



Llywodraeth Cymru
Welsh Government

GUIDANCE

Optimised Retrofit Programme 3: guidance 2022 to 2025

Explains the type of retrofitting supported and how to submit a bid for funding.

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Overview

The following guidance is produced to assist applicants submitting bids for funding under the Optimised Retrofit Programme (ORP). It has been developed to help inform the applicants about the type of retrofitting the programme aims to financially support now and in the future.

ORP 3 is for the period of 2022-2025. The main theme of the programme is affordable warmth and decarbonisation achieved through the best path for each individual home.

Registered Social Landlords and local authorities have previously received a funding award allocation from Welsh Government to deliver phased activity of the Optimised Retrofit Programme in 2022-2023. For this year's funding round to be considered for awarding, Optimised Retrofit Programme officials will require submission of an application (proforma) that outlines the intended costs for the year 2023-2024, and the proposed indicative costs for 2024-2025. Please note that the funding allocation will continue to be generated on a formula approach of stock numbers that is based on figures sourced from the 2020 data census.

Recipient organisations will be required to complete the proforma and to conform to the outlined format of the proforma. Submitted proformas will be considered by Welsh Government and any areas of clarification will be raised with the recipient organisation. When the Welsh Government are content the proforma is completed and meets the requirements set out below, a grant offer letter outlining funding and grant terms and conditions will be sent to the recipient organisation.

Successful projects will be monitored and evaluated, with recipient organisations required to adopt an open book approach as a condition of accepting the funding. For example, requests for prime documents such as evidence of defrayment, updated actual to forecast models, and project outputs could be

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requested by Welsh Government throughout the length of the programme.

Strategic context

In 2019, The Better Homes, Better Wales, Better World report was commissioned by Welsh Ministers to examine how homes in Wales could be decarbonised. The recommendations were accepted by Ministers including a commitment to pursue a residential decarbonisation programme.

In response to the recommendations, it was agreed that an 'Optimised Retrofitting' approach would be adopted here in Wales.

From this commitment and approach the Optimised Retrofit Programme (ORP) was established in 2020. Over the past three years a range of projects across the social housing sector have been supported and c £120m of funding invested. The ORP 3 Year 2 phase of funding seeks to continue to build on this to ensure that all social landlords in Wales engage with ORP over the next 2 years.

In taking forward the decarbonisation of existing homes, we acknowledge that retrofitting existing homes is a complex and iterative process. Homes are likely to need to go through several stages of retrofit work to reduce their carbon incrementally, embracing innovation and experimentation over time.

It has always been our intent that ORP takes a staged approach, using the social housing sector, and investment in it, to lead and inform retrofit for other tenures of homes. ORP is intended to act as proof of concept for approaches to both fabric and technology retrofit and establish a firm evidence base on which to develop our longer term retrofit strategy.

Our focus for ORP 3 will continue to be on optimising the thermal and energy efficiency of Welsh social homes. In deploying the programme, we ask landlords

to maximise air tightness, optimise insulation, and consider ventilation to reduce heat loss and make homes 'fabric ready'. This approach needs to balance the provision of technology measures to make homes cheaper to run and reduce carbon emissions against the current cost of making homes 'fabric ready' and installing technology measures.

We ask landlords to assess individual homes and prepare individual plans (known as Target Energy Pathways) for each home on their journey to reduce energy costs and towards zero carbon.

Social landlords are required to undertake retrofit measures to homes using PAS2035. Lodgement with TrustMark is strongly recommended, with the intention of this being a requirement in the near future.

We will incrementally extend our optimised retrofit approach beyond social homes to the private rented sector and eventually owner-occupied homes as ORP 3 progresses.

Key to the programme is:

- Deliver the programme in ways that align the design and delivery of affordable housing with the seven goals of the Well-being of Future Generations (Wales) Act (WFGA) – **Well-being of Future Generations (Wales) Act 2015 – The Future Generations Commissioner for Wales**.
- Encourage landlords to develop a strategic approach when considering measures to improve affordable warmth and decarbonisation of homes.
- Demonstrate benefits associated with new ways of retrofitting, with a view to encouraging wider uptake.
- Harness opportunities to deliver jobs, skills training, and develop local industry, embracing foundation economy principles and supporting wider regeneration.
- Contribute to Welsh Government policy objectives around reduction in waste and circular economy.

- Support public involvement by disseminating key findings and maximise learning.

Further details regarding ORP and contextual information on wider developments can be found on the Welsh Government website or via the following links:

[Optimised RetroFit Programme](#)
[Welsh Housing Quality Standard](#)
[Net Zero Skills Wales](#)
[Climate Change - Welsh Government](#)
[Business Wales](#)
[Sell2Wales](#)
[TrustMark](#)

Timescales

Key dates for ORP 3 Year 2 2023–24

Stage	Date
Initiated	<i>July 2023</i> <i>Guidance and Submission Documents issued July 2023</i>
Submission documents	To be returned 11 September 2023
Grant awarded	By 9 October 2023 <i>(dependent on successful submission)</i>

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Funding claimed By 31 March 2024

Next round open First financial quarter of 2024/25

Objectives of Optimised Retrofit Programme

The objectives of Optimised Retrofit Programme are as follows:

1. To support social landlords to develop a strategy to align with the 'Affordable Warmth and Decarbonisation', elements of Welsh Housing Quality Standard 2023 as the Welsh Government and social landlords work towards establishing a new standard.
2. To support social landlords to approach the decarbonisation of homes enabling underpinning factors to be addressed such as skills, procurement, finance models and material selections.
3. To support social landlords to innovate in their approach to measure in the decarbonising of their housing stock homes, adopting a risk appetite which matches the innovative and entrepreneurial activity required to decarbonise effectively and efficiently.
4. To support the development of appropriate approaches to decarbonising the private rented and owner occupier sectors.

Requirements of Optimised Retrofit Programme year 3

1. Social landlords are required to undertake retrofit measures to homes using PAS 2035 (*PAS 2035:2019 Specification for the energy retrofit of domestic*

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buildings). Lodgement with TrustMark is strongly recommended, with the intention of this being a requirement in the near future.

2. Social landlords are required to install Environmental Sensors compliant with, '*Optimised RetroFit Programme: environmental and energy monitoring*'.

Landlords are encouraged to include in their applications installation Environmental Sensors only to homes that will form future retrofit programmes (such ORP 3 2024/25) to create pre-retrofit data to support choice of measures for homes.

3. Social landlords are required to use existing information and focussed survey data to develop a **Whole Stock Assessment** for their homes.

Social landlords should produce a **Target Energy Pathway** for each home undertaking retrofit measures in ORP, setting out how that home will ultimately achieve targeted levels of affordable warmth and decarbonisation.

To note – further guidance will be sent on what is required for both the **Whole Stock Assessment** and the **Target Energy Pathway** in due course.

4. Social landlords are required to report on number of premises receiving retrofit measures, type of intervention used and other key outputs.
5. Social landlords are required to provide details as to who their product and services suppliers are (name, web page, business address). Social landlords are also required to supply details and comments on the training their staff and suppliers are accessing in Wales as part of [Net zero skills Wales | GOV.WALES](#)
6. Social landlords are required to report on additional funding streams that are applied for that relate to retrofit activities which includes own contribution and

other financial streams.

Eligibility

1. All social housing landlords and LSVT's applications should be able to provide a signed works contract by 31 March 2024 containing a start on site date no later than 30 April 2024.
2. All local authorities should be able to demonstrate defrayment and/or activity taken place for the financial year it is incurred to be able to claim the funding within that financial year. If the local authority cannot fully defray the 2023/24 expenditure within the year, you are required to inform us on how much more funding would be able to be utilised in 2023/24 via displacement.
3. Welsh Government reserve the right to amend scheme acceptability dates and requirements. These will be discussed directly with successful scheme applicants at an appropriate time.
4. To support social landlords to fund works that are in addition to their current 'Repair, Maintain and Improve' (RMI) programmes, and includes not bringing forward from RMI, future years to use with the ORP grant. Typically, these programmes are currently aligned around existing Welsh Housing Quality Standard (WHQS) 2008 standard.
5. Eligible capital costs are costs that can be directly linked to the programme such as insulation, heat pumps and other interventions. Eligible revenue costs are costs that can also be directly linked to the programme such as direct labour cost.
6. Up to 10% of the total grant allocated funding threshold can be used for the purpose of innovation and research linked to the decarbonisation of your

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housing stock. In addition, programme management fees are also eligible under the total grant threshold of up to 10%. This can be used either “in house” or for third party assistance. Both these costs will be considered on a case-by-case basis within the evaluation and assurance process.

7. Environmental monitoring systems and survey fees are eligible costs.
8. VAT (Value Added Tax) applied on expenditure incurred will only be considered as eligible expenditure if you are unable to recover the VAT within your own taxation rules.

Evaluation

Welsh Government intends to build an evidence base of what works and what doesn't, to inform future policy and investment decisions.

Evaluation requirements will be confirmed in the Grant Offer Letter awarded for successful projects.

All successful projects will be required to participate in evaluation exercises as a condition of grant. Specific additional evaluation may be commissioned to investigate an individual scheme's innovation focus, and the nature of this evaluation will be discussed and agreed on a scheme specific basis. Timely provision of data is also a condition of the funding.

After initial analysis the data collected will be publicly available, to note this will be published on the ORP webpage and will be anonymised. We may also require and support the development of case studies.

Application process

Submitting applications

All correspondence and your completed application submission should be sent electronically to: OptimisedRetroFitProgramme@gov.wales. The relevant Welsh Government ORP lead may also be cc'd within your communication:

- Daniel Dunning (daniel.dunning@gov.wales) – Overall lead and for financial matters
- Patrick Myall (patrick.myall001@gov.wales) – for monitoring & technical specification matters
- Malcolm Davies (Malcolm.Davies2@gov.wales) – for Supply Chain & Skills matters
- Bethan King (bethan.king@gov.wales) – for monitoring, KPIs & progress reporting matters

Compliance assessment

Applicants should note the following:

- A **fully** completed application form, eligible costs and scheme details sheet, and any necessary attachments must be submitted.
- Applicants have committed to meet all criteria set out on the application form.
- Applicants have committed to participate in the monitoring and evaluation of funded projects.
- Applications must have regard for [UK Subsidy Control Statutory Guidance](#). This will be verified by Welsh Government.
- Welsh Government will request further details, additional information or/and clarification questions as necessary to assess and approve the ORP

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application forms and applicants are expected to respond to these requests in a prompt fashion.

Assessment process

The proposals will be assessed against how they align with the general aims and objectives of the optimised retrofit approach and the requirements set out above.

Applicants may be asked to provide additional information or/and clarify submissions as outlined above. Applicants will be notified by Welsh Government officials of successful proposals and/or caveated proposals prior to grant offer and award.

ORP grant offer

A grant letter will be made following the successful completion of all the checks and processes referred to above. A proposed payment profile must be submitted with the submission.

Communications and branding

Acknowledgement of Welsh Government support should be displayed on all publicity, press releases and marketing material produced in relation to the project, as well as on site during development. This includes site hoardings.

Such acknowledgement must be in a form approved by Welsh Government and must comply with the [Welsh Government's branding guidelines](#).

Further information

If you would like further advice or information about the ORP, please email OptimisedRetroFitProgramme@gov.wales

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