



Department for  
Business, Energy  
& Industrial Strategy

# Social Housing Decarbonisation Fund Wave 2.1

Competition Guidance Notes



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## Guidance Overview

This section provides an overview of the key headlines of Social Housing Decarbonisation Fund (SHDF) Wave 2.1 policy. It is not a replacement for the full text further down the document – which Applicants should read before applying.

Section	Overview
BEIS and 3 <sup>rd</sup> Parties	<ul style="list-style-type: none"> <li>BEIS will appoint 3rd party organisations, including a Delivery Agent and a Delivery Partner, to act on its behalf in management of the scheme. Grant Recipients will be required to work collaboratively with all organisations working on BEIS' behalf. Within the competition guidance and FAQs, references to BEIS stand not just for BEIS but also any 3rd party organisations that act on BEIS' behalf.</li> </ul>
Eligible Applicants	<ul style="list-style-type: none"> <li>Local Authorities, Combined Authorities, registered providers of social housing (including housing associations and arms-length management organisations (ALMOs) that are registered providers) and registered charities that own social housing will be able to apply to Wave 2.1 of the SHDF, either directly or as part of a consortium led by an organisation that is eligible to lead a bid.</li> <li>ALMOs that are not registered providers can apply as part of a consortium led by an organisation that is eligible to lead a bid.</li> </ul>
Project Delivery Timescales	<ul style="list-style-type: none"> <li>The delivery window for SHDF Wave 2.1 will run to 30<sup>th</sup> September 2025. All grant funding for SHDF Wave 2.1 projects must be transferred to the grant recipient and spent by 31<sup>st</sup> March 2025, meaning projects can use only co-funding in the final 6 months of delivery.</li> </ul>
UK Subsidy Control Rules	<ul style="list-style-type: none"> <li>This competition provides funding in line with the UK's obligations and commitments to Subsidy Control, both internationally and under the domestic Subsidy Control Act 2022.</li> </ul>
Eligible Properties	<ul style="list-style-type: none"> <li>All existing social housing as defined by the Housing and Regeneration Act 2008 (S68-70), below EPC C<sup>1</sup>, owned by eligible Applicants, regardless of archetype.</li> <li>A small number of homes not meeting this definition may be funded on an infill basis - see 'homes at EPC C or above' and 'non-social homes'.</li> <li>Homes both on and off the gas grid are eligible for funding.</li> </ul>

<sup>1</sup> References to EPC in relation to SHDF policy throughout this guidance refer to the Energy Efficiency Rating of the home

Section	Overview
Homes at EPC C or Above	<ul style="list-style-type: none"> <li>Where a small number of properties in a block or terrace are at EPC Band C or above (for instance – a tower block/low rise with a small number of properties at EPC Band C or above due to individual home upgrades, with the vast majority of homes in the block being below EPC Band C), they can be included where they enable effective works to social housing below EPC Band C.</li> <li>A minimum of 90% of social homes across the overall application must be below EPC Band C.</li> </ul>
Non-social Homes	<ul style="list-style-type: none"> <li>Where a small number of properties in a block or terrace are non-social homes (for instance – a tower block/low rise with a small number of non-social homes, with the vast majority of homes in the block being social homes), they can be included where they enable effective works to social housing.</li> <li>A minimum of 70% of homes across the overall application must be social homes.</li> </ul>
Minimum Bid Size	<ul style="list-style-type: none"> <li>All Wave 2.1 proposals will be required to include a minimum of 100 eligible social housing properties at EPC band D-G per bid.</li> <li>Applicants wishing to apply to Wave 2.1 with fewer than 100 eligible social housing properties at EPC band D-G must submit a bid as part of a consortium, with this consortium bid meeting the minimum threshold.</li> </ul>
Eligible Installers	<ul style="list-style-type: none"> <li>Applicants should provide details of their contractors and procurement status.</li> <li>All installers are required to be TrustMark Registered or equivalent, and compliant with corresponding requirements.</li> </ul>
Safety and Quality	<ul style="list-style-type: none"> <li>Applicants must adhere to all relevant building and construction product regulations and requirements, in particular those that are considered safety critical and in line with industry best practice.</li> <li>Applicants are required to detail their adherence to all appropriate safety and construction standards in line with PAS2030:2019 and PAS2035:2019.</li> </ul>
Performance Outcomes	<ul style="list-style-type: none"> <li>Properties must reach Energy Performance Certificate (EPC) Band C, or EPC Band D where this is not possible for EPC F/G properties, upon completion of works.</li> <li>Consideration should be given to improving properties to a space heating demand level of 90 kwh/m<sup>2</sup>/year where reasonable and cost effective.</li> </ul>
Eligible Measures	<ul style="list-style-type: none"> <li>A fabric first approach (of insulation and heat loss prevention measures) to works is required.</li> </ul>

Section	Overview
	<ul style="list-style-type: none"> <li>Eligible measures are any energy efficiency and heating measures compatible with the Standard Assessment Procedure (SAP) that will help improve the energy performance of homes, excluding heating systems which are solely fuelled by fossil fuels. See section 2.10.1 for considerations on hybrid heating systems.</li> </ul>
Co-funding	<ul style="list-style-type: none"> <li>BEIS will require at least 50% of total eligible costs to be provided by the Applicant.</li> </ul>
Cost Caps	<ul style="list-style-type: none"> <li>Cost caps will be scaled by starting EPC Band of the home, and wall type of the home. See section 2.11.2 for cost cap levels.</li> <li>For homes situated off the gas grid, an additional cost cap for low carbon heating will be available, on top of the energy efficiency cost cap.</li> </ul>
Admin & Ancillary Costs	<ul style="list-style-type: none"> <li>Due to the scale and size of the projects, Applicants are expected to have administration and ancillary (A&amp;A) costs associated with the delivery of the project. A&amp;A costs are expected to be as low as possible, with a requirement that grant funding for A&amp;A comprises less than 15% of total grant funding (with total grant funding including both grant funding for capital costs for retrofit works and grant funding for A&amp;A). We expect that total costs for A&amp;A (grant funding for A&amp;A + co-funding for A&amp;A) will comprise less than 15% of the total project costs (total grant funding + total co-funding, including both capital costs for retrofit works and A&amp;A costs).</li> </ul>
Value for Money	<ul style="list-style-type: none"> <li>BEIS will assess the measures to be installed, alongside a detailed cost breakdown, and a justification of this cost breakdown including evidence of costs provided.</li> <li>Applicants are expected to propose measures appropriate for their chosen stock which align with the SHDF Wave 2.1 objectives. Proposed measures in alignment with the SHDF Wave 2.1 objectives will score higher than those which do not align with the SHDF Wave 2.1 objectives.</li> </ul>
Interaction with other Energy Efficiency Schemes	<ul style="list-style-type: none"> <li>Applicants may use funding from other government schemes, such as the Energy Company Obligation (ECO), Sustainable Warmth competition (SW), or the Home Upgrade Grant (HUG), to support works on the same home but funding from multiple government schemes cannot be used to fund the same individual measure twice.</li> <li>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.</li> </ul>

Section	Overview
Consideration of Tenants	<ul style="list-style-type: none"> <li>• Applicants should demonstrate how tenant needs will be considered throughout the project and comment on any tenant engagement undertaken.</li> <li>• Applicants are expected to outline how works should benefit tenants, with suitable support and information provided both during retrofit and occupancy so that tenants are able to maximise benefits from installations.</li> <li>• Applicants should consider their responsibilities under the <a href="#">Public Sector Equality Duty</a> (PSED) and conduct an equality assessment or analysis if they deem necessary.</li> <li>• PSED and consideration of protected characteristics applies to both public sector organisations – and any organisation where it is carrying out a public function.</li> </ul>
Technical Assistance Facility (TAF)	<ul style="list-style-type: none"> <li>• BEIS has established a Technical Assistance Facility to provide technical support for all applicants interested in accessing funding from the SHDF Wave 2.1 competition.</li> <li>• Technical assistance for the Wave 2.1 competition will be delivered under the name of the Social Housing Retrofit Accelerator (SHRA) through our commercial technical support partner Turner and Townsend Consultancy.</li> </ul>
Digitalisation of Retrofit	<ul style="list-style-type: none"> <li>• BEIS have set aside an optional innovation support of up to 2% of capital spend per bid, or a maximum of £600k per bid (including grant and co-funding), to assist in the digitalisation of retrofit</li> <li>• It is expected that Applicants applying for digitalisation support will have an existing digitalisation strategy.</li> </ul>
VAT	<ul style="list-style-type: none"> <li>• 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.</li> <li>• This means recoverable VAT should not be included in the grant requested in the application.</li> <li>• 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.</li> </ul>
Financial Viability of Applicants	<ul style="list-style-type: none"> <li>• All applicants must satisfy the due diligence, financial and organisational checks that will be carried out by BEIS, prior to receiving public funds.</li> </ul>
Conditions of Payment	<ul style="list-style-type: none"> <li>• Payments will be only made by BEIS after the Grant Funding Agreement (GFA), Grant Offer Letter (GOL), Data Sharing Agreement (DSA) and associated documents have been signed between the Lead Applicant and BEIS.</li> </ul>



Section	Overview
	<ul style="list-style-type: none"> <li>• Payments will be made on a regular basis (at least quarterly and at most monthly), following receipt of an invoice from the Lead Applicant evidencing eligible expenditure incurred.</li> <li>• Grant funding awarded to each Lead Applicant must be spent by 31 March 2025, and Lead Applicants will lose their opportunity to claim grant funding after this date.</li> <li>• Lead Applicants are required to plan to spend around 40% of their grant funding in FY23/24 and around 60% of their grant funding in FY24/25.</li> <li>• Lead Applicants are expected to spend equal parts grant funding and co-funding throughout the delivery of the project.</li> <li>• Projects can kick off early - eligible costs incurred between the launch of the Wave 2.1 competition and the signing of the GFA may be counted towards a project's co-funding requirement, should the project be successful.</li> <li>• Where there is reasonable and explicit need and on a case-by-case basis, a one-off upfront payment of up to 10% of the project grant funding or £1m, whichever is smaller, may be made.</li> </ul>
Monitoring and Evaluation	<ul style="list-style-type: none"> <li>• Applicants must provide baselines and forecasts on a number of key performance indicators (KPIs). These are used to appraise project proposals and to monitor project progress upon grant award.</li> <li>• Grant recipients must have a system in place across their delivery teams to ensure they can fulfil the monitoring and reporting requirements as outlined in the GFA with BEIS.</li> <li>• Grant recipients must ensure that project reporting – including milestone claims, change requests or issue escalations – is accurate, timely and contains all requisite information/data.</li> </ul>
Managing Potential Fraud	<ul style="list-style-type: none"> <li>• BEIS has a zero tolerance to fraud, as such we reserve the right to withdraw or claw back funding if the scheme requirements/eligibility criteria are not met.</li> <li>• To ensure the safe administration of funding, applicants are expected to have appropriate measures in place to mitigate against the increased risks of both fraud and payment error.</li> <li>• BEIS will be conducting due diligence and fraud checks and managing the delivery of measures through the delivery partner.</li> </ul>
Post-launch Webinars and FAQs	<ul style="list-style-type: none"> <li>• Following on from the pre-launch webinars, BEIS will host 'Bid Development Masterclasses' during the competition window, arranged and run through the Social Housing Retrofit Accelerator.</li> <li>• BEIS have published an FAQ document which is available at the <a href="#">SHDF Wave 2.1 webpage</a>.</li> </ul>

Section	Overview
Application Process	<ul style="list-style-type: none"> <li>• The application form is available to download from the <a href="#">SHDF Wave 2.1 webpage</a></li> <li>• The submission of applications will open at least 5 working days before the close of the competition. Details of the submission process will be made available in October 2022 on the <a href="#">SHDF Wave 2.1 webpage</a>.</li> <li>• For any queries on submitting applications, please contact <a href="mailto:SHDFWave2.Applications@BEIS.gov.uk">SHDFWave2.Applications@BEIS.gov.uk</a></li> <li>• All completed application forms and required attachments must be submitted by 23.59 on the application submission deadline, on 18<sup>th</sup> November 2022. Proposals received after the deadline will not be considered.</li> </ul>
Applications from Consortia	<ul style="list-style-type: none"> <li>• Consortia Applicants should submit a single application form to BEIS, coordinated by the consortium lead.</li> <li>• BEIS expects that in most cases the consortium lead will be responsible for drafting the response submitted. The responses in the application form should be focused on the consortium lead, with high level information about the other consortium members.</li> <li>• Where it is not appropriate for the consortium lead alone to draft the response submitted (e.g., they are not stock-holding or have a comparatively small project to other members), the consortium lead should work jointly with the largest consortium member (in terms of number of homes being treated) to draft the response submitted. The responses should give a more detailed view of the largest consortium member project, while still giving high level information about the other consortium members.</li> </ul>
Evaluation of Proposals & Assessment Criteria	<ul style="list-style-type: none"> <li>• Eligible proposals will be ranked based upon their total score. In general, applications with higher scores will qualify for funding ahead of those with lower scores, with funding provided to as many applications judged as suitable within the budget available. After assessment, there will be a moderation process and a portfolio review, including review of the suitability of applications that score well overall but poorly on one or more individual question(s).</li> <li>• In support of the levelling up agenda, BEIS also reserves the right to review the distribution of funding across England comparative to the number of social homes per region and allocate funding in line with this.</li> </ul>

## Key dates

The following table outlines indicative dates for SHDF Wave 2.1 milestones.

<b>Milestone</b>	<b>Indicative date</b>
Guidance and FAQs published / clarification period begins	18 <sup>th</sup> July 2022
Application form, further FAQs, Grant Funding Agreement, Grant Offer Letter and Data Sharing Agreement published	2 <sup>nd</sup> August 2022
Clarification period ends	12 <sup>th</sup> August 2022
Final documents (guidance, FAQs, application form) published post clarification period	29 <sup>th</sup> September 2022
Competition launch	29 <sup>th</sup> September 2022
Application submission details published	October 2022
Application submission opens	At least 5 working days before competition close
Competition close	18 <sup>th</sup> November 2022
Bid assessment ends	December 2022
Successful projects notified	Late February/Early March 2023
Grant funding agreements signed with successful Lead Applicants / projects start	From March 2023

# Executive Summary

The 2019 Conservative Manifesto committed to a £3.8bn Social Housing Decarbonisation Fund (SHDF) over a 10-year period to improve the energy performance of social rented homes, on the pathway to Net Zero 2050. The SHDF aims to deliver warm, energy-efficient homes, reduce carbon emissions and fuel bills, tackle fuel poverty, and support green jobs.

The SHDF supports the 10 point plan for a green industrial revolution and makes further progress towards delivering the government's commitment to invest in the energy performance of homes.

£800m has been committed for the SHDF as part of the 2021 Spending Review settlement. The Wave 2.1 competition will look to allocate as much of this funding as possible to support the installation of energy performance measures in social homes in England.

This follows SHDF Demonstrator, which awarded around £62m of funding as an initial investment to test innovative approaches to retrofitting at scale, and Wave 1 of the SHDF, which has awarded around a further £179m of funding, delivering from 2022 to 2023.

## Outline of the Competition

The Department for Business, Energy and Industrial Strategy (BEIS) is inviting social housing landlords to apply for funding to be used to improve the energy performance of social housing. Local Authorities, Combined Authorities and Registered Providers of social housing may now apply directly for SHDF Wave 2.1 funding. Please refer to Section 2.1 for further information about eligible applicants.

We encourage Applicants to consider their housing stock and to assess whether they can apply to the scheme, with the aim of raising the energy performance of low EPC rated properties. We aim to improve the energy performance of homes to Energy Performance Certificate<sup>1</sup> (EPC) Band C, to take homes out of fuel poverty and deliver progress towards the UK's commitment to Net Zero by 2050. The entire SHDF programme seeks to raise the energy performance of as many as possible of the 1.4m social homes below EPC Band C up to that level, as part of the journey for the social housing stock towards Net Zero 2050. This guidance is for Wave 2.1 of the SHDF programme.

The application form is now available to download from the [SHDF Wave 2.1 webpage](#). The submission of applications will open at least 5 working days before the close of the competition. Details of the submission process will be made available in October 2022 on the [SHDF Wave 2.1 webpage](#). For any queries on submitting applications, please contact [SHDFWave2.Applications@BEIS.gov.uk](mailto:SHDFWave2.Applications@BEIS.gov.uk). All completed application forms and required attachments must be submitted by 23.59 on the submission deadline, which will be on 18<sup>th</sup> November 2022. Proposals received after this date will not be considered. Details of the application process are set out later in this document in section 9 of this document. Where Applicants are successful in the application process, BEIS will aim to make grant offers in late February/ early March 2023. BEIS will contact Lead Applicants individually to inform them of the outcome of their application aligned to the publication of successful applications on gov.uk.

Successful Lead Applicants will then be required to sign and return a Grant Offer Letter (GOL), Grant Funding Agreement (GFA) and a Data Sharing Agreement (DSA) so BEIS can issue grant payments to the Lead Applicant under Section 98 of the Natural Environment and Rural Communities Act 2006 (NERC). To enable prompt project kick off, Lead Applicants are requested to return completed and signed documents within 15 working days. BEIS' ability to administer grant payments is dependent upon the timely receipt of a signed Grant Funding Agreement & accompanying documents. Where the documents are not signed and returned within 30 days, the grant offer may be rescinded.

The delivery window for SHDF Wave 2.1 will run to 30<sup>th</sup> September 2025. All grant funding for SHDF Wave 2.1 projects must be transferred to the grant recipient and spent by 31<sup>st</sup> March 2025, meaning projects can use only co-funding in the final 6 months of delivery. Lead Applicants are asked to submit applications they are confident can meet these deadlines.

BEIS reserves the right to cancel the launch of SHDF Wave 2.1 at any stage prior to grant funding being awarded.

BEIS will appoint 3rd party organisations, including a Delivery Agent and a Delivery Partner, to act on its behalf in management of the scheme. Grant Recipients will be required to work collaboratively with all organisations working on BEIS' behalf. Within the competition guidance and FAQs, references to BEIS stand not just for BEIS but also any 3rd party organisations that act on BEIS' behalf.

## Key differences vs SHDF Wave 1

- **Minimum bid size:** All Wave 2.1 proposals will be required to include a minimum of 100 eligible social housing properties at EPC band D-G per bid.
- **Registered providers of social housing and registered charities that own social housing, can now apply directly:** 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 2.1 of the SHDF to support the installation of energy performance measures in social homes in England. Arms-length management organisations (ALMOs) that are not registered providers, can apply as part of a consortium led by an organisation that is eligible to lead a bid
- **ALMOs that are not registered charities can apply as part of a consortium:** 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 a bid.
- **Longer delivery window:** The delivery window for SHDF Wave 2.1 will run to 30<sup>th</sup> September 2025. All grant funding for SHDF Wave 2.1 projects must be transferred to the grant recipient and spent by 31<sup>st</sup> March 2025, meaning projects can use only co-funding in the final 6 months of delivery. Where projects are able, and willing to do so at their own risk, delivery using co-funding can commence prior to the award of funding. Eligible costs

incurred from the point of competition launch (29<sup>th</sup> September 2022) can be considered as part of the projects co-funding contribution. 'Competition launch' means the date on which the final set of competition and grant documents will be published.

- **Cost caps have been scaled by wall type in addition to EPC band:** to ensure that the correct level of grant funding is available for the respective wall type, with cavity walled homes typically cheaper to retrofit than solid wall homes.
- **Co funding requirement of 50%:** BEIS will require at least 50% of total eligible costs to be provided by the Applicant when applying for the SHDF Wave 2.1 competition.
- **Further facilitation of low carbon heating:** Applicants may propose low carbon heating installations in any home, on or off gas grid, provided that the following key principles are complied with:
  1. Bills must not increase as a net result of all retrofit works to the home, relative to what they would have otherwise been.
  2. Post retrofit, homes must comply with SHDF performance outcomes.
  3. A fabric first approach must be taken. If the fabric of a home is sufficient pre-retrofit, then an application with low carbon heat alone can be considered for that home, with significant justification required.

Landlords wishing to install low carbon heating in homes on the gas grid may use the maximum grant funding available for that individual home, as set out in section 2.11.2. For homes situated off the gas grid, an additional cost cap for low carbon heating will be available. This will be on top of the energy efficiency cost cap, to provide Applicants with funding support to install both energy efficiency and low carbon heating measures if they wish to.

- **Changes to data sharing consent:** BEIS has identified the lawful basis for all SHDF Wave 2.1 Administrative Data shared between award recipients and BEIS as public task (GDPR Article 6(1)(e)). Further data collection by BEIS and/or its third parties will be processed on a consent basis (GDPR Article 6(1)(a)).

## Enquiries

This document sets out the SHDF Wave 2.1 competition guidance and should be read prior to submitting an application for funding. The application form can be found on the [SHDF Wave 2.1 webpage](#).

BEIS have also published a Frequently Asked Questions (FAQ) document, which can be found on the [SHDF Wave 2.1 webpage](#). Applicants should review the FAQ document in the first instance if they have any questions.

There will be a clarification period ending on 12<sup>th</sup> August 2022 for Applicants to ask further questions. All queries should be addressed to [SHDFWave2.Applications@BEIS.gov.uk](mailto:SHDFWave2.Applications@BEIS.gov.uk) after which all documents will be updated and re-uploaded to gov.uk page.

# 1. Introduction

The SHDF will upgrade a significant amount of the social housing stock in England 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.

The 2020 Summer Economic Update announced the SHDF Demonstrator project, launched in 2020, which has 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. The Government launched Wave 1 of the SHDF in August 2021. It has 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. Lessons learned from both the SHDF Demonstrator and SHDF Wave 1 have been incorporated in the design of SHDF Wave 2.1.

As part of the 2021 Spending Review process, £800 million of additional funding was secured by the SHDF. The Wave 2.1 competition will look to allocate as much of this funding as possible to upgrade the social housing stock in England currently below EPC C up to that standard.

The key aims and objectives for the SHDF Wave 2.1 competition are set out below:

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



## 2. Eligibility Criteria and Application Requirements

### 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 2.1 of the SHDF to support the installation of energy performance measures in social homes in England. Arms-length management organisations (ALMOs) that are not registered providers, can apply as part of a consortium led by an organisation that is eligible to lead a bid.

Throughout this document, “Applicants” refers to all eligible applicants as defined in this section, including consortium members. “Lead Applicant” refers to the consortium lead or single bidder if not part of a consortium.

### 2.2 Project Delivery Timescales

The delivery window for SHDF Wave 2.1 will run to 30<sup>th</sup> September 2025. All grant funding for SHDF Wave 2.1 projects must be transferred to the grant recipient and spent by 31<sup>st</sup> March 2025, 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.

Applicants must develop evidenced project plans showing their ability to complete projects by the dates above and consider any risks to this plan.

### 2.3 UK Subsidy Control Rules

This competition provides funding in line with the UK's obligations and commitments to Subsidy Control, both internationally and under the domestic Subsidy Control Act 2022. Further information about the UK Subsidy Control requirements can be found within the EU-UK Trade and Cooperation agreement (TCA) and the subsequent guidance from the department of Business, Energy and Industrial Strategy (BEIS).

#### 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.

If you are a Private Registered Provider of Social Housing that receives state support of less than 750,000 Special Drawing Rights across three financial years for the above-mentioned task, you should declare this on your application. You will be exempt from subsidy control.

If you are a Private Registered Provider of Social Housing that receives state support of more than 750,000 Special Drawing Rights across three financial years for the above-mentioned task, you should declare this on your application. Your application will be assessed in accordance with the Principles in the TCA as they apply to a body tasked with provision of affordable, energy efficient social housing.

If you are a Registered Charity that owns social housing your application will be assessed in accordance with the subsidy Principles in the TCA.

Applicants are also reminded of the Small Amounts of Funding Exemption. To receive funding under this exemption, Applicants should declare that the support they are receiving does not exceed the 325,000 Special Drawing Rights threshold across three financial years. Subsidies below this amount are exempt from the subsidy provisions of the TCA. This could include applications where leaseholder or freeholder (right to buy) properties, including those that are privately rented, are included in the Proposal.

## 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 your consortium is made up of Local Authorities, Combined Authorities and includes a Private Registered Provider of Social Housing or registered charity, we will assume you receive more than 750,000 Special Drawing Rights over three financial years for the above-mentioned task. Your application will be assessed in accordance with the Principles in the TCA as they apply to a body tasked with provision of affordable, energy efficient social housing. If your consortium cumulatively does not receive more than 750,000 Special Drawing Rights, then this should be declared on your application.

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

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

## Further Information for all Applicants

Care must be taken by all Applicants to avoid using subsidy to improve non-social homes where possible. If you intend to apply grant money to properties that are not social housing this should be declared on any application along with the rationale for doing so. Note however that if you are relying on the Small Amounts of Funding Exemption in your application then this restriction will not apply, because the grant will not count as a 'subsidy'. Otherwise, for example if you are considering works to an infill property (see below at 2.5), you will have to justify your decision using the Principles.

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.

You must make sure at all times that the funding awarded to you is compliant with all current Subsidy Control obligations applicable in the United Kingdom. This aims to regulate any advantage granted by a public sector body which threatens to or actually distorts competition in the United Kingdom or any other country or countries. If you are unsure about your obligations under the UK Subsidy Control arrangement, please take independent legal advice.

Note that the relevant thresholds are in Special Drawing Rights, not Pounds Sterling. Applicants will need to bear in mind the relevant exchange rate.

If there are any changes to the above requirements that mean we need to change the terms of this competition, we will tell you as soon as possible. Where necessary, 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.

## 2.4 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, are eligible for SHDF Wave 2.1 funding, regardless of archetype (including high rise blocks). Homes both on and off the gas grid are eligible for funding. There is no income related eligibility requirement for social housing tenants, although Applicants may wish to consider the income profile of tenants to determine how best to make progress towards reducing fuel poverty, a key objective of the SHDF. Applicants may also wish to consider whether properties containing tenants who are particularly vulnerable to the cold are best to target for retrofit.

## 2.5 Infill Properties

The intended purpose of SHDF funding is to improve the energy performance of social homes below EPC C up to that level. Following engagement with the sector, BEIS recognises that in some cases some homes that do not fit into that category are required to be retrofitted on an

infill basis, to allow for effective retrofits of below EPC C social homes. However, to ensure SHDF Wave 2.1 supports retrofit of as many below EPC C social homes as possible, it is a requirement that any such 'infill' retrofits are kept to the absolute minimum required - with strong justification for these retrofits required for a bid to be successful. For consortia applications, it is expected that all members will abide by the principle of focusing on the delivery of below EPC C social homes. Measures installed should only be 'infill' measures - and infill homes do not have to meet the same performance outcomes as below EPC C social homes do. This section of the guidance outlines the two instances where infill funding is available.

### 2.5.1 Homes at EPC C or above

The focus of SHDF Wave 2.1 applications will be on social homes with an EPC rating of Band D, E, F or G. Where a small number of properties in a block or terrace are at EPC Band C or above (for instance – a tower block/low rise with a small number of properties at EPC Band C or above due to individual home upgrades, with the vast majority of homes in the block being below EPC Band C), they can be included where they enable effective works to social housing below EPC Band C. Applicants should justify this approach in the application, including providing the % of properties at EPC Band C or above. There would need to be a significant reason for inclusion of these properties – any application without appropriate justification will not be successful. Any inclusion of properties at EPC Band C or above would need to be on an 'infill' basis. The policy:

- Is limited to situations in which social homes below EPC Band C would be adversely affected without it, for example cases where these social homes would not be able to meet EPC C with appropriate consideration of 90kwh/m<sup>2</sup>/year, bearing in mind reasonableness and cost effectiveness (see 'Performance Outcomes' section 2.9), or where works must be undertaken on a whole block for planning or logistical reasons.
- Requires a minimum of 90% of social homes across the overall application are below EPC Band C.
- Is available for insulation and associated ventilation. Applicants may include additional measures on an exceptional basis if a justification is given as to why a whole block approach is essential for the attainment of SHDF Wave 2.1 performance outcomes (see section 2.9) 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.

BEIS expects the majority of applications will include homes exclusively below EPC Band C. BEIS 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 it is expected that most applications containing homes at or above EPC Band C will have far fewer than 10% of social homes at or above EPC Band C). Applications requesting a considerable amount of funding for homes already at EPC Band C or above are unlikely to score well on the Value for Money and strategic fit sections of the application form.

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 2.11.2).

## Non-social homes

Private domestic homes, such as those owned by leaseholders, may be eligible for funding under Wave 2.1 infill policy on non-social homes. Shared ownership homes fall under the scope of Wave 2.1 infill policy on non-social homes. SHDF Wave 2.1 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 with appropriate consideration of 90kwh/m<sup>2</sup>/year, bearing in mind reasonableness and cost effectiveness (see 'Performance Outcomes' section 2.9), or where works must be undertaken on a whole block for planning or logistical reasons.
- Requires a minimum of 70% of social homes across the overall application to meet the eligibility requirements of the scheme.
- Is available for insulation and associated ventilation. Applicants may include additional measures on an exceptional basis if a justification is given as to why a whole block approach is essential for the attainment of SHDF Wave 2.1 performance outcomes (see section 2.9). 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.

For homes that require works to be funded under infill policy on non-social homes, a mixture of SHDF Wave 2.1 funding and recovered costs from the leaseholder, freeholder or shared ownership owner can be used. It should be noted that if a contribution from the leaseholder, freeholder, or shared ownership is withheld or refused, the Applicant may be required to underwrite this.

For works carried out on non-social homes in Wave 2.1, the following applies:

- The SHDF Wave 2.1 competition will fund 100% of costs of the infill measure<sup>2</sup> for low-income owner occupier homes. These homes are considered as:
  - Homes with an annual income of no more than £31,000 gross, before housing costs and where benefits are counted towards this figure;
  - We expect many Applicants to use receipt of means tested benefits as a proxy for low-income and would expect Applicants using non-means tested benefits to set out additional income verification. Other methods to verify eligibility may include using data such as existing processes on Council Tax reductions for those on lower incomes, residents on the social housing waiting list, or more innovative approaches such as advanced statistics and machine learning (e.g. Experian or CACI Paycheck), where Applicants can demonstrate these will target

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<sup>2</sup> Up to the levels shown in the final column of Table 1 – see FAQs for more details.

low-income households. Self-declarations will not be acceptable methods of verification.

- For owner occupier homes that are not captured in the above, and Private Rental Sector homes, a contribution towards the infill measure may be requested. This contribution is capped at £3,300 and therefore is either a 1/3 of the cost of the infill measure or £3,300, whichever value is lower.
- Where the capped contribution of £3,300 does not cover the full cost of the infill measure, the SHDF wave 2.1 competition will cover the outstanding cost<sup>2</sup>.

BEIS have developed a funding calculator for non-social homes to help Applicants calculate the level of contribution required by Leaseholders and the amount payable by the SHDF wave 2.1 for non-social home infill measures. This will be published as part of the supporting tables for the application form.

Inclusion of non-social housing must comply with UK subsidy control rules as laid out in section 2.3 of this guidance.

## 2.6 Minimum Bid Size

There is no minimum bid size in terms of the amount of funding requested. Bids must include a minimum of 100 social homes at EPC bands D-G and costs must fall within the cost parameters set out in the guidance. Bids that contain fewer than 100 eligible social housing properties at EPC band D-G will not be considered for funding.

Non-social homes (see section 2.5.2) and EPC C+ properties (see section 2.5.1) must be in addition to the minimum of 100 social homes at EPC bands D-G. Applicants wishing to apply to Wave 2.1 with fewer than 100 eligible social housing properties at EPC band D-G must submit a bid as part of a consortium where the consortium meets the minimum bid threshold overall.

To support those who are unable to meet the minimum property threshold, support will be offered in forming of consortia, with resources available through SHRA (further information can be found in section 4.1 of this document).

## 2.7 Eligible Installers

Applicants should provide details of their contractors, procurement status and TrustMark registration or equivalent; and where applicable their Microgeneration Certification Scheme (MCS) certification status.

All installers are required to be TrustMark Registered<sup>3</sup> or equivalent, and compliant with corresponding requirements.

All projects must be compliant with “PAS 2035:2019 Retrofitting dwellings for improved energy efficiency. Specification and guidance” (PAS 2035:2019).

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<sup>3</sup> Or able to demonstrate registration with a scheme which has been deemed equivalent by the Secretary of State.

Installers are required to have the appropriate certifications for the eligible measures that they are installing on behalf of the Applicants as set out in the application. PAS 2035 requires that all energy efficiency measures within the scope of the PAS 2030:2019 standards must be delivered by installers who are certified to this standard and all low-carbon heating measures must be installed by a MCS certified<sup>4</sup> installer.

Low carbon heat installers must be registered with TrustMark or the relevant MCS standards for the technology they are installing. MCS certification requires an installation company to be assessed by an affiliated certification body, have consumer code membership, and to have demonstrated suitable competency against relevant technology standards, as well as carry out installations in accordance with MCS installation standards.

Where a communal heat network/district heating scheme is to be installed, this should be done in accordance with the Heat Trust Consumer Protection Scheme<sup>5</sup>.

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

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](#).

## 2.8 Safety and Quality

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

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

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

## 2.9 Performance Outcomes

Applicants must improve their social homes (through a fabric first approach suitable for the building type) to at least a minimum energy efficiency rating threshold of EPC Band C; except for those EPC Band F/G homes that cannot reach this level, which would need to reach EPC

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

<sup>5</sup> Or able to demonstrate registration with a scheme which has been deemed equivalent by the Secretary of State.



Band D and provide strong justification as to why they could not reach EPC Band C (evidence could include SAP data and recommendations, PAS 2035 retrofit dwelling assessment or improvement option evaluation).

In addition to the above EPC improvements, consideration should be given to improving properties to a space heating demand level of 90 kWh/m<sup>2</sup>/year (as per SAP 2012 worksheet box 99, or equivalent), where reasonable and cost effective. Applicants should not try to implement a retrofit that achieves 90kWh/m<sup>2</sup>/year without considering whether this would be reasonable and cost effective.

Modelling towards the space heating demand level will help lead to evidence based retrofits. Properties not reaching this level of space heating demand should justify why in their application. Such reasons could include:

1. Meeting the 90kWh/m<sup>2</sup>/year level does not lead to a cost-effective retrofit for some or all homes applied with – i.e. the installation of additional measures to reach 90kWh/m<sup>2</sup>/year would not be good value for money for the property/properties applied with. Case studies to support the understanding of value for money in this space have now been published on the [Wave 2.1 webpage](#).
2. Some or all homes cannot reasonably attain the space heating demand level given their archetype.

Examples of acceptable evidence of the consideration of the 90kWh/m<sup>2</sup>/year as part of retrofit design can include the outputs from stock modelling and energy efficiency planning using a SAP or PHPP based modelling tool or calculator. This does not replace the requirements for dwelling assessments under PAS2035.

## 2.10 Eligible Measures

Eligible measures are any energy efficiency and heating measures compatible with the Standard Assessment Procedure (SAP) that will help improve the energy performance of homes, excluding heating systems which are solely fuelled by fossil fuels. Applicants are expected to focus on measures that will help lower household energy bills. This includes, but is not limited to, energy efficiency measures (such as wall, loft, and underfloor insulation) and low carbon heating technologies. One of the core objectives of the SHDF is to support progress for 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 applications including these fossil fuel measures will be ineligible for funding through the SHDF Wave 2.1 competition. For eligible heating measures that are in scope see section 2.10.1 below on low carbon heating.

A fabric first approach (of insulation and heat loss prevention measures) to works is required. A fabric first approach is a core principle of the *“PAS 2035 Retrofitting dwellings for improved energy efficiency. Specification and guidance”*<sup>6</sup> standards, to which all delivery partners and

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<sup>6</sup> [PAS 2035 Retrofitting Dwellings for Improved Energy Efficiency: Specification and Guidance](#).

subcontractors must adhere, to maximise comfort and bill savings for tenants and to maximise the home's suitability for low carbon heating either now or in the future. We expect that adherence to the PAS 2035 standards and a fabric first approach may require other measures such as improved ventilation systems.

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

Applicants should quantify the mix of measures they are intending to install 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 should adhere to PAS 2035, Trustmark and MCS standards (or equivalent). Where Applicants plan to install measures which are typically less cost effective in making progress towards the SHDF Wave 2.1 objectives and strategic approach, the proposal should justify why they are a suitable, cost effective measure for the properties applied with. For example, installation of solar PV may be more appropriate where it is part of (rather than instead of) an appropriate fabric first approach, or installation of glazing may be more appropriate where replacing single glazing, or where alongside EWI if necessary to ensure PAS compliance, rather than where replacing existing effective double glazing to slightly improve the energy performance of the home. Applications installing measures that are not making cost effective progress towards the SHDF's strategic objectives are likely to receive a low score in the 'Value for Money' section of the assessment, particularly where these measures are accountable for a significant proportion of the spend.

### 2.10.1 Low Carbon Heating

Applicants may propose low carbon heating (LCH) installations in any home, provided that the following key principles are complied with:

1. Bills must not increase as a net result of all retrofit works to the home, relative to what they would have otherwise been.
2. Post retrofit, homes must comply with SHDF performance outcomes.
3. A fabric first approach must be taken. If the fabric of a home is sufficient pre-retrofit, then an application with low carbon heat alone can be considered for that home, with significant justification required.

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

Landlords wishing to install LCH in homes on the gas grid may use the maximum grant funding available for that individual home, as set out in section 2.11.2, if performance outcomes are reached using less than the maximum grant funding. Any additional funding to complete the retrofit will need to come from additional co-funding, above the 50% minimum. An example of how the cost caps work for homes on the gas grid is set out in the FAQs.

#### **Homes off the gas grid:**

For the purposes of SHDF Wave 2.1, an off gas grid home is defined as one that does not use mains gas for heating purposes.



Last year, BEIS consulted on new regulations that will phase out the installation of fossil fuel heating systems in homes and non-domestic buildings off the gas grid in England from 2026 with a heat pump led approach to replacement systems. We are currently analysing the responses to that consultation and will issue our response in due course.

In order to support the ambition to phase out the installation of fossil fuel heating systems in homes off the gas grid, as well as to fund the replacement of an inefficient electric heating system with a considerably more efficient one (with resulting considerable bill savings), an additional cost cap for low carbon heating in homes off the gas grid will be available, on top of the energy efficiency cost cap. This will provide Applicants with funding support to install both energy efficiency and low carbon heating measures if they wish to. See section 2.11.2 for details on cost caps.

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

Where low carbon heating is supported, Applicants should consider systems that are consistent with net zero and considerations such as affordability, air quality, and sustainability. In the application form, Applicants will be asked to outline the rationale for their proposed form(s) of low carbon heating, and their contributions towards SHDF Wave 2.1 objectives.

Applicants are expected to focus on low temperature heat pumps as the lead technology. In homes wishing to install low carbon heating where low temperature hydronic heat pumps are unsuitable for the dwelling, we expect, in order of priority, connection to low-carbon heat networks (if appropriate for the stock applied with), high temperature hydronic heat pumps, air to air heat pumps, solid biomass, or high retention electric storage heaters (in electrically heated flats and small dwellings only) to be considered when determining the next best option for deliverability, value for money, affordability, sustainability, and air quality.

If alternative LCH technologies to low temperature hydronic heat pumps are to be installed, a justification must clearly be evidenced in the application. Examples of acceptable justifications include lack of outdoor space to accommodate a heat pump, lack of indoor space to accommodate a separate hot water tank, or tenant refusals to install a heat pump in the specific dwelling being applied with, noting that refusals of measures from different tenants in the past will not be deemed an acceptable justification.

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 should 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<sup>[1]</sup> (now closed to new applicants), and appropriate maintenance of these systems.

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<sup>[1]</sup> See Section 9 ,Chapter 2 and Section 3 Chapter 3 of the following document:  
[https://www.ofgem.gov.uk/sites/default/files/01/Domestic%20RHI\\_Essential%20guide\\_Final%20with%20cover.pdf](https://www.ofgem.gov.uk/sites/default/files/01/Domestic%20RHI_Essential%20guide_Final%20with%20cover.pdf)

Low carbon heat networks are eligible for SHDF funding. As with all projects, those containing such measures will need to show that they are an appropriate value for money solution for the stock applied with and that it is deliverable during the SHDF Wave 2.1 delivery window.

Recognising the closure of the Non-Domestic Renewable Heat Incentive (NDRHI), BEIS is committed to supporting the Shared Ground Loop market in social housing through SHDF Wave 2.1. Therefore, BEIS reserves the right to prioritise the allocation of funding for Shared Ground Loops in applications that are compliant with all requirements outlined in this guidance document.

## **Hybrid heating**

Funding may be used to install hybrid forms of heating for homes currently heated by mains gas; a fully integrated hybrid heating system that includes a heat pump and boiler within a single unit; or a heat pump alongside the current gas boiler that has an Energy Related Products rating of A (or above), where the retrofit coordinator is satisfied it is in good working order to be fitted alongside a heat pump. Hybrid heating systems for homes off gas grid are not permitted.

Where an existing boiler is replaced with a new boiler as part of a hybrid system, funding cannot be used for this. For all hybrid heating systems, the heat pump must be sized to deliver at least 50% of the heat load. Other forms of transitional heating that are fuelled by mains gas are not permitted. Prior to installing a hybrid heating system, retrofit coordinators are encouraged to upgrade existing systems to stand alone heat pumps, where possible.

## **2.11 Funding and Eligible Costs**

### **2.11.1 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, BEIS will require at least 50% of total eligible costs to be provided by the Applicant when applying for the SHDF Wave 2.1 competition. Non-eligible costs should not be included in co-funding – either to meet the 50% minimum, or to go beyond that level. The guidance text for Table 15 of the supplementary tables to the application form outlines what costs are included in the co-funding percentage calculation. Co-funding must comply with the conditions of the GFA and can only be spent on eligible costs in connection with delivery of the grant proposal. Please refer to Section 6.3: Conditions of Payment for further information.

### **2.11.2 Cost Caps**

To maximise value for money across Wave 2.1 of the SHDF, cost caps will be implemented. These are set out in tables 1 and 2 below and are the maximum grant funding permitted for capital costs for retrofit works by starting characteristic of homes. Cost caps are exclusive of administration and ancillary costs (see section 2.11.3).

These cost caps will be scaled to ensure that homes with the lowest EPC Banded ratings receive the most money. Cost caps have also been scaled by wall type as a sub-criteria – to protect against overspend on cavity wall homes, which are typically cheaper to retrofit than solid wall homes.

Walls are classified as cavity, brick, stone (granite, sandstone, or whinstone), timber, system build or curtain wall, in alignment with the SAP categorisations. Brick, stone (granite, sandstone or whinstone), timber, system build, or curtain can be considered as solid walled for the purposes of the cost caps if appropriate to do so. Value for money is required from all applications - the level of funding applied for should be dependent on the cost of improving the stock to the SHDF performance outcomes and should not be dependent on the maximum level of grant funding for retrofit works available.

For homes situated off the gas grid, an additional cost cap for low carbon heating will be available, on top of the energy efficiency cost cap to provide Applicants with funding support to install both energy efficiency and low carbon heating measures if they wish to. All cost caps are inclusive of non-recoverable VAT.

Applicants should contribute at least 50% of total eligible costs, as set out in Table 1 below.

**Table 1: SHDF Wave 2.1 cost caps (inclusive of non-recoverable VAT)**

<b>Average spend (excluding A&amp;A)</b>	<b>Wall type</b>	<b>Maximum grant funding ('cost cap') for retrofit works</b>	<b>Minimum co funding if maximum grant funding utilised</b>	<b>Total spend if utilising maximum grant funding and minimum associated co funding<sup>7</sup></b>
<b>EPC D</b>	Solid wall	£10k	£10k	£20k
	Cavity wall	£5k	£5k	£10k
<b>EPC E</b>	Solid wall	£12k	£12k	£24k
	Cavity wall	£7.5k	£7.5k	£15k
<b>EPC F/G</b>	Solid wall	£16k	£16k	£32k
	Cavity wall	£10k	£10k	£20k

<sup>7</sup> Please note: cost caps should not be maximised unless necessary – see 'maximising cost caps' section below.

On a by exception basis, some homes that are not 'solid walled' may be eligible for the higher cost caps, where the specifics of the archetype requires a treatment more aligned with the solid wall cost cap (e.g. cavity wall homes with cavities so thin that they cannot be filled, and thus requiring solid wall insulation). BEIS anticipates a very small number of homes will fall into this category, and strong justification is required in such cases. The cost of measures exceeding the cavity wall cost cap outlined above (e.g. spending £12k to retrofit a cavity wall EPC D home) is not a sufficient justification for utilising the higher solid wall cap.

### **Additional low carbon heating cost caps for homes situated off the gas grid**

Off grid, an additional cost cap for low carbon heating will be available, on top of the energy efficiency cost cap to provide Applicants with funding support to install both energy efficiency, and low carbon heating measures if they wish to. Additional cost caps for low carbon heating are set out in Table 2. For the purposes of SHDF Wave 2.1, an off gas grid home is defined as one that does not use mains gas for heating purposes.

BEIS expects Applicants to put forward value for money applications, without unnecessarily maximising cost caps. For example, where an inefficient heating system is the overwhelming cause of a poor EPC and a landlord wishes to utilise the low carbon heating cost cap to address this, it would not be expected that the full energy efficiency cost cap would also be utilised unless necessary.

**Table 2: SHDF Wave 2.1 additional low carbon heat cost caps for homes off the gas grid (inclusive of non-recoverable VAT)**

Average spend excluding A&A	Wall type	Maximum grant funding ('cost cap') for retrofit works – energy efficiency	Minimum co funding if maximum grant funding utilised – energy efficiency	Total spend if utilising maximum grant funding and minimum associated co funding – energy efficiency	Additional grant funding ('cost cap') for retrofit works – low carbon heating	Additional low carbon heating minimum co funding	Additional low carbon heating spend if maximum grant funding utilised	Total (if maximum grant funding utilised alongside minimum associated co funding) – for both energy efficiency and low carbon heating
EPC D	Solid wall	£10k	£10k	£20k	£7,000	£7,000	£14,000	£34,000
	Cavity wall	£5k	£5k	£10k	£7,000	£7,000	£14,000	£24,000
EPC E	Solid wall	£12k	£12k	£24k	£7,000	£7,000	£14,000	£38,000
	Cavity wall	£7.5k	£7.5k	£15k	£7,000	£7,000	£14,000	£29,000
EPC F/G	Solid wall	£16k	£16k	£32k	£7,000	£7,000	£14,000	£46,000
	Cavity wall	£10k	£10k	£20k	£7,000	£7,000	£14,000	£34,000

## **Averaging of Cost Caps**

It is possible to average the amount of grant funding requested by starting property characteristic (EPC Band/wall type combination), to allow for some homes in the application to spend slightly more to reach the SHDF performance outcomes of EPC C, with appropriate consideration of 90kwh/m<sup>2</sup>/year, bearing in mind reasonableness and cost effectiveness, and some homes slightly less, as long as the average is less than or equal to the cost cap for that starting characteristic.

For example, an application may apply with 900 EPC D Cavity wall homes that each cost £5,000 (including £2,500 grant funding, and £2,500 co-funding) to reach EPC C with appropriate with appropriate consideration of 90kwh/m<sup>2</sup>/year, bearing in mind reasonableness and cost effectiveness, and 100 EPC D Cavity wall homes that each require £12,000 (including £6,000 grant funding – above the £5,000 cost cap – and £6,000 co-funding) to reach the SHDF performance outcomes. This would average out at  $[(900 \times £5,000) + (100 \times £12,000)]/1,000 = £5,700$  per home, or £2,850 grant funding per home if providing 50% co-funding – within the cost cap limit for that starting property type, even though some homes required greater spend than the cost cap if it were to be done on an individual home basis.

Grant funding is designed to provide up to 50% of the funding required to reach EPC C, with appropriate consideration of 90kwh/m<sup>2</sup>/year, bearing in mind reasonableness and cost effectiveness— it is not the case that Applicants wishing to go beyond the performance outcomes can use more grant funding than the cost cap to do so, even if other homes in the bid ‘balance out’ the average at or below the cost cap level. Applicants wishing to go beyond these performance outcomes should read ‘Going Beyond the Required Performance Requirements’ (section 2.11.2), and will need to provide more than 50% co-funding.

## **Maximising Cost Caps**

It is anticipated that most homes will not require the level of spend allowed by the maximum cost caps (combined with the corresponding co-funding amount) to reach the performance requirements. Therefore, it is not expected that all Applicants will apply for the maximum grant funding for retrofit works available to them for every home. The level of funding applied for should be dependent on the cost of improving the stock to the SHDF performance outcomes and should not be dependent on the maximum level of grant funding for retrofit works available. Applicants will be required to provide a detailed cost breakdown of the project, along with a justification of these costs and how they contribute towards progress towards SHDF Wave 2.1 objectives in a way that provides value for money, as detailed in Section 2.11.4 below.

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

It is anticipated that some Applicants may wish to use grant funding for retrofit works as part of funding for retrofit of homes that they wish to improve beyond the performance outcomes for

SHDF Wave 2.1 (EPC Band C, with appropriate consideration of 90kwh/m<sup>2</sup>/year, 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, and the Applicant wishes to do this;
- If an Applicant wishes to undertake deep, complex retrofit improving homes beyond EPC Band C/90kwh/m<sup>2</sup>/year at considerable cost.

The application should outline the number of properties which go beyond the required performance requirements.

It is expected that the grant funding for retrofit works applied for (along with associated co-funding) will be that required to achieve the performance outcomes for SHDF Wave 2.1 (EPC Band C, with appropriate consideration of 90kwh/m<sup>2</sup>/year, bearing in mind reasonableness and cost effectiveness). For Applicants wishing to go beyond these levels, it is expected that they will only use grant funding to fund a maximum of 50% of the eligible costs to reach EPC Band C, with appropriate consideration of 90kwh/m<sup>2</sup>/year, bearing in mind reasonableness and cost effectiveness. All other funding will need to come from co-funding. Cost, and justification of costs, will be considered in the Value for Money section of the application form.

Example: If retrofitting 1,000 cavity wall EPC D home that cost £6k (£3k grant funding+£3k co-funding) per home to reach EPC C with appropriate 90kwh/m<sup>2</sup>/year consideration, an Applicant may wish to spend an extra £5k per home to improve all homes to EPC B. The grant funding requested for these homes should be (£3,000 x 1,000) = £3m, and co-funding provided should be (£3,000 + £5,000) x 1,000 = £8m.

### **Decarbonisation on the gas grid**

Some Applicants may want to fully decarbonise homes on the gas grid – including the installation of both energy efficiency and low carbon heating measures. Applicants wishing to do this may use the maximum grant funding available for the individual homes getting that treatment, as set out in section 2.11.2, if performance outcomes are reached using less than the maximum grant funding. Any additional funding to complete the retrofit will need to come from additional co-funding, above the 50% minimum. To avoid a reduction in the number of homes reaching EPC C through SHDF Wave 2.1 as a result of some Applicants using considerable grant funding on decarbonisation on the gas grid, decarbonisation on grid is not deemed to be a reason for utilising levels of grant funding beyond the cost caps for these homes, even as part of an approach to ‘averaging out’ cost caps at or below the levels specified in Table 1.

Example: If retrofitting 1,000 cavity wall EPC D homes on the gas grid that cost £6k (£3k grant funding+£3k co-funding) each to reach EPC C with appropriate 90kwh/m<sup>2</sup>/year consideration, an



Applicant wishing to fully decarbonise homes can use the additional £2k grant funding within the £5k cost cap towards the cost of low carbon heating for each home. This would need to be matched by an additional £2k co-funding for each home. This would take the grant spend up to  $(1,000 \times £5,000) = £5m$ , with corresponding co-funding of £5m. Any extra spend to complete the retrofit, including ensuring it was in compliance with the key principles in section 2.9, would be required to come from additional co-funding.

If taking the above example, and adding in an additional 2,000 cavity wall EPC D homes on the gas grid that the Applicant does not wish to fully decarbonise and cost £6k (£3k grant funding+£3k co-funding) each to reach EPC C with appropriate 90kwh/m<sup>2</sup>/year consideration, the Applicant cannot use the extra  $[2,000 \times (£5,000 - £3,000)] = £4m$  towards the costs of decarbonisation of the 1,000 homes that they wish to decarbonise.

### 2.11.3 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 less than 15% of total grant funding (with total grant funding 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 less than 15% of the total project costs (total grant funding + total co-funding, including both capital costs for retrofit works and A&A costs). A breakdown of administration and ancillary costs should be given in the value for money section of the application form (detailed in Section 2.11.4 below).

Applicants should consider which costs will be non-capital costs and make sure these are accounted for in the administration and ancillary budget. Examples of what spend could be included in the administration and ancillary budget and example of capital costs are given below. It is acknowledged that for certain activities, there is flexibility in whether these are considered as administration and ancillary, or capital. BEIS is not prescriptive about where costs sit and understands the need for flexibility and so Applicants should 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,



- PAS 2035 retrofit assessor and coordinator costs (although this could also be considered as a capital cost),
- High Rise Insurance Backed Guarantees,
- Search costs associated with resident recruitment, low-income verification for eligible owner occupier and private rental sector tenants and sign-up including communication activities, and
- 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, and
- PAS 2035 retrofit assessor and coordinator costs (although this could also be considered an admin cost).

#### 2.11.4 Value for Money

Ensuring value for money is a critical objective of this project that reflects BEIS' obligation to ensure it is spending taxpayer's money as effectively and efficiently as possible. The assessment criteria and process for the competition have therefore been designed to assess the value for money of each project on an individual basis, ensuring overall value for money for the programme can be assured.

Value for money will assess the measures to be installed, a detailed cost breakdown, and a justification of this cost breakdown including evidence of costs provided.

##### **Measures to be installed:**

Applicants are expected to propose cost effective measures appropriate for their chosen stock which align with the SHDF Wave 2.1 objectives and strategic approach. Applications installing measures that are not making cost effective progress towards the SHDF's strategic objectives are likely to receive a low score in the 'Value for Money' section of the assessment, particularly where these measures are accountable for a significant proportion of the spend.

##### **Detailed Cost Breakdown and Justification:**

Applicants are expected to detail the costs of the project including non-recoverable VAT and excluding VAT including a breakdown of capital costs for retrofit works and administration and ancillary costs. Applicants must provide a breakdown of requested SHDF grant funding for capital costs to retrofit by EPC Band, wall type, and whether the home is on or off the gas grid. Applicants must justify their proposed capital costs for retrofit works and associated administration. Some factors that may affect costs are: spread of dwellings, cost of materials, cost of installers, supply chain infrastructures, archetypes treated/inclusion of hard-to-treat properties and level of funding required to meet SHDF performance outcomes.

Applicants are expected to provide an accurate cost breakdown that is based on engagement with suppliers. BEIS will carry out a cost benchmarking exercise (i.e. comparing equivalent costs against costs seen in other bids) - with the aim of ensuring that bids represent good value for money but also are evidenced based. Bids with poor cost justification, particularly those with relatively very high or very low costs, will receive a low value for money score.

Applicants are requested to state their overall co-funding contribution, which must be a minimum of 50% of eligible project costs. 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 should match the value input to the application form.

Applicants are not expected to maximise the available grant funding for retrofit works for every home (as outlined in Section 2.11.2) and should request grant funding based on the costs required to upgrade homes to SHDF performance outcomes.

## 2.12 Interaction with other Energy Efficiency Schemes

Both successful and unsuccessful Applicants who have previously applied to the SHDF Demonstrator may apply for funding under this Wave 2.1 competition, subject to their new proposal complying with the eligibility criteria for this competition set out in Section 2 of this document.

Applicants may use funding from other government schemes, such as the Energy Company Obligation (ECO), Sustainable Warmth competition (SW), or the Home Upgrade Grant (HUG), 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.

## 3. Tenants

### 3.1 Consideration of Tenants

The SHDF Wave 2.1 competition will aim to improve the comfort, health, and well-being of Social Housing tenants by delivering warmer and more energy-efficient homes. Applicants should demonstrate how tenant needs will be considered throughout the project and comment on any tenant engagement undertaken.

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

Applicants are expected to outline how suitable support and information will be provided both during retrofit and occupancy so that tenants are able to maximise benefits from installations. Reasonable adjustments should be made to minimise negative impacts and inconvenience to tenants (especially those of a protected characteristic covered by the Equality Act 2010) where appropriate, and ensure work is delivered in a COVID-19 secure manner. Applicants may also wish to consider whether properties containing tenants who are particularly vulnerable to the cold are best to target for retrofit.

Applicants should 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.

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

## 4. Support for Applicants

### 4.1 Technical Assistance Facility

BEIS has established a Technical Assistance Facility to provide technical support for all Applicants interested in accessing funding from the SHDF Wave 2.1 competition. This technical

assistance will be available to all Applicants across England who intend to apply to the Wave 2.1 competition.

Technical assistance for the Wave 2.1 competition will be delivered under the name of the Social Housing Retrofit Accelerator (SHRA) through our commercial technical support partner Turner and Townsend Consultancy. Technical support from SHRA for Wave 2.1 will be available to Applicants in any stage of their project development, either through group support or one to one consultancy support - further detail is available on the SHRA website which is accessible via [www.socialhousingretrofit.org.uk](http://www.socialhousingretrofit.org.uk) and contactable via [info@socialhousingretrofit.org.uk](mailto:info@socialhousingretrofit.org.uk).

This technical support comprises:

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

Applicants intending on applying for Wave 2.1 competition funding do not need to have applied for/and received support from SHRA to apply for Wave 2.1 funding. Receiving support from SHRA does not guarantee that the application to the SHDF Wave 2.1 funding will be successful. The Applicant remains responsible for ensuring the application meets SHDF Wave 2.1 eligibility requirements.

## 5. Digitalisation of Retrofit

### Innovation funding

In order to help scale the retrofit sector, BEIS wish to encourage efficiency through support of the digitalisation of retrofit in the social housing sector. As such, BEIS have set aside an optional innovation support of up to 2% of capital spend per bid, or a maximum of £600k per bid (including grant and co-funding) (whichever is smallest), to assist in the digitalisation of retrofit. This funding is in addition to the cost caps outlined in section 2.11.2.

The award of this innovation funding is dependent upon assessment of an innovation funding question in the form, which will be scored independently from other questions. Applying for innovation support is optional, and consequently, no Applicant to SHDF Wave 2.1 will be penalised for their answers to the digitalisation question, nor for leaving their response blank. It is expected that Applicants applying for digitalisation support will have an existing digitalisation strategy.

Digitalisation funding Applicants will be required to share data and may be required to provide additional reporting with BEIS. This may include stock data or monitoring data that is collected as a result of digitalisation funding.

### Eligible measures

A bid is eligible for the innovation funding if they demonstrate effective understanding and utilisation of an aspect of the digitalisation of retrofit within question 5.1. The definition of the digitalisation of retrofit considered for SHDF Wave 2.1 funding encompasses:

1. The usage of smart technology, sensors and monitoring platforms to collect relevant real-world data (from the properties being retrofitted) for the assessment of properties to enable retrofit, or after retrofit for monitoring and evaluation purposes.
2. The usage of building information modelling technology to design retrofit solutions using real world data from the properties being retrofitted.
3. The usage of energy efficiency measurement and electricity demand management tools to optimise energy usage, including reducing peak demand.
4. Other innovative digital technologies may be considered where they are clearly distinct from typical retrofit practice (where typical practice includes conventional stock modelling) and drive benefits in cost or time efficiency, scalability, or quality of information. Applicants using this definition should define why the technology is innovative, what the benefits are, and how they will adopt them.

Routine stock modelling, using modelled expected data for archetypes has a valuable role within retrofit. However, the data processing of modelled data is excluded from this definition of the digitalisation of retrofit.

Any project which incorporates (1), (2), (3) or (4) is eligible for the additional funding. Even if a project employs multiple aspects of digitalisation, grant funding remains capped at the stated level.

The expectation is that this digitalisation funding is used by applicants for delivery of digitalisation spend as outlined above.

Due to the innovative nature of digitalisation funding, BEIS reserves the right to consider variety and mix of approaches in proposals in the decision making process on successful proposals for digitalisation funding. It is expected that only a relatively small number of proposals will be successful in receiving digitalisation funding.

## 6. Other Information

### 6.1 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 BEIS issuing the grant), and incurs non-recoverable VAT on the supply provided, the Lead Applicant should ensure this does not exceed the total grant BEIS provided. This means recoverable VAT should not be included in the grant requested in the application.

In the case of a consortium, there may be different VAT implications depending upon the organisation(s) involved in the consortia applying for SHDF Wave 2.1. 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 should 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?

If you are uncertain you may wish to confirm with your supplier the amount of VAT they will charge you before submitting a bid. BEIS expects VAT implications of works to have been considered prior to bid submission, to ensure costings are accurate.

BEIS 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.

### 6.2 Financial Viability of Applicants

Applicants must satisfy the due diligence, financial and organisational checks that will be carried out by BEIS, prior to receiving public funds. This will assess trustworthiness, suitability, and track record of Applicants. Where required, robust due diligence will be carried out to assess financial health, available project funding, and potential fraud and error.

## 6.3 Conditions of Payment

Payments will be only made by BEIS after the Grant Funding Agreement (GFA), Grant Offer Letter (GOL), and associated agreements have been signed between the Lead Applicant and BEIS. Further details on payments and financial requirements will be provided by BEIS as part of the GFA. These will include the requirement for detailed statements of expenditure and requests for funds in a specified format. Applicants must satisfy the due diligence, financial and organisational checks required prior to receiving public funds.

A draft GOL and GFA have been provided as part of the competition process for Lead Applicants to review. Some key provisions that are included in the GFA are outlined below:

1. Grant funding awarded to each Lead Applicant must be spent by 31<sup>st</sup> March 2025, and Lead Applicants will lose their opportunity to claim grant funding after this date.
2. Lead Applicants are required to plan to spend around 40% of their grant funding in FY23/24 and around 60% of their grant funding in FY24/25. The exact percentage split for each project will be subject to agreement between BEIS and the Lead Applicant, and reflected in the GFA agreed outputs, before execution.
3. Lead applicants that underspend against their agreed baselined grant funding in each financial year may not receive this underspent grant funding in the following financial year, and requests to move funding between financial years will be dealt with on a case-by-case basis.
4. Lead Applicants are expected to spend equal parts grant funding and co-funding throughout the delivery of the project.
5. Eligible costs incurred between the launch of the Wave 2.1 competition and the signing of the GFA may be counted towards a project's co-funding requirement, should the project be successful. This spend will be at risk of the Lead Applicant and evidence of eligible co-funding spend will be required by BEIS once the GFA has been signed.
6. Payments will be given out upon evidence of work completed. Where there is reasonable and explicit need, a one-off upfront payment of up to 10% of the project grant funding or £1m, whichever is smaller, may be made. BEIS will consider requests for a one-off upfront payment on a case-by-case basis and in line with Managing Public Money guidance. If approved, this payment will be made within 7 working days of signing the GFA.

Payments will be made on the following basis:

1. Payments will be made following receipt of a drawdown request from the Lead Applicant detailing and evidencing the eligible expenditure that has been incurred since the previous payment period.
2. Eligible expenditure must have been incurred by the Lead Applicant or approved Consortium Partners (i.e. paid or invoiced, not solely contracted).
3. Lead Applicants will be able to submit a drawdown request once a month, but are not obliged to submit a drawdown request every month.



4. Lead Applicants must submit a drawdown request at least once every quarter.
5. Lead Applicants will be required to update their spend and grant drawdown forecasts at the beginning of each quarter to reflect actual expenditure incurred.
6. Lead Applicants must confirm expected in-year financial spend by the end of February in each FY to enable BEIS to manage spend across financial years.
7. The regular payment cycle will begin once the GFA has been signed by both parties. The first payment claim can be made at the end of April 2023.
8. BEIS reserves the right to pause payments subject to poor delivery performance. This will be based on an assessment by the Delivery Partner based on the monthly reporting data and other performance indicators and will be signed off by BEIS. Payments will not be tied directly to milestone completion.

We are reviewing the level of evidence on eligible expenditure that will be required for drawdown requests, as well as what flexibility may be made for large or complex projects, including consortia, to facilitate cash flow and reduce the administrative burden of payments. We will communicate the outcome of these reviews in the coming weeks and no later than 3 weeks before the competition window closes.

## 7. Information Management

### 7.1 Applicant Contacts

#### **Provision of your contact details to be held in BEIS's Customer Relationship Management platform**

Applicants will be required to provide a name and contact details for at least one named person to BEIS (including their nominated single point of contact). We would suggest one or more contact(s) who is/are the project lead, communications lead, finance lead, legal lead or CEO. We will use this information to communicate scheme updates, training notices, information on future schemes and opportunities and invitations to relevant events. Details of how this information will be held and used will be set out in the SHDF Wave 2.1 Data Sharing Agreement.

### 7.2 Monitoring and Evaluation

#### **Key Performance Indicators (KPIs)**

Applicants must provide baselines and forecasts on a number of key performance indicators (KPIs). These are used to appraise project proposals and to monitor project progress upon grant award.

#### **Scheme administration**

Grant recipients must have a system in place across their delivery teams to ensure they can fulfil the monitoring and reporting requirements as outlined in the GFA with BEIS. The DSA is an essential document grant recipients must sign and return to support the GFA. It specifies data sharing necessary to deliver and evaluate SHDF Wave 2.1.

Project leads must supply data to BEIS on a routine basis, following the reporting cycle outlined in the final GFA and DSA. In addition, they are expected to support requests which may be issued outside of this schedule to manage delivery as needed.

Grant recipients must work with BEIS-appointed monitoring officers to ensure that project reporting – including milestone claims, change requests or issue escalations – are clearly communicated. BEIS will also assist with ensuring good quality of data, by providing successful projects with webinar inductions on monitoring frameworks following grant award.

#### **Independent evaluation and official statistics**

To effectively manage public spend, BEIS commissions research, official statistics and independent evaluation of SHDF.

In accordance with its responsibilities as independent Controller, BEIS has identified the lawful basis for BEIS and its third parties to process SHDF Wave 2.1 Administrative 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.

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

Designated teams within BEIS may use SHDF Wave 2.1 Administrative Data to generate research and official statistics concerning SHDF, national housing stock, and other BEIS schemes. Results will be reported in an anonymised, aggregated format.

BEIS will commission an independent evaluation of SHDF Wave 2.1. Evaluation partners will process SHDF Wave 2.1 Administrative Data shared by BEIS to invite participants and beneficiaries to take part in research, on a public task legal basis. By taking part in research, data subjects give their consent to BEIS' evaluation partner to process their responses as SHDF Wave 2.1 Research Data (UK GDPR Article 6(1)(a)).

Grant award recipients must support research activities by:

- Facilitating on-site and in-person interviews and fieldwork with selected project leads, their delivery partners and project beneficiaries.
- Issuing BEIS SHDF Wave 2.1 Privacy Notice, and their own Privacy Notice, to their project participants and beneficiaries (i.e. tenants, PAS2035 roles and installers), informing them that they may receive a survey invitation from BEIS for feedback on their experience.
- Where applicable, sharing additional project-level data with BEIS and its research partners to supplement secondary desk research.

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

## 7.3 Managing Potential Fraud

BEIS requires Applicants to adopt a proactive, structured, and targeted approach to managing the risk of fraud. To ensure the safe administration of funding, Applicants are expected to have appropriate measures in place to mitigate against the increased risks of both fraud and payment

error. The Internal Audit Service of the Lead Applicant 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 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. BEIS 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. BEIS will be managing fraud and conducting targeted spot checks via its delivery partner. Further information on data required to mitigate fraud, funding duplication and non-compliance is outlined in the Data Sharing Agreement.

BEIS has a zero tolerance to fraud, as such we reserve the right to withdraw or claw back funding if the scheme requirements/eligibility criteria are not met. BEIS reserves the right to audit/inspect any aspect of the work funded under the scheme 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.

BEIS 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. During the length of the project, BEIS will reserve the right to audit the installations at any time.

## 7.4 Publication Process

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

- Identity of the participant and its partners;

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

Some organisations may want the detail of their projects to remain confidential and Applicants will be given a chance to opt out of any involvement in media relations activity and further case study coverage of projects, should they see this as being absolutely necessary. However, the public description of the project that the Lead Applicant provides in their application will be made available in the public domain if their application is successful, and the 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 BEIS has made the formal grant award announcement. Following this, we would encourage projects to publicise their plans, achievements and lessons learned throughout the project lifecycle. Projects must include a reference to the SHDF funding in their publications, and where the BEIS logo is used, projects are required to notify the SHDF stakeholder engagement and comms team to obtain permission beforehand. All grant recipients must make clear in all publicity arrangements, marketing materials and during tenant engagement that funding for these works has been provided (in part) by UK Government/BEIS. These materials must make reference to any BEIS provided branding, should this be proposed.

Following completion of the funded projects, BEIS 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. BEIS 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 through surveys and interviews, covering Wave 2.1. Any research findings published will be anonymised in line with the terms of UK-GDPR.

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

## 8. Project Management and controls

Lead Applicants must develop evidenced project plans showing their ability to complete projects by the agreed date and consider any risks to this plan. It is the Lead Applicant's responsibility to understand and implement the necessary Project Management techniques for the successful

delivery of the project. Detail of the level of information BEIS expects to see at application stage can be found in the application form guidance.

BEIS will use core milestones to track the delivery of all SHDF Wave 2.1 projects. These milestones will be common to all projects and will be used to track and compare projects. They are not meant to replace the more thorough, detailed and specific set of milestones that each project should have as part of its internal project planning. These milestones can be found in Annex 6 of the Grant Funding Agreement.

BEIS may take into consideration the performance and risk rating of Applicants participating in the SHDF Demonstrator or SHDF Wave 1 projects. BEIS reserves the right not to award grant funding to Applicants whose SHDF Demonstrator or SHDF Wave 1 projects are currently performing poorly against the respective scheme objectives and outputs, and where BEIS deems these projects to be at a high delivery risk for Wave 2.1.

## 8.1 Lessons learned from SHDF Demonstrator and SHDF Wave 1

BEIS have identified lessons learned from the SHDF Demonstrator and Wave 1 projects, which are set out below. These points have been reflected within the Wave 2.1 application form, which applicants will be assessed on at bid stage.

- A comprehensive tenant engagement plan should be designed to ensure that tenants are bought into the retrofit approach and consent to access to their home. Cold calling and postal correspondence are not sufficient, and BEIS expects tenant engagement plans to go beyond these methods.
- Applicants should engage with their Local Authority's planning department as soon as possible. BEIS expects this to form a key element of the delivery plan proposed. Applicants are advised to begin engagement prior to submitting an application to SHDF Wave 2.1.
- Applicants are expected to have engaged with suppliers prior to submitting a bid to ensure that they have a good understanding of market prices and timelines. BEIS expects Applicants to demonstrate a strong cost confidence within their bid, therefore Applicants are advised to engage with their organisation's procurement team as soon as possible.
- Applicants are expected to factor in contingency into their project plans, both in terms of eligible homes (in the case where homes planned for in the original bid are refused works by tenants, found to be ineligible etc.) and funds (in the case where project costs go up despite well-informed planning and market engagement at application stage. This is important in all situations – but particularly when applying with a project without opportunity for reduction in number of homes if costs increase e.g. a single block of homes, requiring a whole block approach to retrofit, making up an entire application).

- Applicants are expected to have a good understanding of PAS requirements prior to submitting a bid.
- Applicants should consider how they will resource their project team. BEIS expects Applicants to have a project team in place, with the appropriate level of skills and expertise, ahead of entering into the agreement with BEIS through the GOL and GFA.
- Applicants applying with high rise blocks should ensure they have factored the cost of High Rise Insurance Backed Guaranties into their application, which are a requirement of Trustmark.
- Applicants are expected to demonstrate that their application is aligned to their organisation's long-term net zero strategy. Applicants that do not have an organisational long-term net zero strategy are advised to begin preparing one as soon as possible.
- Applicants should plan for the movement of services e.g. power cables, meter boxes, energy suppliers and UK Power Networks where necessary, for example when installing external wall insulation.

## 8.2 Guidance to Consortia

Consortia applications, as well as single bidder applications, are accepted for SHDF Wave 2.1. BEIS has prepared guidance to support consortia leads in applying for funding and forming their answers in the application form. BEIS has also prepared guidance to support consortium leads to complete the application form, which is detailed in section 9.3 of this document. Consortia applications will not score higher than single bidder applications based on the fact the application comes from a consortium. For guidance and support in setting up or leading a successful consortium, consortium leads are encouraged to consult the SHRA.

BEIS recognises that there are a range of drivers and benefits in forming a consortium when applying for SHDF funding and delivering a social housing retrofit project, and therefore organisations that are forming consortia are encouraged to develop an approach that best fits their objectives, in full knowledge that any approach will not be marked down by BEIS if it is strategically coherent and well thought through.

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

- **Grant agreements:** BEIS will sign a Grant Funding Agreement (GFA) with only the Lead Applicant. Therefore, agreements *between* consortium members and between the consortium lead and other consortium members will need to be managed by the Lead Applicant. The consortium lead will need to ensure that all members understand the terms of the GFA with BEIS and are content to proceed to delivery. The consortium lead will also need to ensure a robust process is set up to manage these agreements once BEIS share



the final GFA for signature, to minimise delays in project kick off. BEIS will make the template GFA available to the sector ahead of competition launch, to provide enough time for these agreements to be managed effectively. 'Competition launch' means the date on which the final set of competition and grant documents are published (29<sup>th</sup> September).

- **Due Diligence on members:** BEIS will have limited opportunity to assess individual consortium members for deliverability before awarding grant funding to the consortium. The consortium lead will be responsible for ensuring deliverability of each member's project, including appetite and commitment from the organisation to deliver as per the GFA terms, availability of co-funding to complete delivery, and any other due diligence checks necessary.
- **Contingency Plans in case of withdrawals:** Consortia may benefit from being able to manage scope reductions or withdrawals between the consortium members. For example, if one member can no longer treat the number of homes they set out to do, another member may increase the number of homes they are treating and absorb the grant funding, providing co-funding requirements are upheld. BEIS will hold the consortium lead accountable for delivery against the total number of homes in the original consortium application. Consortia are expected to have a plan to continue to deliver the same number of homes as in the GFA should a member(s) choose to withdraw. This should 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 BEIS and the consortium lead as part of 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 Data Management System BEIS will use has not yet been finalised, however it is possible that BEIS will rely solely on the consortium lead to input all data and ensure all data and reporting requirements for consortium members are met. Therefore, the consortium lead should have a strategy for collecting, checking, and summarising financial and delivery data received from all members in a timely and effective manner. BEIS may need to deep dive into certain projects within the consortium bid during delivery, and so project-specific data should be held by the consortium lead and made available to BEIS on request.
- **Governance:** consortia should 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 BEIS that any shared risks or approaches can be agreed, there is clear communication between members and joint decision-making can be effective.



## 9. The Application Form

### 9.1 Key Dates

The following table outlines indicative dates for SHDF Wave 2.1 milestones.

<b>Milestone</b>	<b>Indicative date</b>
Guidance and FAQs published / clarification period begins	18 <sup>th</sup> July 2022
Application form, further FAQs, Grant Funding Agreement, Grant Offer Letter and Data Sharing Agreement published	2 <sup>nd</sup> August 2022
Clarification period ends	12 <sup>th</sup> August 2022
Final documents (guidance, FAQs, application form) published post clarification period	29 <sup>th</sup> September 2022
Competition launch	29 <sup>th</sup> September 2022
Application submission details published	October 2022
Application submission opens	At least 5 working days before competition close
Competition close	18 <sup>th</sup> November 2022
Bid assessment ends	December 2022
Successful projects notified	Late February/Early March 2023
Grant funding agreements signed with successful Lead Applicants / projects start	From March 2023

### 9.1.1 Post-Launch Webinars and FAQs

Following on from the pre-launch webinars, BEIS will host 'Bid Development Masterclasses' during the competition window, arranged and run through the Social Housing Retrofit Accelerator. These 'Bid Development Masterclasses' will provide details of the SHDF Wave 2.1 competition guidance and the application process. These are open to Applicants, representatives of the supply chain and delivery partners.

There will be a clarification period ending on 12<sup>th</sup> August 2022 for Applicants to ask further questions. All queries should be addressed to [SHDFWave2.Applications@BEIS.gov.uk](mailto:SHDFWave2.Applications@BEIS.gov.uk) after which all documents will be updated and re-uploaded to gov.uk page.

## 9.2 Application Process

Once Applicants are satisfied that they meet the Strategic Fit, Delivery Assurance and Value for Money aims (see Section 9.4 below) of the SHDF Wave 2.1 competition, the Lead Applicant can complete the SHDF Wave 2.1 competition application form which is available to download on the [SHDF Wave 2.1 webpage](#).

Details provided in the proposal submitted by the Lead Applicant will be used as the basis for BEIS to work with successful Applicants and their delivery partners to implement the schemes; all Applicants should therefore be mindful that the eligibility criteria, homes to be targeted and upgrades will be the basis of the Grant Offer Letter/Grant Funding Agreement, upon which grant funding is issued.

The submission of applications will open at least 5 working days before the close of the competition. Details of the submission process will be made available in October 2022 on the [SHDF Wave 2.1 webpage](#). Applications must be submitted by the Lead Applicant as defined in Section 2.1. All completed application forms and required attachments must be submitted by 23.59 on the bid submission deadline, on 18<sup>th</sup> November 2022. Proposals 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 should refer to this guidance document where necessary and ensure that they have complied with all the competition requirements.

BEIS officials will first review applications through an initial sift compliance check and may wish to complete some initial clarifications following this sift; followed by a full review of compliant applications. All assessments including the initial compliance sift will be quality assured and a moderation process will be undertaken. Proposals that are shortlisted for funding through the

review process, will then require approval via the relevant governance boards and then Ministerial final approval.

BEIS expects to be able to notify Lead Applicants of the outcome of their application by late February/ early March 2023. In the case of successful applications, BEIS will set out the level of funding being approved, and a GFA will be agreed with the Lead Applicant.

For any queries on submitting applications, please contact [SHDFWave2.Applications@BEIS.gov.uk](mailto:SHDFWave2.Applications@BEIS.gov.uk)

## 9.3 Applications from consortia

Consortia Applicants should submit a single application to BEIS, which is coordinated by the consortium lead. The responses in the application form should focus on the consortium lead's approach, with high level information about the approach taken by other consortium members. Where it is not appropriate for the consortium lead alone to draft the response submitted (e.g. they are not stock-holding or have a comparatively small project to other members), the consortium lead should work jointly with the largest consortium member (in terms of number of homes being treated) to draft the response submitted. The responses should give a more detailed view of the largest consortium member 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 should be detailed in the response to BEIS. Consortia applicants will be granted an extended word count allowance to convey these additional details in their response.

All consortia members will be required to provide individual data on the stock they are applying with, the retrofits proposed, and the modelled outcomes of those retrofits. When completing the supplementary tables to the application form, each consortia member should input their own data in individual tabs provided. The consortia lead is responsible for ensuring that the data summary correctly encompasses the data from each consortia member's individual tab.

## 9.4 Evaluation of Proposals & Assessment Criteria

Applications for funding will be judged by BEIS officials against a set of criteria on a non-linear scale (0, 1, 3, 7, 10). This assessment criteria is set out below:

- **Strategic Fit:** how well the proposal fits with the aims, desired outcomes and eligibility criteria of the SHDF Wave 2.1 competition.
- **Delivery Assurance:** an assessment of the feasibility and credibility of the project including detail on delivery forecasts, key milestones and the planning and scheduling

process; resource capability and capacity and organisational design; risk and issues management; management of conflict of interests; commercial agreements and procurement activities including supply chain management.

- **Value for Money:** the proposed measures to be installed and their costs; a cost breakdown of the project; and justification for the cost of the project.

Eligible proposals will be ranked based upon their total score. In general, applications with higher scores will qualify for funding ahead of those with lower scores, with funding provided to as many applications judged as suitable within the budget available. After assessment, there will be a moderation process and a portfolio review, including review of the suitability of applications that score well overall but poorly on one or more individual question(s).

In support of the levelling up agenda, BEIS also reserves the right to review the distribution of funding across England comparative to the number of social homes per region and allocate funding in line with this.

In the event that BEIS receives more funding applications than funding available, BEIS may place eligible applications on a reserve list to be contacted about any future grant funding opportunities.

BEIS reserves the right to terminate the competition at any time, and may decide not to award any grants, or to award grants for less than the total funding available under SHDF Wave 2.1. Depending upon the nature of applications received, BEIS reserves the right to vary the allocation of grant funding, taking account of the scheme criteria and the number and size of Value for Money proposals it receives.

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

# Appendix A: SHDF Wave 2.1 Project Plan Guidance

Question 3.1 of the SHDF Wave 2.1 application requires a project plan to be attached as Annex F. Below, please find guidance on what BEIS expects to see in a good project plan.

## Content

- Applicants may structure plans however they see fit, **but as a minimum**, BEIS expects plans to include the following:
  - Key project stages broken down into specific tasks
  - Details of project set up and project team establishment
  - Details of all necessary procurement activity
  - Details of tenant engagement activity before, during and after works have been completed
  - The steps needed for project design and coordination, including PAS2035 risk assessments, planning permissions, and building surveys
  - Details of installation
  - Details of post-installation activities and handover
- Plans should be tailored to the project and should not use a generic list of tasks. For example, any building surveys, procurement activity, and tenant engagement steps should all be relevant to the specific measures and buildings involved in the project.
- Plans must embed references to the 9 BEIS core milestones which were released at competition launch, as well as the full PAS2035 process. References to the BEIS core milestones should reflect the information provided in Table 9 of the main application form.
- If the project plans to install measures in a phased approach, the plan must include detail of this.
- Consortia bidders should provide a detailed consortia plan, as well as a plan on a page for each consortium member. Plans for consortium bids are likely to take a programme management approach, outlining areas such as governance, controls, and timelines which cover the whole consortium. The plan should also include specific member-level detail as required, outlining as a minimum the spread of delivery across the consortia.



## Structure/Format

- Plans should be created in Microsoft Project, Excel, or similar software, and included as Annex F as a PDF file.
- Plans should list tasks line-by-line, including forecast start and end dates, durations, the BEIS core milestone they contribute towards, and owners for each line. A Gantt chart should also be included in the plan.
- The plan should clearly show dependencies. Applicants may add a column to note these, or use arrows on a Gantt chart.
- An extract of an example plan is included below as a guide to demonstrate how applicants may incorporate line-by-line tasks, dependencies, and the BEIS core milestones. Plans should include at least the level of detail shown below but the exact structure is at the bidder’s discretion.

Plans which only use the BEIS core milestones, or do not include specific, broken-down tasks, are likely to receive a low score in the ‘Delivery Assurance’ section of the assessment.

Milestone		Forecast start	Forecast end	Duration	Relevant BEIS Core Milestone(s)	Dependencies	Apr-23				May-23					Jun-23			
Line	Project Stage						Task	3	10	17	24	1	8	15	22	29	5	12	19
1	(MS1) Project team establishment	Job profiles created for each team member	03/04/2023	09/04/2023	1 week	MS1													
		Retrofit Coordinator appointed	03/04/2023	09/04/2023	1 week	MS1	Market availability of Retrofit Coordinators												
		Resident Liaison Officer appointed	03/04/2023	14/04/2023	2 weeks	MS1													
	Project design and surveys	Desktop Analysis and archotyping of properties	03/04/2023	14/04/2023	2 weeks	MSS													
2		(MS4) Undertake PAS2035:2019 Risk Assessments	10/04/2023	21/04/2023	2 weeks	MS4													
3		Agree survey format	24/04/2023	26/04/2023	3 days	MSS													
4		Book archetype surveys	03/04/2023	14/04/2023	2 weeks	MSS													
5		(MS5) Detailed individual property surveys (PAS 2035 Retrofit Assessment)	24/04/2023	19/05/2023	4 weeks	MSS	BEIS MS1 (project team established) must be complete												
6		Carry out Pull tests for EWI	24/04/2023	12/05/2023	3 weeks	MSS													
7		Archetype structural surveys	24/04/2023	12/05/2023	3 weeks	MSS													
8		Undertake CWI adequacy fill tests	01/05/2022	19/05/2023	3 weeks	MSS													
9		Carry out design & energy modelling (by Archetype)	24/04/2023	19/05/2023	4 weeks	MSS													
10		Procure and agree measure specification	24/04/2023	07/05/2023	2 weeks	MSS													
11		Complete asbestos surveys	24/04/2023	19/05/2023	4 weeks	MSS													
12		Complete pre gas surveys	24/04/2023	12/05/2023	3 weeks	MSS													
13		Complete environmental surveys	24/04/2023	07/05/2023	2 weeks	MSS													
14		Complete damp surveys	22/05/2023	18/06/2023	4 weeks	MSS													

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