment of the grant at most monthly and must claim at least once per quarter. There will be a set deadline each month to submit a claim in order for it to be processed in line with DESNZ payment timelines.

### 5.9.1 Payment process

1. On a set date in each month, Lead Grant Recipients who want to make a claim must submit a grant drawdown request covering project spend to be incurred in the following month. Detail of this request and where it must be sent will be provided after grant award.
2. This will then be checked by DESNZ or parties working on their behalf to confirm if it is acceptable, before arranging for the payment to be made in line with payment timescales.



**Example:** The Lead Grant Recipient submits a drawdown request by the set date in January for spend expected to be incurred in February. This request is checked, processed and payment is then issued in early March.

3. If the grant drawdown request is not submitted by the set date, DESNZ cannot guarantee payment within relevant time periods.
4. The final payment will be made once all grant spend has been reconciled and accounted for.

Please note, ahead of the end of each financial year, Lead Grant Recipients may be required to provide additional forecasts of spend to be incurred in that financial year to support with DESNZ's accruals process.

### 5.9.2 Spend incurred

Claims must be made for spend incurred. Grant Recipients do not need to wait for work to be invoiced or paid before they can claim for costs incurred (defined as any Eligible Expenditure committed and accrued, as long as the activity is due for completion within the Funding Period which is defined in the GFA).

### 5.9.3 Reconciliation

1. Each quarter, Lead Grant Recipients will be required to submit a summary statement of the actual eligible expenditure that has been incurred to date.
2. This summary statement must contain a high-level overview of payments that the Grant Recipient has made in relation to delivery of Wave 3, including to consortium partners and as part of any work on their own stock.
3. Based on the reconciliation, the forecast for the remainder of the project will need to be updated in line with the process outlined above.
4. A template for the summary statement will be provided and will require high level overview of payments as per point 2.

### 5.9.4 Evidence Check

1. At the end of every reconciliation exercise, DESNZ and parties working on their behalf will conduct an evidence check.
2. A sample of invoices will be requested from each Lead Grant Recipient, who will have 5 working days to provide the invoice evidence to be checked. DESNZ and parties working on their behalf will work proactively with the Lead Grant Recipient during this time.

3. To assist this process, alongside any checks required by the Lead Grant Recipient's own governance, DESNZ require all information pertaining to costs incurred during the project are recorded and evidenced.

DESNZ reserves the right to request a full evidence check at any point during delivery and will work proactively with the Lead Grant Recipient to carry this out in appropriate timescales.

### 5.9.5 Payment provisions within the Grant Funding Agreement

Payment of the grant will only commence after the Grant Funding Agreement (GFA), Grant Offer Letter (GOL), and associated agreements have been signed between the Grant Recipient (Lead Applicant) and DESNZ. These will include the requirement for detailed statements of expenditure and requests for funds in a specified format.

To note, grant funding is available from April 2025, and therefore the earliest a Grant Recipient can receive a payment is May 2025, provided submission of a claim is done in line with the payment process set out in section 5.9.1. Lead Grant Recipients must spend all their grant funding by 31 March 2028 and will lose their opportunity to claim grant funding after this date. Further to this, grant funding must also be spent within the financial year it was allocated and is non-transferable between financial years.

Grant Recipients must satisfy the due diligence, financial and organisational checks required prior to receiving public funds.

A draft GOL and GFA will be provided alongside the final SHDF Wave 3 guidance for Applicants to review. Some key provisions that will be included in the GFA are outlined below:

1. Grant funding awarded to each Grant Recipient must be spent by 31st March 2028, and Grant Recipients will lose their opportunity to claim grant funding after this date.
2. As per section 2.12.1, Grant Recipients must align their grant funding spend and drawdowns with the SHDF spend profile on a per-financial year basis. This will be reflected in the GFA agreed outputs as part of the baseline.
3. Grant Recipients that underspend against their agreed baselined grant funding in each financial year will not receive this underspent grant funding in the following financial year and may be subject to clawback from DESNZ if they have received an overpayment.

### 5.9.6 Additional Information

DESNZ reserves the right to pause or reduce payments subject to poor delivery performance. This will be based on an assessment by DESNZ or parties working on their

behalf and based on the monthly reporting data, submission, and completion of Phase Requests in the Challenge Fund route, yearly reviews in the Strategic Partnerships route and other performance indicators and will be signed off by DESNZ. The Lead Grant Recipient is expected to work with the DESNZ and parties working on their behalf to resolve issues.

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## 6. Information Management

### 6.1 Applicant Contacts

Provision of Applicant contact details will be held in DESNZ's Customer Relationship Management platform.

Lead Applicants will be required to provide contact details for at least one named person to DESNZ (including their nominated single point of contact). DESNZ would suggest one or more contact(s) who is/are the project lead, communications lead, finance lead, or legal lead. DESNZ will use this information to communicate scheme updates, training notices, information on future schemes and opportunities and invitations to relevant events. In addition, DESNZ require the details of the CEO of the Lead Applicant, which will be used for escalation purposes. Details of how this information will be held and used will be set out in the SHDF Wave 3 Data Sharing Agreement.

### 6.2 Publication Process

DESNZ may wish to publicise the results of the scheme, which may involve engagement with the media, including press, social media, and other channels. At the end of the application and assessment process and upon signing of the Grant Offer Letter and Grant Funding Agreement, DESNZ may issue a press release or publish a notice on its website. These public documents may, for example, outline the overall results of the SHDF Wave 3 application process and describe some of the projects to be funded. DESNZ may wish to publish the following information:

- Identity of the participant and its partners;
- Project summary information including aims and expected outcomes of the project as well as the technologies they propose to install;
- Locations of where the properties are that the project will undertake works on (designated by county or city); and,
- Total award value.

Some organisations may want the detail of their projects to remain confidential and Applicants will be given a chance to opt out of any involvement in media relations activity and further case study coverage of projects, should they see this as being absolutely necessary. However, the public description of the project that the Lead Applicant provides in their application will be made available in the public domain if their application is

successful, and Lead Applicants may not opt out of the basic project description being published.

Please note that there will be an embargo placed upon the details of successful projects until DESNZ has made the formal grant award announcement. Following this, DESNZ would encourage projects to publicise their plans, achievements and lessons learned throughout the project lifecycle. Projects must include a reference to the SHDF funding in their publications, and where the DESNZ logo is used, projects are required to notify the SHDF stakeholder engagement and comms team to obtain permission beforehand. All Grant Recipients must make clear in all publicity arrangements, marketing materials and during tenant engagement that funding for these works has been provided (in part) by UK Government/DESNZ. These materials must make reference to any DESNZ provided branding, should this be proposed.

Following completion of the funded projects, DESNZ will publish on its website a summary of the funded activities and the outcomes achieved. This may include a final summary report detailing key achievements from each project. DESNZ may also publish outputs from the independent evaluation research that it will be conducting. These outputs will be high-level summaries of research findings generated primary research with scheme stakeholders and secondary data analysis, covering Wave 3. Any research findings published will be anonymised in line with the terms of UK-GDPR.

DESNZ however recognises the need to maintain confidentiality of commercially sensitive information. DESNZ will consult Applicants regarding the nature of information to be published, to protect commercially sensitive information.

# Annex A

The diagram is an illustrative example of the support provided by RISE, for full details of support please visit [www.riseretrofit.org.uk](http://www.riseretrofit.org.uk).



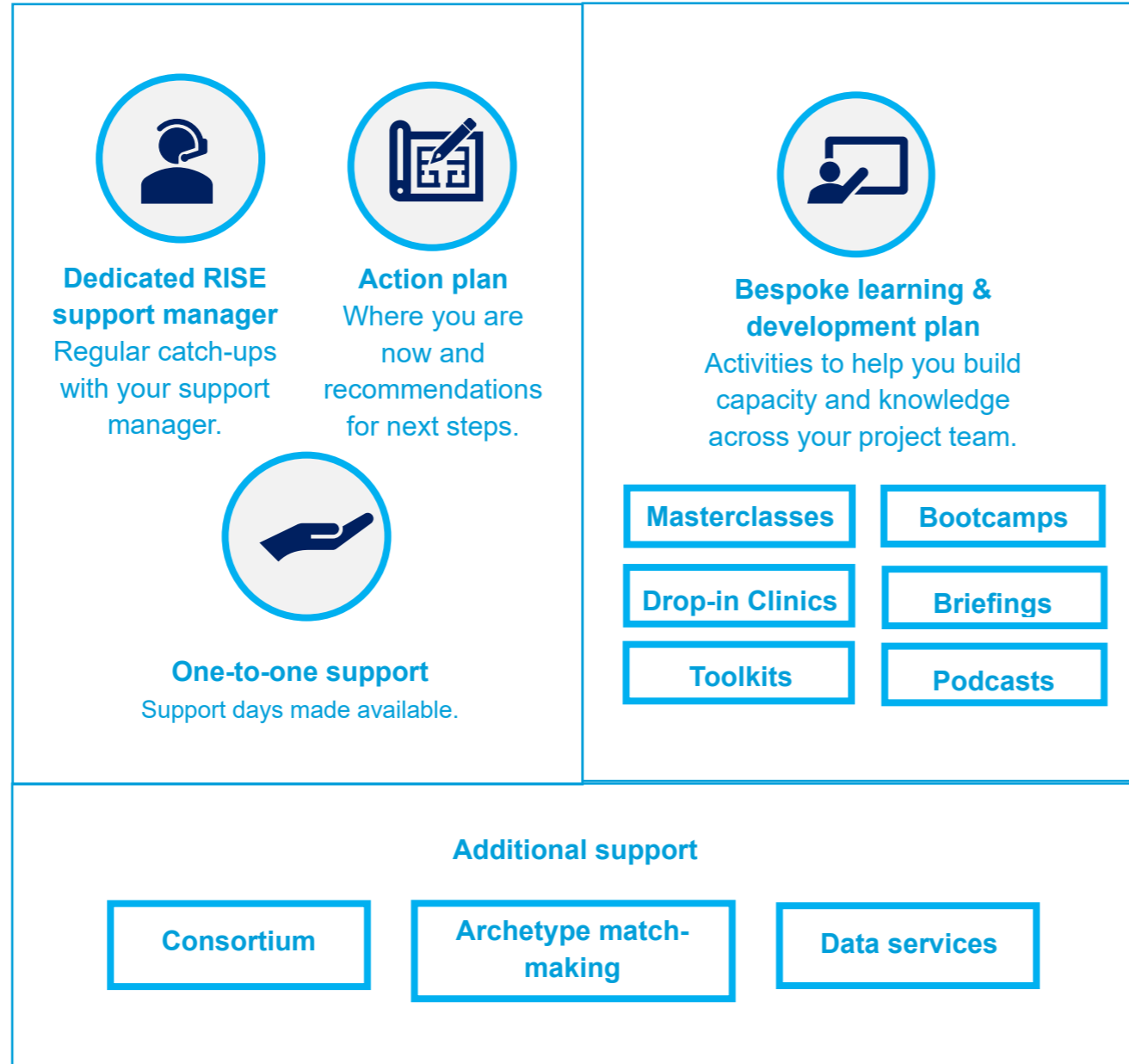
### Self-assessment

Complete a quick 15min survey on your experience of delivery retrofit.



### Follow-up call

Discuss your self-assessment results with a RISE team member.



### Critical friend review

A RISE team member undertakes a detailed review of your draft application



### Find out whether your application was successful

Notification received from the Department for Energy Security & Net Zero



### Ongoing support

Grant recipients can receive ongoing RISE support.