**Annex A:** Further details on the Wave 3 scheme design

This annex provides further key details on WH:SHF Wave 3’s policy and delivery design. For further information, please see the published [Scheme Guidance](https://www.gov.uk/government/publications/warm-homes-social-housing-fund-wave-3).

**Strategic Partnerships**

Strategic Partnerships will be funding agreements between DESNZ and organisations with a proven track record of successful delivery at scale (1000s of properties), with a more flexible delivery process in place to reflect the capability evidenced by these organisations and to support delivery at scale.

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

1. Delivery at scale
2. Preparing for the future scale-up of retrofit
3. Low carbon heating
4. Innovation

The Strategic Partnership application process has a reduced focus on specific project detail and a greater emphasis placed on evidence of delivery capability as well as on strategic alignment between the applicant’s proposed project and WH:SHF aims.

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

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

**Challenge Fund and Phase Requests**

A key principle of the Challenge Fund approach is that all applications that meet the minimum requirements of the scheme will be awarded funding (although if the scheme is oversubscribed, this may not be the amount of funding requested).

At application, Challenge Fund Applicants will not be required to provide information on specific homes to be upgraded or specific measures to be installed. Instead, Applicants will be asked for information to demonstrate that they will be able to deliver a project to the required specifications.

A new application process has been designed to accommodate a phased approach to delivery, whereby there is an application stage, following by a phase request stage, whereby one or more submission of a Phase Request is made during delivery. The detail on the number of Phase Requests to be submitted, timing of these submissions and number of homes in each submission are set by Applicants at the Application stage.

Before measures are installed in any homes, a Phase Request covering those homes must be submitted to and approved by DESNZ. The Phase Request process has been developed to reflect the way projects are delivered, with information required by DESNZ at the point it is available. However, projects should not be broken down into phases arbitrarily but only where this reflects a sensible delivery plan. We expect that projects will not have more than 10 phases or less than 10% of homes in any one phase and reserve the right to reject applications going outside of this.

Applicants must explain their approach to phasing as part of the application process and why this reflects a sensible delivery plan. When deciding how a project will be phased, Lead Applicants may wish to consider factors such as location of homes to be upgraded, tenure types, local procurement environments or differences between consortium members.

This process is illustrated below.

A diagram of a process

Description automatically generated

**Advantages of each funding route**

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

**Policy design**

In addition to the introduction of the two distinct funding routes, several key policy design changes will be implemented for Wave 3 to support the scale-up of social housing retrofit:

* **Delivery window:** A delivery window of 3.5 years, the longest yet.
* **Performance outcomes:** Homes are expected to achieve the maximum EPC grade achievable within the cost caps, where EPC C is not attainable. The 90/kWh/m2/year space heating demand consideration no longer applies for Wave 3.
* **Cost caps:** A new single cost cap of £7,500 per home, which does not vary by starting EPC or wall type and can be averaged across homes in an application. There is a separate £7,500 grant funding cost cap for low carbon heating measures in homes off the gas grid.
* **Low carbon heating on the gas grid:** A new optional low carbon heating incentive, whereby up to 10% of homes in an application can access a £20,000 grant to install certain low carbon heating measures on the gas grid (instead of the usual cost cap for homes off the gas grid).
* **EPC C+ homes:** A maximum of 10% of applications may include homes starting at EPC C or above where low carbon heating measures are being installed, where in previous Waves these could be included on an infill basis only.
* **Mixed tenure and non-social homes:** Mixed tenure blocks/terraces can be treated in their entirety as long as there are at least 30% social homes in the block/terrace.
* **Revisiting homes:** Homes treated in SHDF(D) or Wave 1 are eligible to be revisited in Wave 3, so long as they comply with eligibility requirements and only where installing low carbon heating.
* **Minimum application size:** Wave 3 Challenge Fund applications must include a minimum of 100 eligible social housing properties at EPC band D-G per application. There is no minimum application size for small social housing landlords (defined for this purpose as those who own or manage fewer than 1,000 homes) though they are expected to aim for 100 homes, or to join a consortium where this is not possible.