



Social Housing Decarbonisation Fund Wave 2.1 – What landlords need to know

The much-anticipated Competition Guidance and draft template [Grant Agreement for Wave 2.1](#) of the Social Housing Decarbonisation Fund (SHDF) was published in early August 2022.

The competition is open to registered providers and local and combined authorities (either alone or as lead partners in a consortium) and is expected to be launched in September.

Improving the energy performance of social housing stock is a vital step for landlords on the path to Net Zero. But the recent surge in energy prices means that addressing fuel poverty is also a significant driver. £800 million of SHDF grant will be distributed via Wave 2 to help meet costs, but landlords need to be aware of the associated risks.

Key legal issues

- Delivery and timescales** – The grant must be drawn down and expended by 31 March 2025, with works completed by 30 June 2025. There is a minimum bid size of 100 homes, so works are expected to be done at scale within these timelines. Applicants should have surveyed their stock, identified suitable properties and considered both procurement requirements and the delivery contract (including the allocation of any PAS 2035 roles) in order to meet these deadlines.
- Consortium Structure** – Applicants for SHDF funding may use grant funding directly or pass it to other social housing landlords (including ALMOs and registered charities) within a consortium structure. Where applicants are leading a consortium, it will be necessary to enter into a suitable consortium or collaboration agreement with the other members to back off their liability under the Grant Agreement and Data Sharing Agreement. Without this structure in place, a breach by a consortium member could potentially expose the lead partner to clawback of the entirety of the grant.
- Co-Funding** – Applicants must co-fund at least 50% of the eligible costs. This can come from their own resources or via third parties, but the draft Grant Agreement currently provides that all third party funding requires advance approval from BEIS. In addition, no grant funded assets (including real property) may be charged without BEIS' consent. Applicants should identify and carefully structure third party funding at an early stage to avoid delays to approval.
- Eligible measures** – A "Fabric First" approach (where insulation and heat loss prevention measures are prioritised) remains a core principle of Wave 2.1. However, if landlords can evidence that properties are appropriately insulated, then funding may be used for other energy efficiency measures such as low carbon heating with an emphasis on heat pump installation.
- Procurement** – In addition to the general obligations under the Public Contracts Regulations 2015 (PCR), the draft Grant Agreement also specifically requires all contracting authorities to procure SHDF-related works and services using a PCR compliant process. Given the current skills shortage in the market and

the number of energy efficiency works that need to be completed within the SHDF timelines, applicants should identify a procurement strategy well in advance of being awarded the SHDF grant and consider collaborative/joint approaches to smooth the delivery programme and ease the pressure on supply chains.

- **Subsidy control** – The guidance suggests that registered providers may be exempt from subsidy control, but the draft Grant Agreement does not substantiate this position - which on the face of it severely limits how much grant is available (for registered providers only up to circa. £315,000-£325,000). Where a local or combined authority is expending the grant themselves, we would not expect any subsidy to arise. But to the extent registered providers are applying for or using the grant (either directly or as part of a consortium) specialist advice should be obtained to identify a suitable, beneficial exemption.
- **Data protection and data sharing** – Data collection and sharing will form an important part of BEIS' monitoring of SHDF deliverables. Applicants must sign-up to a separate data sharing agreement to receive SHDF funding, the requirements of which may necessitate tweaks to applicants' own privacy notices and data protection procedures. The data shared with BEIS will be used for monitoring (i) performance management; (ii) scheme delivery; and (iii) potential fraud and non-compliance. Where an applicant is a lead partner in a consortium, they will also need to ensure adequate mechanisms are in place to enable timely collection and sharing of data from all consortium members.

Looking ahead

While SHDF can only fund a portion of the sectors' decarbonisation costs, landlords should seize this opportunity to kickstart their retrofit programmes and start decarbonising at scale. Due to the tight timescales involved, landlords should give early consideration to their proposed procurement strategy and contract delivery structure to minimise legal risks. This will allow

applicants to hit the ground running at competition launch.

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