UK Government

Warm Homes: Social Housing Fund Wave 3

Scheme Guidance

September 2024

Contents

1. Introduction

The energy shocks of recent years have shown the urgent need to upgrade homes and secure Britain's energy independence. The Government's Warm Homes Plan will support investment in insulation and low carbon heating – upgrading millions of homes over this Parliament. The Government's ambitious plans will protect billpayers, reduce fuel poverty and get the UK back on track to meet our climate goals.

Acting as a significant driver of the Warm Homes Plan, Warm Homes: Social Housing Fund provides funding to local authorities, combined authorities, registered providers of social housing, and registered charities that own social housing in England to install energy efficiency upgrades and low-carbon heating measures to homes in England.

Wave 3 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.

WH:SHF will look to allocate funding to deliver warm, energy efficient homes, reducing carbon emissions and tackling fuel poverty.

WH:SHF Wave 3 was formerly known as SHDF Wave 3, and Draft Guidance for this scheme was published on Monday 13 May 2024, and social housing landlords have had the opportunity to ask clarification questions by mid-June 2024.

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 Demonstrator and Waves 1, 2.1, and 2.2 have been incorporated into the design of WH:SHF Wave 3.

The key aims and objectives for WH:SHF 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, resident 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.

- **Residents**: Improve the comfort, health, and wellbeing of social housing residents 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.

Please note, in relation to the recent Grenfell report, the report's recommendations must be considered with the seriousness that the tragedy deserves. The Government will, therefore, consider all recommendations in detail and respond within six months, listening to the community as part of this work. Further guidance will be issued should any impact on WH:SHF Wave 3 be identified.

1.1 Outline of WH:SHF 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 WH:SHF 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. WH:SHF 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 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 WH:SHF Wave 3 will run from signing of the legal documentation (see section 5.2) to 30th September 2028.

Multi-year funding profiles for WH:SHF will be determined through the Spending Review, but Grant Recipients should aim to spend around one third of their grant in each financial year from FY25/26 to FY 27/29. All grant funding for WH:SHF Wave 3 projects must be transferred to the Grant Recipient and spent by 31st March 2028, and within the financial year the grant funding was allocated in the Grant Funding Agreement, 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.

Funding for WH:SHF Wave 3 is being secured through the Spending Review, and DESNZ reserves the right to cancel the launch of WH:SHF 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 scheme guidance and clarification questions, 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 WH:SHF 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.

1.2 What's new for Wave 3

- **Application routes:**
    - There are two new routes to access funding under WH:SHF Wave 3: via the Challenge Fund and via Strategic Partnerships. Individual and consortium applications will be permitted through both routes.
    - A key principle of the Challenge Fund approach is that all applications that meet the minimum requirements of the scheme will be awarded funding (although if the scheme is 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.
    - Organisations with a proven track record of successful delivery and whose applications display ambition aligning with our Strategic Priorities, including delivery at scale, can access funding through a Strategic Partnership. To reflect the capability evidenced by these organisations and to support delivery at scale, these Grant Recipients will not be required to provide detail on specific homes and measures until works are being carried out, as part of routine delivery monitoring.
    - The main advantages of each funding route have been laid out in the following table to assist organisations in their application:

Strategic Partnerships	Challenge Fund
Designed to help capable organisations deliver ambitious and innovative retrofit projects.	Suited for all providers, including smaller landlords or those without previous retrofit experience.
Provides greater autonomy and flexibility in project delivery. Less monitoring and data reporting requirements.	Guaranteed funding if minimum requirements of the scheme are met.
Closer strategic relationship with DESNZ and chance to share future policy recommendations.	Lower level of detail required in the application.
Opportunity to take on leadership role for the future scale up of retrofit.	Phased approach to delivery gives Applicants more time to collect information on their homes.
Access to tailored evaluation support to build understanding of own retrofit processes, how to improve, and how to evaluate future retrofit delivery.	Grant Recipients are not required to deliver against DESNZ strategic priorities or carry out self-conducted evaluation activities.

- 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 30th September 2028. All grant funding for WH:SHF Wave 3 projects must be transferred to the Grant Recipient and spent by 31st March 2028, and within the financial year the grant funding was allocated, meaning projects can use only 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 for homes at EPC bands E-G 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^2/year space heating demand consideration in Wave 2[1] no longer applies for Wave 3. DESNZ encourages applicants to avoid going beyond performance outcomes to the extent that is possible.

- **Cost caps:** There is a new base cost cap for 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 an additional £7,500 of grant funding available if the Grant Recipient installs low carbon heating measures in homes off the gas grid. This cost cap is known as the off gas grid low carbon heating cost cap uplift.

- **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. This grant requires no co-funding and sits outside of the wider co-funding structure of the application. Homes accessing this incentive cannot access the base cost cap or the off gas grid low carbon heat uplift.

  Low carbon heating measures eligible for installation using this incentive offer are limited to air source heat pumps, ground source heat pumps and shared ground loops in the first instance, with heat network connections also eligible once permitted under the scheme.

- **EPC C+ homes:** In previous Waves, 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

[1] Wave 2 encompasses both Waves 2.1 and 2.2 throughout this document

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 (this minimum was 50% in Wave 2). The eligible measures in such blocks/terraces are limited to insulation, ventilation, and communal low carbon heating. Non-social homes in these blocks can access cost caps as per social homes and costs must be incorporated into the application form as for any other home. As such, there is now no requirement to establish the low-income status of such residents. The requirement for owner occupiers and private rented sector landlords/residents to contribute to measure costs no longer applies. Applicants can still request contributions from owner occupiers and private rented sector landlords/residents and reach an agreement with them in which they contribute to the costs of measures installed in their home. These contributions will count towards the co-funding amount. These contributions must adhere to all relevant legislation (including Florie's Law, for example).

- **Revisiting homes:** Homes previously treated in Wave 1 or the Demonstrator are eligible to be treated in WH:SHF Wave 3 as long as they comply with WH:SHF Wave 3 eligibility requirements and only where low carbon heating measures are being installed. Homes treated in 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, except in the case of small social housing landlords (defined for this purpose as those who own or manage fewer than 1000 homes), who 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 but will accept applications below 100 homes if neither of these options is possible.

  Strategic Partnership Applicants will be expected to propose projects which display ambition aligning with our Strategic Priorities, including delivery at scale.

- **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.

1.3 Applicant Journey

This section goes through the expected process of preparing an application and signposts relevant sections of the policy guidance.

Information	Section
What has changed since draft guidance was published in May?	1.5 Scheme guidance update
When can I apply, and how long do I have to deliver the project?	1.4 Key dates 5.1 Delivery Window
Can I apply?	2.1 Eligible Applicants
Can I apply as part of a consortium?	2.2 Consortium applications
Which homes can be included in my project?	2.3 Eligible properties 2.4 Non-social homes and homes at or above EPC C
How do homes need to be improved?	2.8 Performance outcomes
Which measures can be installed in homes?	2.9 Eligible measures
How much grant funding can be accessed per home?	2.12 Funding and eligible costs
How much co-funding needs to be contributed?	2.12 Funding and eligible costs
What support is available for Applicants?	3 Support for Applicants Support is available through RISE
What are the differences between the two application routes? Which should I apply for?	4.1 Application routes
How do I submit my application?	4. How to apply 4.1.4 Application form submission
What will be considered as part of my application? Does it differ between the two routes? How will I know whether I have been successful?	4.2 Strategic Partnership applications 4.3 Challenge Fund applications

What agreements do I need to sign to access funding?	5.2 Legal documentation
Will I have any support during delivery?	5.4 Delivery support 5.5 Support during mobilisation
What do I need to do in delivery? Does it differ across the two routes? How will I report progress?	5.7 Strategic partnerships 5.8 Challenge fund
What do I need to do to receive grant payments?	5.9 Payment of the grant

1.4 Key Dates

The following table outlines indicative dates for WH:SHF Wave 3 milestones.

Milestone	**Indicative Date**
Draft Guidance published – clarification period begins	13th May 2024
Clarification period ends	3rd June 2024
Scheme Launch: • Final Guidance documents published • Application form questions published • Draft Data Sharing Agreement and Privacy Notice published	September 2024
Application forms available Applications can be submitted	w/c 30th September 2024
Draft Grant Funding Agreement published	During application window
Application window closes	Midday on 25th November 2024
Successful projects notified	Early 2025
Deadline for all grant funding to be transferred to Grant Recipients and spent	31st March 2028

Delivery window ends	30th September 2028

1.5 Scheme guidance update September 2024

The table below highlights the key changes made to the Wave 3 Scheme Guidance document following feedback received from potential Applicants in webinars held in May and from correspondence received on the draft guidance during the clarification window. These changes that we have made are to clarify some of the more complex areas of the policy guidance, and ensure the policy is up-to-date with other Government schemes.

Section	Change made
Funding Allocation	Reference to the £1.2billion allocation of grant funding by the previous government has been removed. The specific grant funding amount will be announced as part of the Spending Review.
1.2 What's new for Wave 3 **2.4.2 Non-social homes**	Clarification that Organisations can still reach an agreement with owner-occupiers and private rental sector landlords for them to contribute to measures costs for measures installed in their home.
2.3 Eligible properties	Explanation on how the transition from RdSAP 2012 to RdSAP 10 will work for Grant Recipients.
2.6 Eligible installers **2.7 Safety & quality**	All projects must adhere to PAS 2035:2023.
2.6 Eligible installers	Clarification that all installers are required to be TrustMark registered.
2.9 Eligible measures **2.9.1 Low carbon heating**	Highlighted solar PV as an example of an eligible energy efficiency measure
2.9.1 Low carbon heating	Clarified position on prioritised low carbon heating measures
2.12.1 Grant funding	The grant spend profile has been updated to a third of total grant funding to be spent each financial year.

2.12.2 Co-funding	Clarification on minimum and maximum yearly co-funding spend.
2.12.2 Co-funding **5.1 Delivery window**	Clarification on the date from which co-funding can be spent.
2.12.3 Cost caps	Clarification on what 'going beyond EPC C' means. Worded now as 'achieving EPC B or beyond. Clarification on how the cost control exercise will work for Wave 3.
2.13 Interaction with other energy efficiency schemes	Clarification that although funding from other government energy efficiency schemes can be used on Wave 3 projects, it does not count towards the 50% co-funding requirement.
2.16 UK subsidy control laws	Updated for consistency with DESNZ's subsidy principles assessment for Wave 3.Information on Minimal Financial Assistance and Services of Public Economic Interest (SPEI) Assistance exemptions.
4. How to Apply	Application process details updated
5.7 Strategic partnerships	Clarification that RdSAP is acceptable for pre-works modelling. Requesting SPs to provide energy savings instead of carbon savings to reduce admin burden & inconsistency in approach across projects. Suggesting for SP to be held to energy saving target instead of carbon savings.
5.7.1 and 5.8.1 Baseline	Clarification added on completion of a phase. Clarification on what is included in the baseline. Clarification and slight update to wording, to clarify we are baselining Phase start dates not Phase submission date. Removed from Baseline Information - At Phase Request Stage – (data table), as no longer applicable in the table of data points :-

	'*Cost caps: Total co-funding used on homes accessing the on-gas grid low carbon heating incentive offer in the Phase.'* as we are baselining at Phase Request stage ('detailed baseline')
5.7.2 and 5.8.2 KPIs	Updated description of KPI 5.
Throughout	Cost caps renamed to the 'base cost cap', the 'off-grid low carbon heating cost cap uplift', and the 'on-grid low carbon heating incentive offer'.

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 WH:SHF to support the installation of energy performance measures in social homes in England, noting the exceptions for Greater Manchester and West Midlands (refer to section 2.13). 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, including lead applicants as defined in this section and 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 WH:SHF Wave 3. “Lead Grant Recipient” refers to all Lead Applicants who have been successful in their application for WH:SHF Wave 3.

For Local Authorities and housing associations in Greater Manchester and West Midlands, refer to section 2.13 for eligibility.

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 4.1.3 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 application forms. 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 Wave 3 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, legally binding agreements between consortium members and the consortium lead must be managed by the consortium lead, as per the terms of the GFA. 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 during the application window, 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 sub-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 Wave 3 funding, regardless of archetype (including high rise blocks). Homes retrofitted in Wave 2 are not eligible. Homes retrofitted in the Demonstrator or Wave 1 are eligible for Wave 3 where installing low carbon heating measures.

It is a requirement that properties included in Wave 3 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 residents, although Applicants may wish to consider the income profile of residents to determine how best to make progress towards reducing fuel poverty, a key objective of the WH:SHF.

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

Transition from RdSAP 2012 to RdSAP 10

In line with the government's commitments to increasing the accuracy of RdSAP, a new version of the methodology was launched on 15 June 2025: RdSAP 10. This new version replaced the old version of the methodology (RdSAP 2012).

Pre and Post Retrofit Assessments

There is no need to produce a new pre-retrofit EPC assessment under RdSAP10 if one was already completed under RdSAP 2012 before 15 June 2025 and there has been no material change in the property since that assessment took place.

Properties which were pre-assessed before 15 June 2025 in RdSAP 2012 can be completed in RdSAP 2012, so long as projects produce a post-retrofit Energy Performance Report (EPR) calculated in RdSAP 2012 and lodge this on TrustMark. Projects must also then calculate a new post-retrofit EPC via RdSAP 10 and submit this to the Ministry of Housing, Communities and Local Government (MHCLG) EPC Register.

EPC Accreditation companies will continue to allow the generation of RdSAP 2012 post retrofit Energy Performance Reports (EPRs) to allow retrofits started in RdSAP 2012 to be completed in RdSAP 2012 for a limited time. We expect this to be available for a period of at least one year (starting from 15 June 2025).

All pre-retrofit assessments which take place after 15 June 2025, and subsequent post retrofit assessments for those properties, must be done using RdSAP10.

Any questions regarding retrofit assessments should be directed to your retrofit assessment Scheme Provider.

PV Batteries

PV batteries – a type of battery storage installed to work alongside solar PV panels – have been integrated into RdSAP 10. This means they are an eligible measure for installation under Warm Homes: Social Housing Fund. As with other eligible measures under the Warm Homes schemes, PV batteries should only be installed where it drives energy bill savings for the household to achieve the objectives of the scheme.

Grant Recipients are responsible for ensuring that PV batteries are installed in compliance with the latest version of the quality and installation standards, including MCS (MIS3012), (or a scheme deemed equivalent by the Secretary of State), PAS 63100 and PAS 2035.

To maximise bill savings for the household, we strongly recommend that the Retrofit Coordinator checks if there is a preferable Time of Use tariff to which the household could switch, and that it is installed where there is a functioning electricity smart meter (or installed alongside one, if one is not present in the property already) to ensure the full benefits of the measure can be realised for the household.

Note that PV batteries can only be installed under the Warm Homes schemes where it complements existing or new Solar PV. Other types of battery storage (e.g. heat batteries) are not yet compatible with RdSAP and/or the quality standards required under the scheme and are therefore ineligible.

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

The intended purpose of WH:SHF 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 expected that all projects 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.

2.4.1 Homes at EPC C or above

The focus of 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 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), they can be included in applications 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 in each individual tower block. There would need to be a significant reason for inclusion of these properties – any application without appropriate justification will not be successful. Inclusion of these 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, 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 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 2.9.1). These measures are eligible, and do not have to be installed on an infill basis. These homes have access to either the off gas grid low carbon heating cost cap uplift, or the on gas grid low carbon heating incentive offer.

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. 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 Wave 3 performance outcomes (see section 2.8). This should only be done where beneficial to the social homes in the block/terrace (e.g., where completing the 'thermal envelope' of a block/terrace). 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.

The grant funding cost caps for retrofit works for non-social homes are the same as that for social homes. Non-social homes treated under Wave 3 require at least 50% co-funding, as with all homes in applications. The requirement for owner occupiers and private rented sector landlords/residents to contribute to measure costs that applied in previous Waves no longer applies. Applicants can still request contributions from owner occupiers and private rented sector landlords/residents and reach an agreement with them in which they contribute to the costs of measures installed in their home. These contributions will count towards the co-funding amount. These contributions must adhere to all relevant legislation (including Florie's Law, for example).

Non-social homes are not required to reach EPC C.

Mixed Tenure Blocks and Terraces

Mixed tenure blocks and terraces are eligible for WH:SHF 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 an application	30%
Non-social homes within a block/terrace	70%
Homes at or above EPC band C within an application	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, except for applications from 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 where this is not possible but will accept applications below 100 homes if neither of these options is possible. Consortia composed solely 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 which display ambition aligning with our Strategic Priorities, including delivery at scale.

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 are required to be TrustMark registered (or equivalent[2]) and compliant with corresponding requirements set out on TrustMark's website. All measures must be lodged on the TrustMark Retrofit Portal.

All projects must be compliant with "PAS 2035:2023 Retrofitting dwellings for improved energy efficiency specification and guidance" (PAS 2035:2023). PAS 2035/30:2023 was published in September 2023 and is freely available to download at the British Standards Institute (BSI)'s webstore.

PAS 2035 requires energy efficiency measures to be installed by an installer who is certified to PAS 2030 for the relevant measure. PAS 2035 also requires low carbon heat measures to be installed by MCS certified[3] installers, with the exception of high heat retention storage heaters that are covered by PAS 2030.

[2] Or able to demonstrate registration with a scheme which has been deemed equivalent by the Secretary of State.
[3] Or able to demonstrate registration with a scheme which has been deemed equivalent by the Secretary of State.

NOTE: Retrofit assessments which have been converted from PAS 2035:2019 (the previous version of the standard) to PAS 2035:2023 (the current version of the standard) can be used for the Warm Homes: Social Housing Fund providing the TrustMark guidance[4] is followed[5].

Adaptation

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 minimised. This will also be the case for Wave 3. The guidance and requirements for climate resilience and adaptation in retrofit have been strengthened in PAS 2035/2030:2023.

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 the economic growth across the country 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 ensure all work done adheres to all relevant building, and construction products, regulations and requirements, particularly those that are considered safety critical and in line with industry best practice. Applicants must also ensure any installations are in line with all concurrent legal requirements for manufacturers to ensure that products are safe at the time of installation.

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[4] TrustMark guidance - https://www.trustmark.org.uk/business/information-guidance/pas-20352019-pas-203020352023

[5] Please note, if you are also delivering under Wave 2, SHDF Wave 2 funding should only be claimed for retrofit assessments on homes intended to be upgraded through Wave 2.

Applicants are required to detail their adherence to all appropriate safety and construction standards in line with PAS2035/2030:2023, 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 starting at EPC band E-G, which cannot reasonably reach EPC C within the cost cap, are exempt from this requirement. 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 or it is unsatisfactory.

DESNZ encourages applicants to avoid going beyond performance outcomes to the extent that is possible. We understand that it may be difficult to develop projects which take homes exactly to EPC C, and we will therefore take a proportionate approach. Please do not include measures in your WH:SHF applications and/or projects which take homes well beyond WH:SHF performance outcomes.

Government is reviewing the potential for improving EPC metrics, taking into account the Climate Change Committee’s recommendations from February 2023. We will announce updates in due course. As part of any reform to EPCs, we would need to consider how changes to EPC metrics will be introduced and how a transition between existing and new metrics would be managed. The transition arrangements would ensure that duty holders are clear about how to comply with requirements and that those who have already met requirements are not penalised under the new metrics.

An update to WH:SHF Wave 3 guidance may be required to provide clarity to duty holders once Government has made a final decision on EPC metrics and the timing of their introduction.

2.9 Eligible Measures

Eligible measures are any energy efficiency and heating measures compatible with the latest version of 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 solar PV and wall, loft, and underfloor insulation) and low carbon heating technologies. One of the core objectives of the WH:SHF is 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 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 WH:SHF 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).[6] All measures must be lodged onto the TrustMark Retrofit Portal.

Where Applicants plan to install measures which are typically less cost effective in making progress towards the Wave 3 objectives and strategic approach, the application 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 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.

[6] Or able to demonstrate registration with a scheme which has been deemed equivalent by the Secretary of State.

2.9.1 Low carbon heating

Whilst it is not a requirement that applications to 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 Wave 2. Applicants may propose low carbon heating (LCH) installations in any eligible home, provided that the following key principles are complied with:

- 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 WH:SHF performance outcomes.

Homes off the gas grid

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

An additional cost cap uplift of £7,500 grant funding is available for Grant Recipients installing low carbon heating measures in homes off the gas grid . This uplift is on top of the base cost cap. This funding can be used together to install both energy efficiency and low carbon heating measures. See section 2.12.3 for details on cost caps.

Funding from both the £7,500 base cost cap and from the off gas grid low carbon heating cost cap uplift can also be averaged out across homes and across measures.

New Wave 3 On Gas Grid Low Carbon Heating Incentive Offer

Homes on the gas grid

New for Wave 3 of WH: SHF, homes on the gas grid now have access to the (optional) on gas grid low carbon heating incentive offer. 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 these 100 homes would have to be on the gas grid. The other 900 homes would have access to the usual £7,500 base cost cap and the off gas grid low carbon heating cost cap uplift (if the home is off the gas grid). This offer is to incentivise on gas grid heat decarbonisation, with the aim of scaling up the deployment of low carbon heating 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 (such as solar PV or insulation) 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 installations sits outside of 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. Homes accessing the incentive offer are not able to access any other cost caps.

Low carbon heating measures eligible for installation using this incentive offer is limited to air source heat pumps, ground source heat pumps and shared ground loops in the first instance, with heat network connections also eligible once permitted under the scheme. Homes on the gas grid that are not included in that 10% are still eligible for the installation of 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 WH:SHF 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 installed, Applicants should consider systems that are consistent with net zero and considerations such as affordability, air quality, and sustainability.

Heat networks

Works to heat networks, including heat network connections, are not currently covered by the quality standards required for works funded under the WH:SHF (e.g. PAS 2035 and PAS 2030/MCS certification) and therefore **Grant Recipients must not carry out any works to heat networks under the WH:SHF until appropriate standards are in place.**[7] DESNZ will update Grant Recipients once this work is complete and will provide guidance on the required quality standards. In the meantime, Grant Recipients are encouraged to consider where heat networks may offer the best outcomes for households once this work is complete. Note that the standards to cover connections to dwellings are

[7] The WH:SHF guidance published in September 2024 established an exception to the required standards for heat network connections. However, DESNZ has now decided heat network connections will not be allowed to be installed under the WH:LG or the WH:SHF until the government completes work to ensure that the quality of heat network connections to dwellings are covered by appropriate installations standards. DESNZ is now planning to work at pace to ensure heat network connection installations are covered by a future system of consumer protection for net-zero building installations.

not expected to be in place during the first year of delivery, and the Department will provide an update to Grant Recipients when a timeline has been agreed.
To note, MCS-certified heat pumps with shared ground loops will remain eligible for funding through the Warm Homes: Social Housing Fund.

Heat Network Zoning is expected to be implemented as a national policy programme in 2025, designed to deliver scaled heat networks in Zone areas identified as being where heat networks offer the lowest cost low carbon heating solution. Applicants should be aware of how they might be impacted by zoning and are encouraged to consider future proofing their heating decarbonisation plans accordingly.

Air-to-air heat pumps

Air-to-air heat pumps are currently not eligible for the WH:SHF, until all relevant MCS tools and standards (notably MCS 026 and MCS 031) are updated to accommodate air-to-air products and systems. We expect these tools to be updated in 2025 and that following this update, air-to-air heat pumps will become an eligible measure (assuming other MCS requirements are met).

An MCS certified installation requires use of an MCS certified product. Grant Recipients are responsible for checking the MCS product directory for eligible measures and products.

Heat batteries

MCS consulted on a Thermal Energy Storage System Standard in March and are currently considering the consultation responses alongside their industry working group. Heat batteries will not be eligible for the WH:SHF, until they can be MCS certified.

Once MCS certified, SAP-eligible heat batteries will be eligible for the WH:SHF.

Hybrid heating

Retrofit and packaged hybrid heating systems are eligible measures in the circumstances set out below for homes currently heated by mains gas only. Where a new gas boiler needs to be fitted, only the heat pump component can receive Warm Homes: Social Housing Fund funding.

Integrated and compact hybrids (where the heat pump and gas boiler components are integrated in a single unit) are not eligible measures. This is because integrated and compact hybrids contain a new gas boiler, and new gas boilers cannot be funded by the Warm Homes: Social Housing Fund.

Hybrid heating systems for homes off gas grid are not permitted. Hybrid heating systems involving fossil fuels other than mains gas are also not permitted.

Retrofit and packaged hybrids

Retrofit and packaged hybrids (where the heat pump and gas boiler components are in separate units) are eligible provided that the requirements set out below are met.

Where a new gas boiler needs to be fitted, only the heat pump component can receive Warm Homes: Social Housing Fund funding.

Where a new heat pump is being installed alongside an existing gas boiler, the gas boiler must have an energy-related products rating of A or above[8], and the retrofit coordinator must be satisfied that it is in good working order for the installation to be an eligible measure.

The heat pump product (or hybrid system) must be listed on the MCS product directory and fulfil the requirements set out in MIS 3005-D, including that[9]:

a. the product meets the definition of a hybrid, and

b. the heat pump is sized to provide a minimum of 55% of the calculated heat load, and

c. the controls are capable of prioritising heat pump utilisation.

Measure Hierarchy

Applicants are expected to focus on installing heat pumps and, once an eligible measure, connecting to or developing low carbon heat networks which deliver carbon savings and are optimised for operation with a low flow temperature (i.e., below 55^{O}C). In homes where it is not possible to install individual heat pumps nor connect to a 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[10]) we expect the following measures to be installed, in order of priority:

[8] The 'A' rating here refers to the ratings currently in force at the time of the publication of this guidance document. Separately, the Government consulted in December 2024 on rescaling the energy efficiency scale for boilers : https://www.gov.uk/government/consultations/raising-product-standards-for-space-heating. If Government does choose to rescale the relevant energy efficiency scale, grant recipients must ensure compliance with the requirements in force at that time.

[9] See MCS MIS 3005-D, updated in December 2024, for further details

[10] 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

- shared ground loops or ground source heat pumps,
- air to air heat pumps (once eligible under the scheme),
- heat batteries (once eligible under the scheme),
- high retention electric storage heaters (in electrically heated flats and small dwellings only)
- or solid biomass to be considered when determining the next best option for deliverability, value for money, affordability, sustainability, and air quality.

Please note, where listed measures are not currently eligible for WH:SHF funding, they must only be installed once eligible. Lack of eligibility at the point of planned installation is an acceptable reason to move to the next measure in order of priority.

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,
- 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.

2.10 Engagement with TrustMark

As stated in section 2.9 it is a requirement that all measures must be lodged in the TrustMark Retrofit Portal 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 analysing and quality assuring data throughout the delivery of the project to ensure that all eligible measures and homes reported to us are being lodged in the TrustMark Retrofit Portal. Grant Recipients will be required to provide the data needed for DESNZ to do this. The data will include pre-installation SAP score, TrustMark project reference number, and TrustMark lodgement number. The process for providing this data 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 with TrustMark to ensure this is done in a timely manner.

Further to this, if evidence of lodgement with 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 Residents

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

Learnings from previous Waves have highlighted the importance of resident engagement and securing resident 'buy-in'. Poor engagement is likely to be a challenge to successful delivery of projects, leading to refusal of access or residents withdrawing from the project at a later stage. DESNZ expects resident engagement to go beyond leafleting and cold calling, which DESNZ does not consider to be sufficient methods of resident 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 residents are able to maximise benefits from installations. Reasonable adjustments must be made to minimise negative impacts and inconvenience to residents (especially those of a protected characteristic covered by the Equality Act 2010). Applicants may also wish to consider whether properties containing residents 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 residents. Where possible, funding should also not be raised through the sale of social housing.

2.12 Funding and Eligible Costs

The delivery window for Wave 3 will run to 30th September 2028. All grant funding for 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 the 1st April 2025, provided they have signed a Grant Funding Agreement (GFA) and compiled with the obligations set out in clause 4 of the GFA. Lead Grant Recipients must spend all their grant funding by 31st 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 the delivery window timeframe (see section 5.1), 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 (further details on baseline in section 5.7.1 and 5.8.1) and DESNZ expects Grant Recipients 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).

Lead Applicants should aim to align their grant funding spend with the WH:SHF Wave 3 grant profile, which is one third of total grant funding to be spent each financial year over the three financial years of the project. DESNZ will allow for some flexibility to projects on a case-by-case basis and Lead Applicants should provide as accurate, sensible and deliverable forecast as possible. Lead Applicants should plan their spend based on 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.

WH:SHF Wave 3 grant profile

FY25/26	FY26/27	FY27/28
1/3 of grant funding	1/3 of grant funding	1/3 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 an 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 gas grid low carbon heating incentive offer does not contribute to the wider co-funding/grant funding structure of the application. 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 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 excluding any costs on homes accessing the on gas grid low carbon heating incentive offer. 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 application.

It is expected that co-funding is spent throughout the project, and Lead 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).

Co-funding may be claimed from the date of the scheme launch. Scheme launch is defined as the date on which the final set of Wave 3 guidance documents were published in September 2024. Applicants should note this spend will be at their own risk pending successful award and Applicants carry the risk for any contractual arrangements that they would not be able to uphold if they are unsuccessful in their WH:SHF application.

Grant Recipients must spend a *minimum* of 10% of their total co-funding contribution per financial year (from FY25/26) and are limited to spending a *maximum* of 50% of their total co-funding contribution in FY28/29. Grant Recipients are allowed to spend co-funding in FY24/25 after scheme launch, as long as their co-funding spend in subsequent years follows the above rules.

It is up to Lead Applicants how they set out their co-funding spend in compliance with the 50% minimum co-funding contribution and the 10% minimum co-funding spend per financial year.

Applicants are requested to state their overall co-funding contribution to achieving the outcomes of 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.

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

Grant funding from other Energy Efficiency Schemes cannot be used as co-funding. See section 2.13 for further details.

2.12.3 Cost caps

To maximise value for money across Wave 3 of the WH:SHF, a single base cost cap 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, which is the base 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 (LCH) cost cap uplift and incentive offer

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

The on gas grid LCH incentive offer is available for up to 10% of homes in an application instead of the base 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 gas grid LCH incentive offer must be social homes and 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**
Base cost cap	£7.5k	£7.5k	£15k
Off gas grid low carbon heating cost cap uplift	Additional £7.5k on top of base cost cap	Additional £7.5k on top of co-funding	Additional £15k on top of total spend
On gas grid low carbon heating incentive offer (up to 10% of homes in the application)	£20k (cannot be used in addition to the base £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 WH:SHF 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 base £7,500 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 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 base cost cap) and low carbon heating measures (from the off gas grid low carbon heating cost cap uplift) 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 (i.e., getting a home to or beyond EPC band B) 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 WH:SHF Performance Outcomes' below 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 WH:SHF (i.e., getting a home to or beyond EPC band B) must not be included in the main co-funding contribution and should not be included in WH:SHF applications or projects.

Going Beyond the WH:SHF 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 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 WH:SHF 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 that take a home from EPC C to or beyond EPC band B must be entirely funded by the Grant Recipient and should not be included in applications or projects.

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 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 examples 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 residents 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 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. The value for money checks that will be conducted, along with how they fit into the grant funding application and allocation process, are set out below.

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 applications 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).

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.

At yearly review stage (see section 5.7.3), cost benchmarking checks will be undertaken via a sampling exercise.

Challenge Fund

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

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

Grant Recipients 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. Grant Recipients 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 WH:SHF performance outcomes.

At Phase Request stage, Grant Recipients 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 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 Grant Recipient 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.

Grant Recipients 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 WH:SHF performance outcomes.

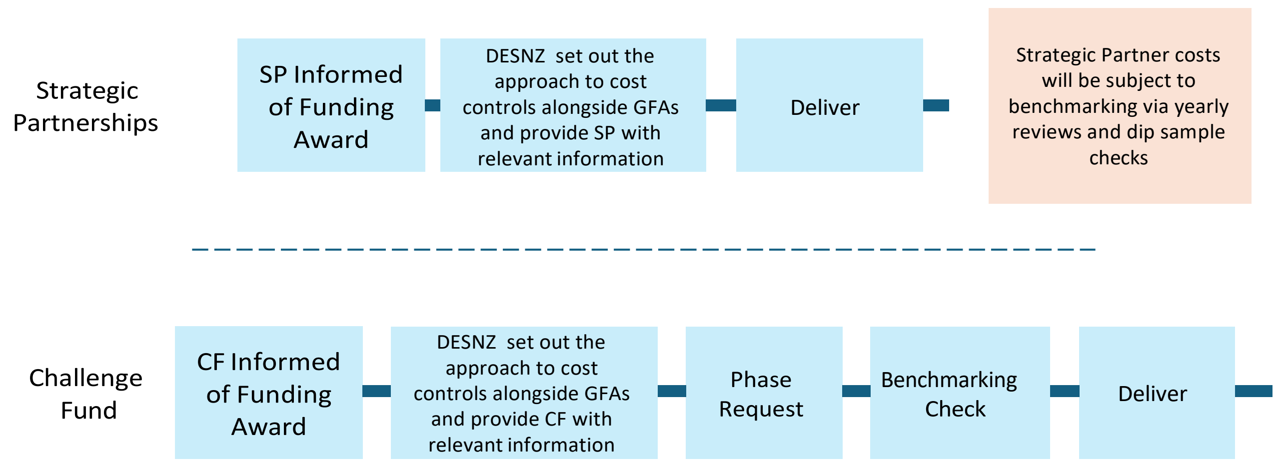
Cost controls

As described above, Wave 3 will be introducing a cost control exercise as part of the value for money assurance process. DESNZ will set out the approach to cost controls at award stage.

Challenge Fund Grant Recipients will be expected to adhere to the benchmarks at Phase Request stage. For Strategic Partners, the cost checks will be done via sampling on yearly reviews.

The diagram below shows a summary of this cost control process and how it will fit into the two funding routes.

Value for money checks for both funding routes



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 for and/or applied to the Demonstrator, Wave 1, or Wave 2 may apply for funding under Wave 3, subject to their new proposal complying with the eligibility criteria for Wave 3 set out in section 2 of this document.

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

It is not possible to use funding from previous Waves to support 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. In addition, if funding from other government schemes will be used on this project, it will sit outside of the grant/co-funding structure and cannot be counted towards the 50% co-funding requirement.

Interaction with Devolution: Trailblazer Deals

Greater Manchester Combined Authority (GMCA) and West Midlands Combined Authority (WMCA) will be receiving an allocation of funding as part of our commitment to the pilots announced in the trailblazer devolution deals. As a result, GMCA, WMCA and their constituent local authorities, and other stakeholders such as Housing Associations, will therefore not be permitted to apply for the national schemes.

Local Authorities

The GMCA and WMCA and their constituent local authorities will not be permitted to apply to schemes for which the mayoral combined authorities will be receiving funding through the trailblazer devolution deals, including the WH:SHF.

Local Authorities in other Combined Authority areas are welcome to submit applications to Wave 3, but we do encourage them to engage with any relevant Combined Authorities before doing so to see whether a consortium arrangement may be more suitable.

Housing Associations

In most cases, housing associations whose projects include stock in GMCA/WMCA and elsewhere in the country are required to split the project and seek funding for each project from the appropriate funding stream (i.e. GMCA, WMCA or WH:SHF). Funding for stock owned by housing associations within the geographical scope of GMCA/WMCA should be sought from the respective mayoral combined authority, whereas funding for stock owned by housing associations operating outside the geographical scope of GMCA/WMCA should be sought from the national WH:SHF scheme.

DESNZ recognises that in a small number of circumstances, it may be more appropriate for a housing association to obtain funding from a single source i.e. WH:SHF or GMCA/WMCA, and a pragmatic approach will be taken to reviewing funding requests on a case-by-case basis.

An example of where a project that spans both within and beyond the GMCA/WMCA area may qualify through a single funding route is if there is a small number of homes or one street in the project that falls in or out of the GMCA/WMCA area. In this case, the housing association should go with the route where the majority of the project is based.

- Where a housing association’s project includes stock that falls mostly within GMCA/WMCA with a small amount of stock outside GMCA/WMCA, it would be reasonable for the housing association to seek funding for the project from GMCA/WMCA.
- Where a housing association’s project includes stock that falls mostly outside GMCA/WMCA with a small amount of stock within GMCA/WMCA, then it would be

reasonable for the housing association to apply to the WH:SHF scheme to fund the project.

Please contact WMCA (devolved.retrofit@wmca.org.uk) or GMCA (SHDF@greatermanchester-ca.gov.uk) for enquiries related to devolved funding in these areas.

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 WH:SHF 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

WH:SHF 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 WH:SHF'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 WH:SHF, 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 SCA as it applies to a body tasked with provision of affordable, energy efficient social housing. Any subsidy awards made that are over £100,000 will be declared on the subsidy transparency database.

Applicants who are a Non-registered Provider of Social Housing or a Registered Charity that owns social housing will have their application assessed in accordance with the SCA. 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 one or more Private Registered Providers of Social Housing, 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 SCA as it applies 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 can also 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.

Minimal Financial Assistance

DESNZ may choose to award funding under the Minimal Financial Assistance exemption where Applicants indicate on their application that they are eligible to receive funding under this exemption and DESNZ are able to confirm that Applicants are eligible. If funding is awarded under the Minimal Financial Assistance exemption, DESNZ will follow the procedural requirements set out in paragraphs 7.11 – 7.20 of the Statutory Guidance for the United Kingdom Subsidy Control Regime.

Applicants will be issued with a Minimal Financial Assistance notification (as part of the Grant Funding Agreement Annexes) and will be required to respond to this notification to detail any other subsidies they have received in the past three years as well as confirming that they will not exceed the Minimal Financial Assistance exemption threshold in their receipt of subsidy by way of Minimal Financial Assistance. Applicants will be issued with a Minimal Financial Assistance confirmation and will be required to keep a record of this document.

Services of Public Economic Interest Assistance

DESNZ may choose to award funding under the Services of Public Economic Interest Assistance exemption where Applicants indicate on their application that they are eligible to receive funding under this exemption and DESNZ are able to confirm that Applicants are eligible. If funding is awarded under the Services of Public Economic Interest Assistance exemption, Applicants will be issued with a Services of Public Economic Interest Assistance notification (as part of the Grant Funding Agreement Annexes) and will be required to respond to this notification to detail any other subsidies they have received in the past three years as well as confirming that they will not exceed the Services of

Public Economic Interest Assistance exemption threshold in their receipt of subsidy by way of Services of Public Economic Interest Assistance. Applicants will be issued with a Services of Public Economic Interest Assistance confirmation and will be required to keep a record of this document.

Further Information for all Applicants

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 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 provides technical support for all prospective Applicants interested in accessing funding under WH:SHF Wave 3. This technical assistance will be available at no cost to all prospective Applicants across England who intend to apply Wave 3 funding.

Technical assistance for Wave 3 will be delivered under the name of 'RISE' – Retrofit Information, Support and Expertise - through the WH:SHF 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.

RISE support for prospective Applicants includes working with and through the supply chain contractors their retrofit projects are being developed in partnership with.

RISE support is also available for supply chain companies who are keen to secure the relevant accreditations (e.g., PAS, TrustMark and MCS) to deliver works under Wave 3 and other government funded programmes.

Further detail is available on the RISE website which is accessible via www.riseretrofit.org.uk and by emailing rise@turntown.co.uk.

DESNZ expects that Applicants will inform RISE about their intent to submit an application for WH:SHF Wave 3. Applicants can do so via the self-assessment form found at www.riseretrofit.org.uk or email 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.
- Data collection and stock analysis, business case development, developing delivery models, scoping and specification of the project, internal governance, application form writing and resident engagement.

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

While strongly encouraged, prospective Applicants intending on applying for Wave 3 funding do not need to have requested/received support from RISE to apply for Wave 3 funding. Receiving support from RISE does not guarantee that the application for Wave 3 funding will be successful. The Applicant remains responsible for ensuring the application meets 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 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 and access guidance through RISE **www.riseretrofit.org.uk**.

4.1.1 Challenge Fund

One route to access funding through Wave 3 is via the Challenge Fund. One of the key principles of the Challenge Fund model is that all applications which meet the minimum requirements 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 the Grant Recipient is ready to start delivery of that phase.

A new application process has been designed to accommodate this model, comprising an 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 further detail of the 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 (e.g. all KPIs are complete – see section 5.8.2). Phases may be delivered concurrently.

Both individual and consortium applications will be permitted under the Challenge Fund route.

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

For more information on what delivery will look like for Grant Recipients delivering through this route, please see section 5.8 of this document.

4.1.2 Strategic Partnerships

The alternative route to access funding through Wave 3 is via a Strategic Partnership. These will be 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.

Strategic Partnership Applicants are expected to deliver against the WH:SHF strategic priorities. The better they are able to demonstrate their ability to deliver against these priorities, the higher they will score for this section of the application. The four strategic priorities 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.

These organisations will also be required to conduct mandatory evaluation activities. For more information on these activities, please see section 5.7.5 of this document.

A new 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 applicant's proposed project and WH:SHF 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.

It will be possible for Lead Applicants to indicate as part of their application if they wish to be automatically considered for funding via the Challenge Fund route, should their Strategic Partnership application be unsuccessful.

4.1.3 Applications from consortia - both routes

Consortium Applicants must submit a single application form to DESNZ, coordinated by the consortium lead ('Lead Applicant'). The responses in the application form must focus on the Lead Applicant's approach, with high level information about the approach to be taken by other consortium members. Where it is not appropriate for the Lead Applicant alone to draft the response submitted (e.g. they are not stock-holding or have a comparatively small project to those of 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 have an extended word count allowance to allow them to convey these additional details in their responses. Consortium applications must be treated as one single project and all policy rules must be adhered to at 'consortium level' – e.g. 10% of total homes across a consortium can be EPC C+.

4.1.4 Application form submission – both routes

A separate application will be required for each route, unless a Strategic Partnership applicant indicates they also wish for their application to be considered for the Challenge Fund. Information about how to submit applications, along with the application forms, will be published on the WH:SHF gov.uk webpage after scheme launch (please see section 1.4).

Details provided in the application form submitted by the Lead Applicant will be incorporated into and form part of the Grant Funding Agreement; the basis upon which grant funding is issued. All Applicants must therefore by mindful that the eligibility criteria, homes to be upgraded, and project phase schedule 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.

The opening and closing date of the application window are set out in section 1.4. Applications forms 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 Wave 3 requirements.

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

For any queries on the application form submission, please contact: whshf-wave3@energysecurity.gov.uk.

4.1.5 Interaction between application routes

Organisations can apply for funding through both routes, provided they are requesting this funding for different homes.

The delivery processes differ between the two application routes, as set out in section 5 of this document. Once in delivery, it may be possible for Grant Recipients to be considered for transfer between routes at set stages.

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 strategic priority 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 unlikely to be successful at application stage and are likely instead to be allocated funding under the Challenge Fund route, provided they meet the eligibility criteria.

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. Failure to resolve any clarification requests could result in an application being rejected at this stage. A full review of compliant applications will follow. The assessed part of the application form will be set out in the following sections:

- **Strategic fit:** an assessment of how well the application fits with and delivers against the aims and desired outcomes of WH:SHF Wave 3, including the specific strategic priorities of the Strategic Partnership funding route (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.
- **Challenge Fund:** an optional set of additional questions for applicants to complete if they wish to be considered for funding via the Challenge Fund route, should their Strategic Partnership application be unsuccessful.

DESNZ reserves the right to utilise independently sourced evidence on applicant past performance, including any members of a consortium, when evaluating this application. This evidence may include but is not limited to: monitoring or/and final reports; performance statement from Project Director; report by Scheme Administrator; 3rd party Technical Consultants reports.

In addition to a set of declarations the Lead Applicant will be required to make, and the Applicant details, there will be three types of questions in the Strategic Partnership application form. All question types are mandatory, unless stated otherwise within the individual question:

1. **Questions that are for information only and will not be assessed (these questions will be flagged as 'for information only')** – whilst not assessed, these will help DESNZ understand necessary information on projects, and therefore support the facilitation of effective delivery. Some of these questions may also be used to inform a decision to vary the allocation of grant funding in the event the scheme is oversubscribed.
2. **Questions that are assessed but not weighted and therefore do not count towards the overall score (these questions will be flagged as 'assessed but not weighted') –** Applicants will either 'pass' or receive a 'flag' for that individual question. The passes and flags received will be used to inform a decision on Applicant suitability at the portfolio review stage (see below).
3. **Questions that are assessed and weighted to contribute towards the application score (these questions will be flagged as 'assessed and weighted').** Individual question weightings, expressed as a percentage, are listed in the application form.

Applications will be ranked based upon their total score. In general, applications with higher scores will qualify for this route ahead of those with lower scores. A portfolio review will take place upon completion of all Application assessments. This will include a review of the suitability of applications that score well overall but poorly on one or more individual question(s), along with the flags they receive. This will also include allocation of Applicants to the Challenge Fund if their application is deemed more suitable for this route.

At portfolio review, DESNZ also reserves the right to vary the allocation of grant funding to each successful Applicant, by taking account of factors such as, but not limited to:

- The maximisation of scheme benefits

- The balance of regional spread across England
- Past performance and delivery confidence
- No. of ‘flags’ (rather than ‘passes’) received
- Property type (e.g. the number of flats compared to houses)
- Social housing landlord size (to ensure the viability of small landlord projects)

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

DESNZ reserves the right to terminate the funding scheme at any time, and may decide not to award any grants, or to award grants for less than the total funding available under Wave 3.

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. However, as each strategic priority will be individually assessed, applications which deliver against a greater number of strategic priorities are potentially able to score more highly. The 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 3,000 to ≥6,000 homes.
    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 network connections. 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 (e.g. small landlords or those who have not delivered through the WH:SHF or SHDF before) 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 WH:SHF project.
   e. Taking any other form of area-based approach to delivery.
3. Exploring the digitalisation of retrofit and ways in which this can benefit both this project and future retrofit strategy. 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 investment could be leveraged into retrofit projects. Ways in which this could be done include:

a. Trialling commercial models at scale which can generate a return on investment for retrofit projects and sharing learnings from these trials with the wider sector. DESNZ defines commercial models as those that generate funding towards the cost of retrofit, for example (but not limited to) through solar PV with a Smart Export Guarantee tariff, private sector investment into retrofit projects, or comfort charges. Please note, if trialling a commercial model, you must include modelling to support your confidence that, when taken in combination with the retrofit works, resident bills will not rise.

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 5.7.3 below. Achievement of the strategic priorities set out at application stage must also be demonstrated at project closure.

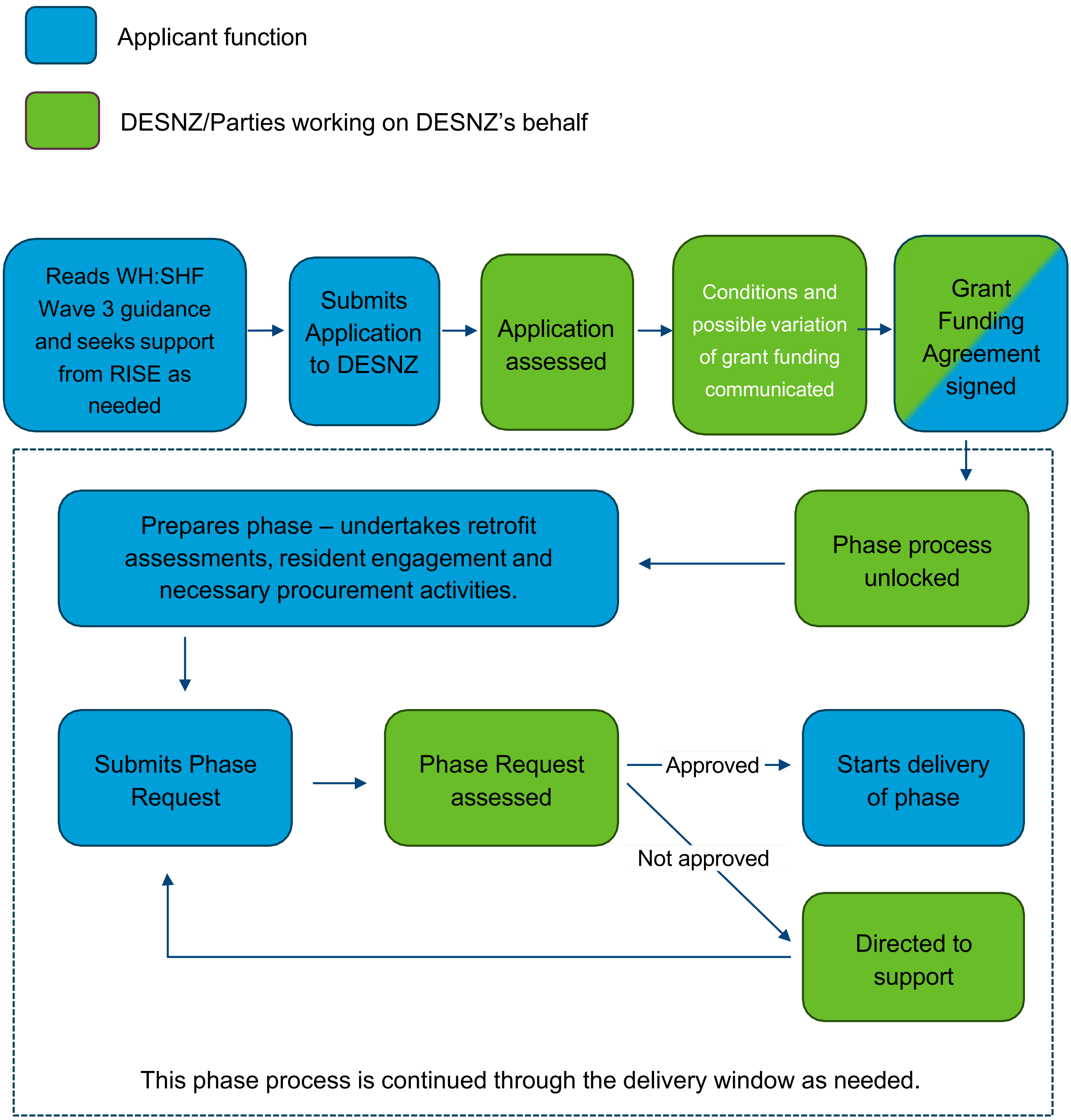
4.2.4 Outcome of Strategic Partnership Applications

Applications 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. As set out in 4.1.2., it will be possible for Lead Applicants to indicate as part of their application form submission if they wish to be automatically considered for funding via the Challenge Fund route, should their Strategic Partnership application be unsuccessful.

4.3 Challenge Fund Applications

4.3.1 Overview of application and phasing process



4.3.2 Application and assessment

At 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.

Lead Applicants are permitted to submit multiple Challenge Fund applications, where applying with different homes.

Assessment of Challenge Fund 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 eligibility compliance check, where some initial clarifications around missing and/or specific eligibility-related information may be requested. Failure to resolve any clarification requests could result in an application being rejected at this stage.

In addition to a set of declarations the Lead Applicant will be required to make, and the Lead Applicant details, the application form contains two types of questions. Both question types are mandatory, unless stated otherwise within the individual question:

1. **Questions that are for information only and will not be assessed (these questions will be labelled as 'for information only')** – whilst not marked, this will help DESNZ understand necessary information on projects, and therefore support the facilitation of effective delivery. Some of these questions may also be used to inform a decision to vary the allocation of grant funding in the event the scheme is oversubscribed.

2. **Questions that will be assessed, including to determine whether the Applicant has met the minimum requirements of the scheme (these questions will be labelled as 'assessed').**

Questions will be assessed on the following basis:

- **Flag:** the answer does not provide adequate assurance that the Applicant will comply with the requirements of the scheme.

- **Pass:** the answer provides adequate assurance that the Applicant will comply with the requirements of the scheme.

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

- **Strategic fit:** an assessment of how well the application fits with the aims, desired outcomes and eligibility criteria of the Wave 3 Challenge Fund. The minimum requirements for this section relate to:

  - the eligibility of the measures proposed;
  - projected project outcomes which comply with the guidance on the type of homes to be upgraded and to which EPC grade;
  - an effective resident engagement plan;
  - clear strategic reasoning for the creation of a consortium (consortium applications only).

- **Delivery forecast:** an assessment of the plan for the project, including proposed costs. The minimum requirements for this section relate to:
  - a coherent and realistic project plan;
  - a clearly and appropriately justified phase request schedule;
  - project costs which align with the specified cost caps, co-funding requirements, and spend profile;
  - a well-considered approach to cost variation of the project lifecycle.

- **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. The minimum requirements for this section relate to:
  - a robust commercial/procurement strategy to support the delivery of the project, along with the identification of suppliers for the initial project phase;
  - clear articulation of how the commercial/procurement strategy will contribute to some of the wider HM Government policies on Social Value, supporting SMEs, Prompt Payment, Modern Slavery and Carbon Reduction Plans.

- **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. The minimum requirements for this section relate to:
  - a comprehensive risk and mitigations register;
  - a project-specific and coherent approach to project management;
  - evidence of previous delivery which references both successes and lessons learned;
  - an effective consortium management approach (consortium applications only).

DESNZ reserves the right to utilise independently sourced evidence on applicant past performance, including any members of a consortium, when evaluating this application. This evidence may include but is not limited to: monitoring or/and final reports; performance statement from Project Director; report by Scheme Administrator; 3rd party Technical Consultants reports.

Specific guidance on what information is expected to be provided to meet the Challenge Fund minimum requirements for each application question, as outlined above, will be provided in the application form. After an application has been assessed, it will then be reviewed to determine whether it has met the Challenge Fund minimum requirements.

All applications that meet the minimum requirements of the scheme will be awarded funding in-principle. However, if an application meets some but not all the minimum requirements, the Lead Applicant will be presented with the opportunity to address these shortcomings – the details of which will be stipulated by DESNZ in the form of conditions included in the Grant Funding Agreement. A condition may need to be met prior to the signing of the Grant Funding Agreement (conditions precedent), or the Lead Applicant will need to formally commit to the condition being met by a subsequent key milestone (conditions subsequent). Failure to meet a condition precedent could result in the rejection of an application, and failure to meet a condition subsequent could lead to DESNZ pausing grant disbursement to the Grant Recipient until this condition has been met.

Furthermore, if the scheme is oversubscribed, DESNZ reserves the right to vary the allocation of grant funding to each successful Applicant. This will occur at portfolio review stage, by taking account of factors such as, but not limited to:

- The maximisation of scheme benefits
- The balance of regional spread across England
- Past performance and delivery confidence
- No. of ‘flags’ (rather than ‘passes’) received
- Property type (e.g. the number of flats compared to houses)
- Social housing landlord size (to ensure the viability of small landlord projects)

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 Wave 3.

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

Outcome of Challenge Fund Applications

Following the assessment and portfolio review process, applications that are shortlisted for Challenge Fund funding will then require approval via the relevant DESNZ governance boards as well as the Minister.

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

As detailed in Section 4.1.1, a new application process has been designed to accommodate a phased approach to delivery, whereby there is an application stage, following by a phase request stage, whereby one or more submission of a Phase Request is made during delivery. 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 Application stage so they can be baselined. Please refer to section 5.8 for further detail on the baseline and change control process.

Before measures are installed in any homes, a Phase Request covering those homes must be submitted to and approved by DESNZ. 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 must explain their approach to phasing as part of the application process and why this reflects a sensible delivery plan. When deciding how 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, along with resident sign ups, 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 after Grant Funding Agreements have been signed and should all be submitted by 30th 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 Wave 3 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 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 Wave 3 Challenge Fund.
    - Please note that Lead Grant Recipients will be permitted to exceed the per property cost caps in individual phases, but will be held responsible for ensuring that the project as a whole averages to be within the cost caps. 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.
- **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.

Payment 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 resident engagement. Additionally, from the 1st 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 up to 15% A&A (exact percentage will be based on the A&A costs set out as part of the grant spend baseline) 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 on a phase-by-phase basis 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, in line with the delivery window set out in section 5.1 below.

5. Delivering the Project

5.1 Delivery Window

The delivery window for Wave 3 will run to 30th September 2028. Grant funding may be drawn down from 1st April 2025 and must be spent by 31st March 2028. Co-funding (as described in section 2.12.2) can be spent from the date of the scheme launch to 30th September 2028. Scheme launch is defined as the date on which the final set of Wave 3 guidance documents were published in September 2024. 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 Funding Agreement (GFA) and a Data Sharing Agreement (DSA) which must be signed and returned before DESNZ will countersign. The GFA 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). The DSA will ask if a Data Protection Impact Assessment (DPIA) has been completed by Grant Recipients and, if so, whether it covers the data sharing agreement. If no DPIA is completed, an explanation will be required as to why this is not necessary.

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 during 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, mandatory self-conducted evaluation (Strategic Partnerships only), change control, etc. Further details on the onboarding process will be provided in the GFA pack.

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 Grant Recipients will fall into two main categories:

1. Technical support for project development
2. Phase request development support (Challenge Fund only)

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

5.6 Evaluation

To effectively manage public spend, deliver lessons learnt and inform future scheme design, evaluation is required to assess whether Wave 3 has been delivered as intended and achieved its intended outcomes.

WH:SHF Wave 3 evaluation has two components:

3. **Independent DESNZ Evaluation**: DESNZ and their evaluation partner will be responsible for delivering this independent assessment of Wave 3.
4. **Mandatory Self-Conducted Evaluation for Strategic Partners:** Grant Recipients in the Strategic Partnership route will be responsible for delivering some distinct data collection, analysis and reporting activities.

5.6.1 Independent DESNZ Evaluation

An independent evaluation partner will be commissioned to manage and deliver the DESNZ evaluation of Wave 3. This will provide a rigorous understanding of how Wave 3 is being delivered and the extent to which this aligns with the original scheme design, the extent to which Wave 3 is delivering its intended outcomes, and the extent to which Wave 3 has offered value for money.

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.

DESNZ and the evaluation partner are responsible for this evaluation. However, Grant Recipients in both the Strategic Partnership and Challenge Fund routes must support DESNZ's independent evaluation research activities by:

- Issuing DESNZ WH:SHF 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.

5.6.2 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 and upskill Grant Recipients on relevant skills required to continue evaluating social housing retrofit projects (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.

5.6.3 Processing WH:SHF 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 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 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 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 Wave 3 data to generate research and official statistics concerning WH:SHF, 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 and Grant Funding Agreement.

5.6.4 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.

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

	Baselined Information	How outcome is measured
Homes	Total number of homes to be upgraded i.e. all KPIs have been completed for all homes	Per FY (milestone) and overall project
	Total number of homes upgraded to EPC C	Per FY (milestone) and overall project
Energy Savings	Total energy savings	Per FY (milestone) and overall project
Project Costs	Total grant funded capital costs	Overall project
	Total grant funded A&A costs	Overall project
	Total grant funding	Per FY (milestone) and overall project
	Total co-funding capital costs	Overall project
	Total co-funding A&A costs	Overall project
	Total co-funding contribution	Per FY (milestone) and overall project
	Total project costs	Per FY (milestone) and overall project
Cost Caps	Total number of homes accessing the off gas grid low carbon heating cost cap uplift	Overall project
	Total number of homes accessing the on gas grid low carbon heating incentive offer	Overall project

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 projected energy savings by fuel types for their entire project at application stage. Energy savings must be based on modelling via the current SAP, RdSAP, or PHPP methodologies. The chosen methodology must be replicable, as the Lead Grant Recipient will be required to update their project energy savings during delivery to reflect any changes to the baselined information set out in their application form. A clear documentation of key assumptions and methodology must be set out in their application form. DESNZ will convert the energy savings (kWh) into carbon savings (tCO2e) using the HMT Green Book guidance, which 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 energy 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 in the baseline (see table above). These will be reviewed as part of the yearly reviews (see section 5.7.3).

	Description	**Time period covered**
MS1	End of Year 1 Outcomes	FY24/25
MS2	End of Year 2 Outcomes	FY25/26
MS3	End of Year 3 Outcomes	FY26/27

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
KPI 1	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
KPI 2	No. of homes ready for installations to start	The Design and Co-ordination stage in the PAS 2035 process has been completed and residents have been signed up
KPI 3	No. of homes with installations started	The installation of measures [being installed using WH:SHF funding] has started.
KPI 4	No. of homes with installations completed	The installation of all measures [being installed using WH:SHF funding] has completed.
KPI 5	No. of homes completed	All measures have been completed and lodged on TrustMark and 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 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 and will be based on the needs of the project, but is expected to be at least monthly for the first six months of delivery, and on an at least a quarterly basis thereafter.

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 (see section 5.7.1), delivering against the strategic priorities they set out at application stage (see section 4.2.3), and provide an update on the self-conducted evaluation activities (see section 5.7.5). Dip sampling cost benchmarking checks will also be undertaken at this review point – as set out in section 2.12.5 of this guidance.

In addition to the review of delivery against the baseline, the review will also look at delivery against the following (these do not form part of the baseline):

	Information Required at Yearly Review
Homes	Total number of starting EPC D-G social homes included in project.
	Total number of starting EPC A-C social homes included in project.
	Total number of non-social homes included in project.
	Total number of homes upgraded to EPC A or B.
	Total number of homes upgraded and not reaching EPC C.
Cost caps	Total additional co-funding used on homes accessing the on-gas grid low carbon heating incentive offer.

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.

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 should ensure this data is accurate and that mandatory fields are complete.

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, 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 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 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 Wave 3.

DESNZ's independent evaluation partner will support Grant Recipients in the Strategic Partnership route to undertake the self-conducted evaluation activities described here, 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 WH:SHF'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 WH:SHF grant funding.

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 a proportionate amount of quantitative data on and report against, according to a simple methodology set out by

DESNZ. Each set of outcome indicators covers a different outcome area that is relevant to all projects and the WH:SHF 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**	**Outcomes and example outcome indicators**	**Data collection approach and frequency**
Group A: Mandatory outcome indicators	A1. Social housing landlord capacity and capability development	Size of retrofit capacity (including consortium partners): *e.g. Number of FTEs working on Wave 3* Internal upskilling: *e.g. Number and type of accreditations received*	Grant Recipients complete an annual data form with routine, non-sensitive management information and return to DESNZ, aligning with annual monitoring processes.
	A2. Supply chain capacity and capability development	Size of supply chain organisations, *e.g. Number of FTEs in each organisation* Growth of supply chain, *e.g. Number of newly established companies in supply chain*	Grant Recipients issue an annual data form to their retrofit supply chain and ensure timely return to DESNZ, aligning with annual monitoring processes.
	A3. Resident experience	Resident satisfaction *e.g. with measures installed* Perceived post-installation improvements, *e.g. to warmth and comfort*	Grant Recipients issue a post-installation resident questionnaire. See below for further details.

Group B: Optional evaluation topics	Up to three evaluation topics from a broad longlist[11] *e.g. Influences on successful project delivery, Delivery of environmental and cost benefits*	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 confirms their proposed data collection and analysis approaches for Group A's outcome indicators and optionally, Group B's additional evaluation topics. As per the Grant Funding Agreement, Grant Recipients will need to build a requirement into their contracts with suppliers, to provide the annual returns for A2. DESNZ will provide a template document that Grant Recipients will be required to follow. The DESNZ evaluation partner will be available to review and advise on evaluation plans.

Resident questionnaire: further details

Post-award, DESNZ will provide a small number of questions that Grant Recipients will be required to issue to residents via a resident 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 residents 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 resident questions.

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

[11] 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.

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.

Please see the table below for two example evaluation topics, and examples of how Grant Recipients might address these.

Example evaluation topics from Group B longlist	**Example approach**
What have been the critical success factors and barriers to effective and efficient delivery in social housing landlords' projects? To what extent, and how, have external factors influenced success in social housing landlords' Wave 3 projects?	Case studies of specific installations or projects (for example, a specific estate) within the overall Wave 3 project, to illustrate specific influences on delivery and their impact upon project outcomes.
To what extent, and how, do social housing landlords think their Wave 3 projects have delivered value for money? Has Wave 3 developed social housing landlords' understanding of the optimal commercial arrangements (including innovative procurement processes) for delivering retrofit at scale?	In-depth interviews or focus groups with internal colleagues from specialist teams (for example, procurement or legal) across Grant Recipients' organisation, bringing together different perspectives to explore key themes.

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, Lead Applicants must provide information about their existing evaluation capacity and experience within their application to demonstrate that the Applicant 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.

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

Self-conducted evaluation reporting requirements

Grant Recipients in the Strategic Partnership route will be required to deliver two set outputs: one mid-delivery evaluation report, and one end-delivery evaluation report.

For these outputs, DESNZ will provide reporting templates with pre-defined questions and page limits that Grant Recipients will be required to follow. The exact content and questions in each report will be confirmed following the grant funding award, but may include, for example:

- Key or interesting findings
- Information about the project that adds context to findings
- Lessons learnt and how these could be applied to future social housing retrofit delivery

- Summary of questionnaire methods, Group B research methods (if applicable), and quality assurance undertaken.

The mid-delivery report is likely to be delivered in 2027 and will be incorporated into routine annual reporting. The end-delivery report will be delivered as part of project closure reporting.

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.[12]

5.8 Challenge Fund

5.8.1 Baseline

Baselined Information

Lead Grant Recipients under the Challenge Fund application route, some of the information at application stage will be baselined, and this will form the application baseline.

The application baseline will be set on the following:

	Baselined Information	How outcome is measured
Phase Request	Total number of phase requests.	Overall project
	Start date of each Phase (Milestone)	Overall project
	Completion date of each Phase (Milestone) i.e. all KPIs have been completed for all homes in that phase	Overall project
Homes	Total number of homes to be upgraded i.e. all KPIs have been completed for all homes	Per approved phase and overall project
Project Costs	Maximum total grant funded capital costs	Overall project
	Maximum total grant funded A&A costs	Overall project

[12] The published outputs of the completed SHDF Demonstrator evaluation are available here.

	Maximum total grant funding	Per FY and overall project
	Total co-funding capital costs	Overall project
	Total co-funding A&A costs	Overall project
	Total co-funding contribution	Per FY and overall project
	Maximum total project costs	Overall project
Cost Caps	Total number of homes accessing the off gas grid low carbon heating cost cap uplift.	Overall project
	Total number of homes accessing the on gas grid low carbon heating incentive offer.	Overall project

Lead Grant Recipients under the Challenge Fund route must submit Phase Requests for their project in line with the milestones set out at application stage (or follow the Change Control process if they wish to change these – see section 5.8.4). These Phase Requests 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:

	Baseline Information – At Phase Request Stage
Homes	Total number of starting EPC D-G social homes.
	Total number of starting EPC A-C social homes.
	Total number of non-social homes.
	Total number of homes to be upgraded to EPC C.
	Total number of homes to be upgraded to EPC A or B.
	Total number of homes upgraded and not reaching EPC C.

Measures	Type of measures to be installed.
	Total of number of measures to be installed.
Project Costs	Total grant funded capital costs to deliver the Phase.
	Total co-funding capital costs to deliver the Phase.
	Total co-funding A&A costs to deliver the Phase.
	Total co-funding contribution to deliver the Phase.
	Total project costs to deliver the Phase.

If amendments are needed to either the application 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 Phase baseline (also see section 4.3.3).

Milestones

As part of the application baseline, Lead Grant Recipients will set milestones which show the start date of a 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
MS1	Start date of Phase 1
MS2	Completion of Phase 1
MS3	Start date of Phase 2
MS4	Completion of Phase 2
Etc. (to cover all Phases of the project)	

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

Completion of a Phase is confirmation that all KPIs (KPI1-5) have been completed.

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**
KPI 1	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
KPI 2	No. of homes ready for installations to start	The Design and Co-ordination stage in the PAS 2035 process has been completed and residents have been signed up
KPI 3	No. of homes with installations started	The installation of measures [being installed using WH:SHF funding] has started.
KPI 4	No. of homes with installations completed	The installation of all measures [being installed using WH:SHF funding] has completed.
KPI 5	No. of homes completed	All measures have been completed and lodged on TrustMark and 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 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 should ensure this data is accurate and that mandatory fields are complete.

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, 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 application baseline set at 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 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 form requirements, required evaluation activity, and reporting requirements. Costs incurred when undertaking Group A evaluation activities will be eligible for WH:SHF 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 1st 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. This is made up of up to 15% A&A (based on the actual baselined percentage set out by each Lead Grant Recipient in their application) and 5% capital. Please see section 2.12.4 for detail on classification of spend. They will then be able to draw down the remainder of the grant following the approval of Phase Requests, with the amount 'unlocked' at each Phase Request based on the grant spend required to deliver the activities in that phase, as baselined via the Phase Request process (see 5.8.1 above).

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 up to and including 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 evidence will be requested from each Lead Grant Recipient, who will have 5 working days to provide the 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) 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.

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 WH:SHF 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.

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 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 allocation process and upon signing of the 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 Wave 3 application process and describe some of the projects to be funded. DESNZ may wish to publish the following information:

- Identity of the Lead Grant Recipient 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.

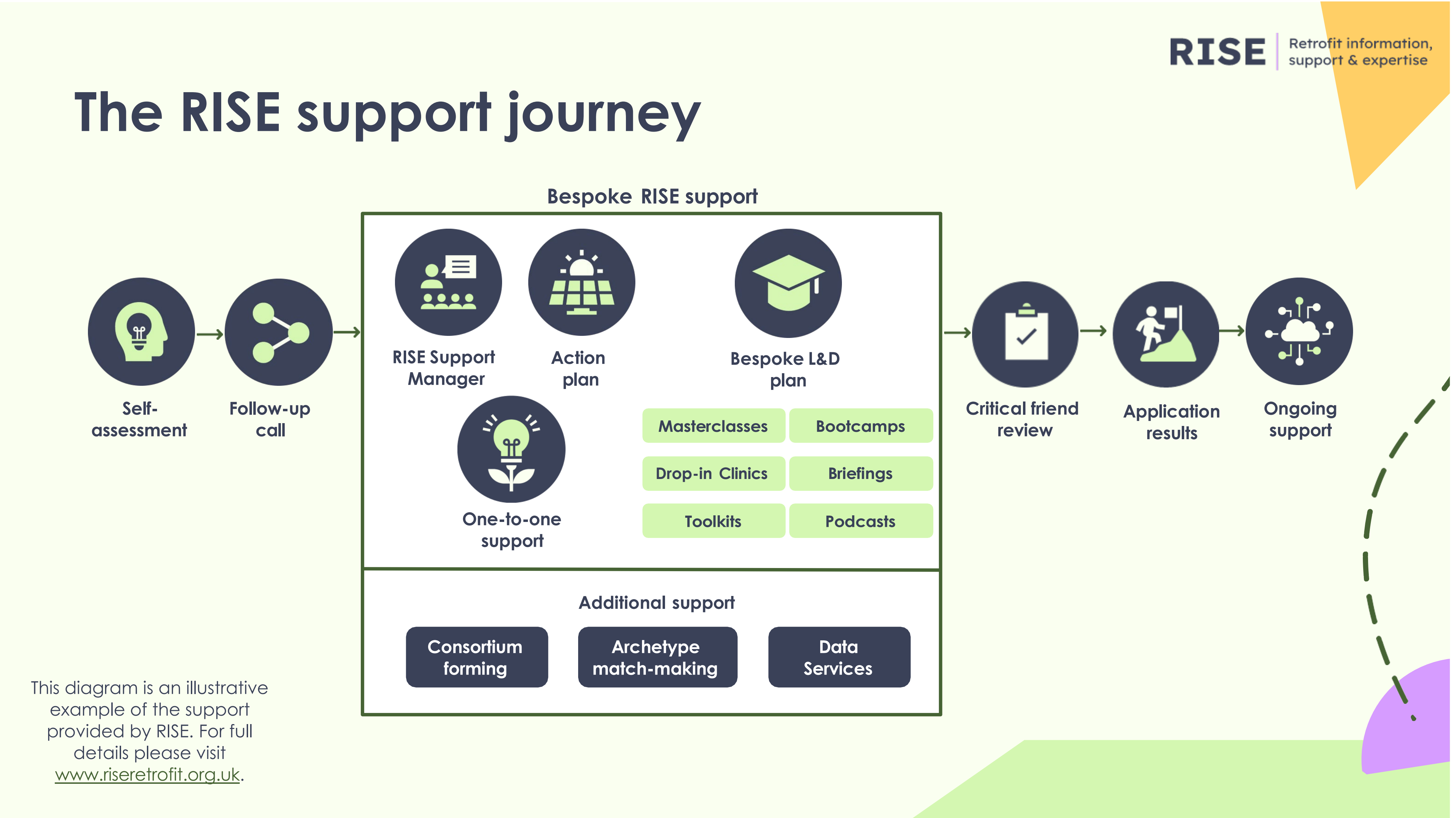
Some organisations may want the detail of their projects to remain confidential and Applicants will be given a chance to opt out of any involvement in media relations activity and further case study coverage of projects, should they see this as being absolutely necessary. However, the public description of the project that the Lead Applicant provides in their application proposal 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 WH:SHF funding in their publications, and where the DESNZ logo is used, projects are required to notify the WH:SHF stakeholder engagement and comms team to obtain permission beforehand. All Grant Recipients must make clear in all publicity arrangements, marketing materials and during resident 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


RISE
Retrofit information, support & expertise
The RISE support journey
Self-assessment
Follow-up call
Bespoke RISE support
RISE Support Manager
Action plan
Bespoke L&D plan
One-to-one support
Masterclasses
Bootcamps
Drop-in Clinics
Briefings
Toolkits
Podcasts
Additional support
Consortium forming
Archetype match-making
Data Services
Critical friend review
Application results
Ongoing support
This diagram is an illustrative example of the support provided by RISE. For full details please visit www.riseretrofit.org.uk.