

Social Housing Decarbonisation Fund (SHDF) Wave 3

Maximising Application
Scores and Project Impacts

Retrofit Decarbonisation
Tier 1 Contractor



In May 2024, the Department for Energy Security and Net Zero (DESNZ) confirmed the details of its competition guidance for Wave 3 of the Social Housing Decarbonisation Fund. The funding has a total value of around £1.25 billion.

As we explain in this guide, there are two new routes through which applications can be made: the **Strategic Partnership** and the **Challenge Fund** routes. An early understanding of SHDF Wave 3 and how best to plan an application via the two routes will be important in maximising the opportunity for applicants. As an expert in this field, SBS can help you do that.



SOCIAL HOUSING DECARBONISATION FUND WAVE 3

Funding Aims

DESNZ had previously stated that the fundamental aims and policies of previous Waves would remain unchanged. In summary:

- The focus will remain on bringing homes up to an EPC rating of band C or better, by 2035 where feasible.
- There will continue to be a 50% match-funding requirement.
- Supported works must aim to reduce CO₂ emissions from social housing, and support progress towards Net Zero 2050.
- Proposals must seek to tackle fuel poverty by improving the energy efficiency rating of social homes rated below EPC band C, thereby reducing energy bills. (Tenant energy bills must not increase as a result of the retrofit works, relative to what they would otherwise have been.)
- Works should improve the comfort, health and wellbeing of social housing tenants by delivering warmer and more energy-efficient homes.

More generally, SHDF Wave 3 seeks to deliver a boost to the green economy, to build skills and capacity in the sector, and to create thousands more jobs. It aims to extend the capabilities of the retrofit supply chain, to boost productivity and to incentivise innovation across the construction industry.

Key Dates		Application Limits by Property Type	
Delivery Window	1st April 2025 to 30th September 2028	Minimum property numbers	100 per application*
Applications Open	Summer 2024	Non-social homes within a bid	30%
Applications Close	Late Summer 2024	Non-social homes within a block/terrace	70%
Successful Projects Notified	Late Summer / Early Autumn 2024	Homes at or above EPC band C within a bid	10%
Grant Expenditure Profile		* (Eligible social housing properties. EPC band D-G.)	
FY 2025/2026	40%		
FY 2026/2027	40%		
FY 2027/2028	20%		

Sustainable Building Services - Our SHDF Clients include:





NEW CRITERIA AND POLICIES

DESNZ has updated certain eligibility and funding criteria so as to remove barriers to delivery and to shape the future development of the sector.

In Wave 3, a new and additional emphasis is given to helping households to make the transition to low carbon heating. This is seen as an essential step towards achieving Net Zero. (See SHDF Wave 3 Draft Scheme Guidance 10 for more details about the role of low-carbon heating.)

Notable elements of the new policies for Wave 3 include:

- The introduction of a single cost-cap. (This is set at £7,500 per home. With match-funding, this sets the total grant available per property at £15,000. However, additional client capital investment can be used to increase spend per property.)
- An incentive offer for on-grid low carbon heating*. (A maximum grant of £20,000 for on-gas homes, which may account for up to 10% of homes in the bid. No match funding is required).

- An additional low carbon heating* cost cap of £7,500 for off-gas grid homes. (Total additional funding of £15,000.)
- The option to average out costs-per-house across a whole project.
- A cost-cap exemption for raising hard-to-heat homes to a C+ rating.
- More flexibility on eligible measures. (Note, however, that the usual PAS 2030/2035 and MCS requirements remain.)

* *Note: Eligible measures include air source heat pumps, ground source heat pumps, shared ground loops and heat networks.*

For SHDF Wave 3, social housing providers should be aware that there are funding uplifts for specific measures, property types and circumstances. These can enhance the total funding available, giving project designers scope to introduce a wider range of energy efficiency and low carbon heating measures.

ELIGIBILITY AND EXCLUSIONS

Homes previously treated under SHDF Wave 2 are not eligible for Wave 3 funding. However, those treated under the SHDF Demonstrator or Wave 1 may be included if they meet the Wave 3 eligibility requirements. In such cases, funding would only be applied to the installation of low carbon heating measures.

However, fabric-first principles will continue to apply, and so too will the focus on delivering best value for money. DESNZ notes that it expects the most efficient and robust technologies to be prioritised. Applicants should seek to minimise the risk that measures will need to be replaced in the future. As before, applicants should seek to take a whole-house, area-based approach so as to maximise efficiencies and economies of scale.

Other retained Wave 2 policies will include:

- The option to include up to 10% of homes rated EPC C+ within applications where low carbon heating measures are being installed.
- The option to apply the inclusion parameters for EPC C+ properties to infill properties, so as to encourage the adoption of an area-based approach.
- The option to use blended funding (i.e. using funding from other government schemes) to support retrofit works on the same home, provided that the works meet both sets of eligibility criteria. As before, such funding cannot be used to support the same works twice.



TWO APPLICATION ROUTES

SHDF Wave 3 funding will be made available via two separate funding routes: the **Challenge Fund** and the **Strategic Partnership** route. As an experienced service provider, we can help clients with applications via either route.

The Challenge Fund Route

The great majority of applicants are expected to access SHDF Wave 3 funding through the Challenge Fund. One of the key principles of this model is that all applications that meet the scheme's minimum standards will be awarded funding.

- Minimum property numbers: 100 eligible social housing properties (EPC band D-G) per application.

Smaller social housing landlords (defined here as those that own or manage fewer than 1,000 homes) can apply with fewer than 100 homes but should join a consortium where possible. DESNZ encourages applications from smaller landlords and will set aside £30 million of funding from the Challenge Fund specifically for applications from these landlords.

The Challenge Fund model will only require detailed information about the homes included within a phase when the applicant is ready to start delivery.

Phased Approaches

The Challenge Fund model will facilitate the phased approach to delivery taken by many organisations. The application process will comprise an Initial Application stage as well as one or more subsequent Phase Request submissions.

For advice on making phase requests, please contact us.

The Strategic Partnership Route

The SHDF Wave 3 Strategic Partnership route will enable a small number of social housing providers to propose projects of "significant scale", which means installing retrofit decarbonisation measures to multiple thousands of homes. To be eligible, applicants must have a proven record of delivering projects successfully at this scale.

Grant recipients will not be required to provide details of specific homes or measures until works have been carried out. However, their bids must meet certain strategic priorities – as follows.

Delivery at Scale

Applications should seek to improve at least 4,000 homes.

Building Capacity in the Retrofit Sector

Through the development of consortia, Strategic Partners should support less experienced landlords to build skills and capacity, and to develop their retrofit supply chains.

Delivery of Low Carbon Heating

Applications should seek to install low carbon heating in a significant number of homes, and trial different systems so that the results can be evaluated and shared.

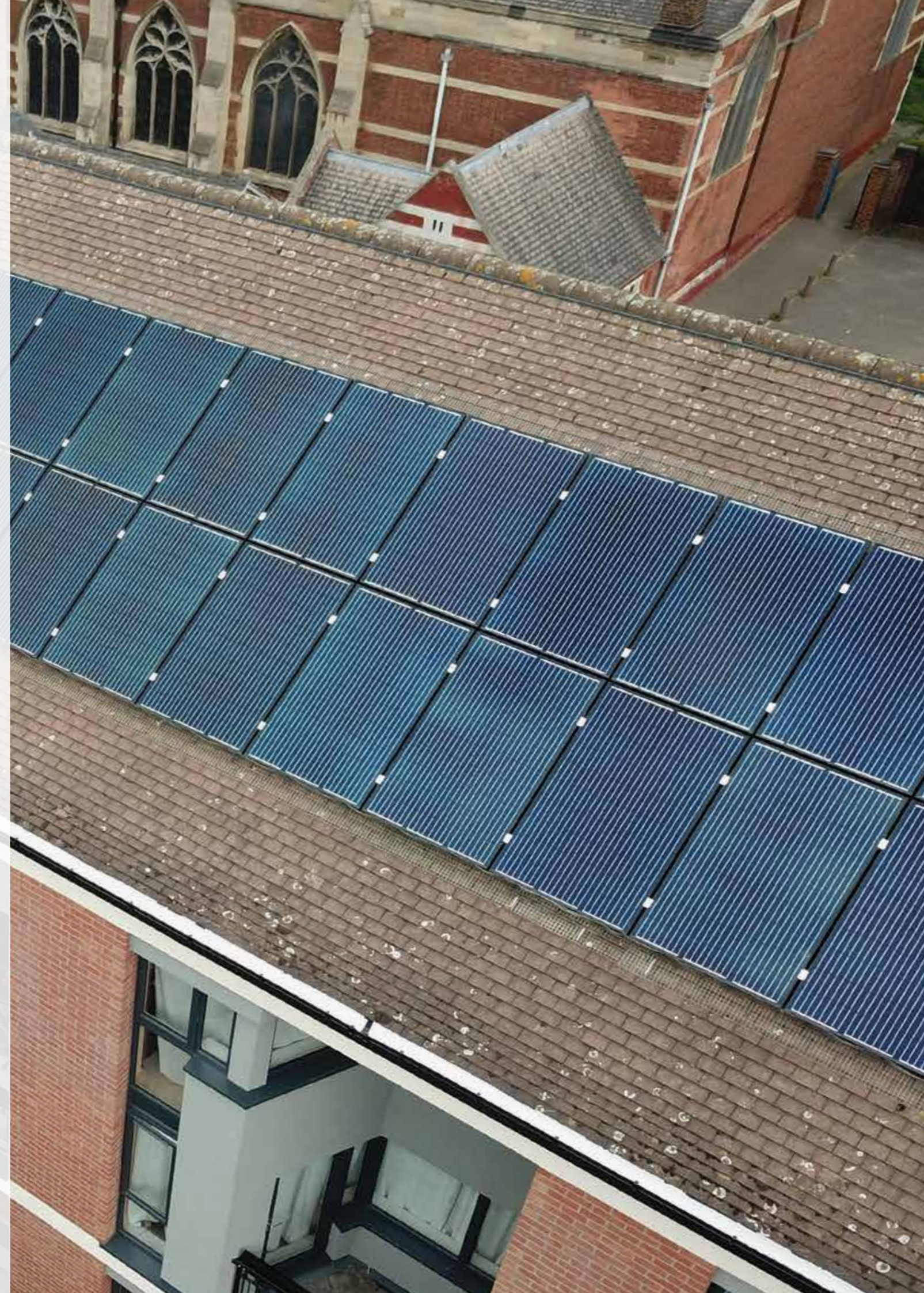
Innovation

Examples of innovation include developing mixed approaches to mixed-tenure retrofit, taking an area-based approach to procurement, and the use of new smart technologies for system monitoring and control.

Use of Private Finance Solutions

Applicants are encouraged to explore how innovative finance solutions can be employed as part of retrofit projects to increase uptake by private households.

For advice on the Challenge Fund or Strategic Partnership routes, please visit **www.sustainablebuildinguk.com/shdf-wave-3** or contact us at **shdf@sustainablebuildinguk.com**



CONSORTIUM-BUILDING

Consortium-building is likely to play an increasingly important role in applications under both routes to Wave 3 funding.

SBS can help clients to form consortia and to prepare collaborative bids, even when partners are geographically spread and their housing stock features a variety of archetypes. We have a proven record of delivering for social housing consortia.

For example, we are currently delivering the second phase of a £26 million SHDF-funded programme for Matrix Housing Partnership. It comprises seven UK social housing providers, which are widely spread across the South West, Southern/Central England and the West Midlands corridor. We are managing and delivering parallel workstreams on multiple sites.



ELIGIBILITY TO APPLY

Individual and consortium applications will be permitted through both funding routes. Bids should be submitted via the online application portal. (Please note that a separate application will be required for each route).

Applications can be submitted by local authorities, combined authorities, registered providers of social housing and registered charities that own social housing. They can apply directly or as part of a consortium.

Applications by arms-length management organisations (ALMOs) that are not registered providers can only be made as part of a consortium bid. Such consortia must be led by an eligible organisation.



Assessing Applications

For both routes, initial applications will be judged against the following criteria:

- **Strategic fit:** how well the proposal fits with the aims, outcomes and eligibility criteria of the relevant fund.
- **Delivery forecast:** an assessment of the project plan, including proposed costs.
- **Commercial assurance:** an assessment of the feasibility and credibility of the commercial agreements and procurement strategy.
- **Delivery assurance:** an assessment of the feasibility and credibility of the project including the resource plan, project management strategies, risk management and overall confidence in delivery.

Applicants will be required to provide a detailed breakdown and justification of project costs, and an explanation of how they support cost-effective progress towards SHDF Wave 3 objectives.

CASE STUDY

SHDF Wave 2.1 Consortium-led Retrofit

Introduction

This multi-measure £26m decarbonisation scheme is being delivered on behalf of Matrix Housing Partnership, a unique consortium of seven UK social housing providers spread widely across the South West, Southern/Central England and the West Midlands. It seeks to improve living conditions and to reduce energy costs for around 1,750 people across 900 homes, and to cut associated CO₂ emissions by an estimated 1,629,000 kg per year.

The Project

The Wave 2.1-funded project entails installing multiple decarbonisation measures, all in accordance with the PAS 2025 standards and following a fabric-first approach. Primary measures include fitting external wall insulation, loft insulation and replacement windows and doors with additional decarbonisation works including the installation of new ventilation systems and air source heat pumps. The aim is for every property to achieve an Energy Performance Certificate (EPC) rating of at least Band C by the time the project ends in 2025.

Results

Besides delivering valuable improvements to housing stock and enhancing living conditions for hundreds of residents, the scheme has also proven the effectiveness of the consortium approach. It has yielded considerable economies of scale and, despite the multiple locations, different measures and varying property archetypes, SBS completed the work quickly and effectively in full accordance with PAS standards and relevant funding requirements. The resulting measures are expected to deliver total energy savings of 5,973,000 kwh per year.

Client Feedback

Jason Holder, director of property at GreenSquareAccord, said: "We are proud to be leading the Matrix Housing Partnership's decarbonisation project, which has already seen hundreds of homes benefit from energy efficiency upgrades. We are sharing best practice and maximising economies of scale through the consortium model. From the quality of measures installed through to the resident liaison approach, we know we're receiving a good service and so too are our consortium partners."



Total CO ₂ savings:	1,629,000 kg/year
Total energy savings:	5,973,000 kwh/year
Value of project:	£26 million
Number of properties:	905
Energy efficiency measures:	External wall insulation, loft insulation, solar PV arrays, 7kW air source heat pumps, energy-efficient doors and windows

CASE STUDY

SHDF Wave 2.1 Delivering large scale retrofit



Introduction

Sustainable Building Services and Ryknel Homes are delivering a multi-measure decarbonisation scheme for North East Derbyshire District Council to the latest PAS standards. Featuring a range of challenging, non-traditional archetypes, it is one of the largest, most successful SHDF Wave 2-funded schemes to date.

It follows a £12 million scheme that began in 2022, using funding from LAD phases 1A, 1B, 2, 3, and HUG. On the strength of its success, Ryknel Homes and SBS produced an evidence-based SHDF Wave 2 bid that secured additional funding for this £22 million successor scheme.

The Project

The project features multiple decarbonisation measures to 640 homes. Archetypes include REEMA, Airey, Wates, Unity, No Fines and BISF. Following a fabric-first approach, primary measures include external wall insulation, loft insulation and energy efficient doors and windows. To maximise economies-of-scale, retrofit works are being delivered in conjunction with other repairs including re-roofing and structural improvements.

Having already conducted a housing asset review, and with supply chain partners alerted well in advance, the team was able to mobilise quickly upon award. Within the first 12 months, SBS had handed over more than 300 properties.

Additional Funding

As a result of its early success, the team secured £500,000 of additional devolution funding for the incorporation of solar PV arrays within the SHDF programme and whole-house retrofits to 'off-gas' properties. Measures include the installation of 7kW air source heat pumps, and 4.2kW solar PV arrays.

Client Feedback

Describing the successful collaboration with SBS, Niall Clark, Deputy Managing Director of Ryknel Homes said:

"We've been working with SBS for a number of years now and what they bring is capacity and skills, helping us both to prepare a bid and being able to deliver on site. We've got confidence in their quality, and the two teams work really well together."



Total CO ₂ savings:	1,152,000 kg/year
Total energy savings:	4,224,000 kwh/year
Value of project:	£22 million
Number of properties:	640
Energy efficiency measures:	External wall insulation, loft insulation, solar PV arrays, 7kW air source heat pumps, energy-efficient doors and windows

HOW SBS CAN HELP

Our size, experience and specialist expertise enable us to offer our clients effective support in meeting all the stated criteria:

Strategic fit: as one of the UK's largest turnkey solutions providers, we have delivered under all previous phases of SHDF – from the Demonstrator to Wave 2. We have a thorough understanding of the fund's aims, outcomes and eligibility criteria, and an excellent record of delivering at scale. We have supported clients with numerous successful applications, all featuring multiple measures and adhering to whole-house, fabric-first principles and taking a multi-tenure, area-based approach.

Delivery forecast: decarbonisation lies at the core of our work so we have robust procedures for ensuring certainty on costs. We are assisted in this by our sister companies; being able to order materials in advance and in bulk yields cost-savings and protects our clients from costs and delays arising from shortages.

Moreover, we are adept at bringing stakeholder partners together from the earliest stages to ensure effective planning, resourcing, mobilisation and delivery. This includes a nationwide network of proven supply chain partners.

Commercial assurance: We are listed on all major retrofit and decarbonisation frameworks, and we provide a clear, fast and efficient route for procurement. We have long, well-established relationships with numerous clients, many of whom have worked with us for five or more years and have renewed their contracts with us multiple times.

Delivery assurance: our ability to plan, manage and deliver successful decarbonisation schemes is at the core of our business. We are accredited to PAS 2030 and PAS 2035 and are registered with Trustmark. We provide a robust framework for multi-partner project planning, risk management and delivery.

Backed by our own in-house teams and a proven network of comprehensively vetted supply chain partners, we have the skills and resources to mobilise quickly, delivering projects of any scale, anywhere in mainland Britain. For clients, this minimises delays and all associated risks.

Recognised for Excellence

Our expertise in the field, and the added value we offer, have both been recognised in recent industry awards. We were named the Retrofit Academy's Contractor of the Year in successive years: first in 2023 and again in 2024. The award celebrates consistent delivery of high-quality resident engagement, innovation and excellence in whole-house retrofit projects.



Contractor of the Year Finalist 2024



Best Retrofit Contractor of the Year 2024



Best Retrofit Employer of the Year 2024





APPLICATION SUPPORT

As one of the UK's most experienced, tier 1 decarbonisation contractors, we can offer expert support with bid preparation for both the Strategic Partnership and the Challenge Fund routes.

We have a long and successful record of supporting large clients and consortia at the strategic level, and we are currently delivering twenty SHDF-funded retrofit schemes, valued variously between £2.5 million and £26 million.

Offering end-to-end retrofit project support, we can:

- Provide retrofit consultancy and SHDF application support
- Help to analyse your existing housing stock
- Identify properties for specific retrofit approaches in order to maximise funding
- Review existing property energy / carbon data
- Evidence property energy / carbon outcomes
- Produce budget costs and programmes
- Provide access to fully developed regional and national supply chains and SHDF partners
- Undertake mixed-tenure (owner-occupier / private landlord) property acquisitions
- Provide Smart Home Technology solutions
- Provide innovative private finance solutions to encourage infill / private property uptake

We can help you meet, exceed, and evidence all the key priorities and assessment criteria for the Strategic Partnership and the Challenge Fund routes. That includes *developing strategic fit, delivery forecast, commercial / delivery assurance, building capacity in retrofit delivery at scale, delivery of low carbon heating, and innovation.*

WHY CHOOSE SBS?

We are a purpose-led, multi-award-winning decarbonisation solutions provider, and have extensive experience of delivering at scale across all housing tenure types, including social, owner-occupied and private rental homes. Our goal as a business is to drive positive social change; improving homes, communities and lives.

As a flexible and innovative, forward-thinking group, we have the capacity and experience to support applications, and to plan, design, manage and deliver PAS-compliant retrofit schemes throughout the UK.

We are listed on all major energy efficiency, decarbonisation and whole-house procurement frameworks and are currently delivering over £120 million of SHDF Wave 2.1 and Wave 2.2 projects. We are also one of the few contractors to have delivered under all SHDF phases (i.e. Demonstrator / Wave 1 / Wave 2.1 / Wave 2.2).

Adding Value

SHDF Wave 3 funding guidelines highlight key strategic priorities including the use of private finance solutions and smart technologies, and capacity building within the retrofit sector. By taking advantage of our innovations in these and other areas, clients can significantly enhance their applications.

Private Finance Solution

In early 2024, our point-of-sale finance solution for home retrofits was awarded nearly £1.8 million in public funding. Known as "POST-FREE", it seeks to make retrofit decarbonisation projects more affordable for homeowners and landlords. This helps us to promote a true area-based approach and ensures that in our work to decarbonise whole communities, no home need be left behind.



Smart Technology

Similarly, we have developed a new smart-social-housing platform. It integrates sensor data, occupancy records, AI, analytics and client insights to support improvements in productivity, emission-reductions and tenants' quality-of-life. It shows the impacts of Net Zero interventions, and helps clients to meet all relevant regulatory requirements.



Capacity Building

We are also addressing requirements to build skills and capacity in the sector. We have active collaborations with organisations such as CITB, Think Construction and The Retrofit Academy, through which we're developing specialised courses and aligning our workforce with evolving industry-standards.

CASE STUDY

SHDF Wave 2.1



Introduction

In September 2023, SBS began work on an £18 million decarbonisation scheme for the social housing provider, Citizen. This followed previous, smaller projects delivered for the same client, including a £1.2 million project involving 118 occupied properties in Coventry.

The latest scheme is due to run until the spring of 2025 and will entail installing multiple measures to at least 663 occupied homes. It is being delivered to the PAS 2035 standard and it is funded by SHDF Wave 2.

The Project

The project is providing multi decarbonisation measures to 663 hard-to-treat homes following a fabric first approach. Primary measures include external wall insulation, loft insulation, energy-efficient doors and windows.

An important challenge, and a condition of securing planning consent, was that the external wall insulation had to replicate the existing façade and streetscapes. To achieve this, SBS used a brick-effect render system supplied by PermaRock Products Ltd. The company also provided detailing and technical support, together with extensive on-site training. This enabled operatives to produce the 'aged' brickwork appearance that was necessary for creating like-for-like brick elevations.

Results

The scheme is still ongoing but progressing on track to the original schedule. Within a year of commencement, SBS had successfully handed over 230 properties, all completed to the relevant standards and funding requirements. On completion, the total calculated energy savings are expected to be 4,375,800 kwh/year, and the total carbon savings should amount to 1,193,400 kg/year (CO₂).

The social impacts of the works include hundreds of families enjoying better living conditions, and support for 93 full-time and part-time jobs within the local supply chain.

Client Feedback

Bridget Guilfoyle, director of asset management at Citizen, said:

"People are at the heart of everything we do, so its hugely rewarding to see and hear about the differences these energy efficiency measures are making to our customers.

"At Citizen we are committed to working with our partners to make a positive difference to our customers and communities – and we are looking forward to carrying out more energy efficiency works across the West Midlands."



Total CO ₂ savings:	1,193,400 kg/year
Total energy savings:	4,375,800 kwh/year
Value of project:	£18 million
Number of properties:	663
Energy efficiency measures:	External wall insulation, loft insulation, energy-efficient doors and windows

NEXT STEPS

1 Engage & collaborate now to maximise your SHDF opportunity

Dates for the application window have not yet been announced. However, early engagement and preparation will be essential for maximising the significant opportunities available under Wave 3, and for preparing a successful, high-quality bid. This may include identifying potential consortium partners.

We can help clients to plan their applications and build consortia where necessary. We can also provide access to other funding sources, such as ECO4 and GBIS, to maximise the number of improvements that can potentially be funded. By utilising other funding, we can extend a scheme's impacts to reach tenants, owner-occupiers and landlords, thereby promoting a true area-based approach. This, in turn, should yield significant economies of scale and a wider social impact.

2 Undertake an analysis of existing housing stock; identify EPC D/E/F/G rated properties

We can assist in undertaking EPC / retrofit assessments and an energy asset analysis to maximise the SHDF match-funding and the number of properties to be improved.

3 Identify properties most suitable for fabric first (insulation) retrofit and low-carbon heating

We can provide draft, medium-term property improvement plans, SAP reviews and proposals for energy efficiency and low-carbon heating measures to help meet the scheme's requirements and strategic priorities.

4 Meet energy / carbon scoring standards and identify secondary energy measures

We will be happy to provide guidance on other measures to include within your application to maximise the number of properties that can be improved, thereby helping to achieve EPC / carbon-reduction targets.

5 Prepare evidenced based applications / budget costs / resource plans / delivery programmes

For both funding routes, we can provide extensive support, including supporting information, technical guidance and documentation. We can also supply:

- Detailed budget costings for properties and measures, including retrofit assessment, coordination and design (if required) to provide cost certainty in budget planning
- Product specifications / data
- Details of PAS2035 retrofit service providers (if required)
- A detailed mobilisation and delivery programme with named supply chain / retrofit role partners
- Calculations for pre- and post-retrofit carbon savings / EPC improvements
- Access to additional mixed-tenure funding



Speak to one of our decarbonisation experts today.

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