

MAKING A SUCCESS OF SHDF WAVE 3

The government has released draft guidance for SHDF Wave 3 funding after much anticipation within the social housing sector.

The announcement gives eligible social housing landlords access to a share of £1.25bn to upgrade their properties to an EPC 'C' rating, improving the energy efficiency and carbon footprint of their stock, while also lowering fuel costs for their tenants.

As the chosen retrofit consultancy partner of some of the biggest social housing organisations in the country, Baily Garner is passionate about transforming homes for the benefit of our clients, their tenants and the environment.

Our team of retrofit specialists have worked on SHDF Demonstrator, Wave 1, 2.1 and 2.2 projects, learning from our experiences and refining our offer to clients.

As such, we believe the best practice guidance and pragmatic steps detailed below will help social housing landlords make a success of SHDF Wave 3.

FUNDING ROUTES

The draft competition guidance has now been released and it includes two funding mechanisms: the 'Challenge Fund' and the 'Strategic Partnership' route.

The Challenge Fund will benefit the majority of bidders and be a real opportunity for organisations to improve their housing stock – with all applications that meet the minimum standards of the scheme awarded funding (although the amount given will depend on the volume of successful applicants).

Alternatively, and for a smaller pool of bidders, the Strategic Partnership route will be applicable. This requires the bidder to have a proven track record of delivery at scale (1000s of properties). There is opportunity for both individual bids and combined bids made through consortium applications.

There are also key changes from the previous SHDF funding waves, such as the removal of the 90/kWh/m²/year space heating demand, a longer delivery window (through to September 2028) than previous SHDF waves and increased grant allowances for low-carbon heating with no requirement for co-funding.

PROPERTY SELECTION

The 'low hanging fruit' of true EPC 'D' rated properties is becoming harder to find. Picking pepper potted properties of varying archetypes, which require bespoke solutions, is likely to lead to additional cost and longer programme durations. So, time spent preparing and analysing property lists now is time well spent and should include the analysis and verification of asset data and existing property performance.

We have seen many examples where property lists reported as EPC 'D' rated or below for the majority of homes turn out to be EPC 'C' rated or above following our assessment. This is usually because both planned and responsive works have been carried out, but the underlying databases used to compile the property list haven't been updated to reflect the changes.

When compiling property lists, a useful question to ask is: "If I was going to perform work on my homes following the PAS 2035 standard, what would cause me a problem?". These problems are high level programme risks that can be rated

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and mitigation actions considered. RAG rating these properties is an effective way to begin to categorise them from quick wins to more complex cases with the most risks to address.

It's important to be honest about how likely it is that these properties can be delivered logically. Do the residents who are likely to be involved have any idea of what might be proposed? Has (or will) a tailored resident engagement strategy reduced the number that drop out of the programme? Can you identify site compound locations associated with these properties for your likely construction partners? Is there any segmentation of your list, with harder to decarbonise properties later in the programme? These are all questions to be answered when preparing a bid submission.

PROFESSIONAL APPOINTMENTS

PAS 2035 ushered in roles to ensure an effective, robust and coherent approach to property retrofits. There is pushback by some against this in terms of complexity and cost, but we believe the standard is really codifying good practice to avoid past mistakes and ensure quality outcomes for social housing landlords and their stakeholders.

Whether you choose a 'turn key' approach, with a construction partner providing all services, you appoint the roles independently, or even if you follow a combination of the two, the correct scope of service for each role is critical.

A Retrofit Coordinator (RC) is key to the process, but there is mixed understanding of what this role should entail. The RC is essentially a project manager monitoring schemes according to the time, cost

and quality objectives established in the contract.

The RC oversees the roles of Retrofit Designer and Retrofit Assessor, and in our view is often much more passive than is required to enable successful delivery. Amendments have been made to the latest edition of the standard to combat this, such as an increased onus on the RC to maintain a presence on site. We recommend that the scope of service for the RC appointment refers back to the PAS 2035 standard, as well as supporting documentation from organisations like the Retrofit Academy.

The retrofit process starts with a quality Retrofit Assessment, but in our experience these are often of poor quality. The introduction of the RICS Residential Retrofit Standard and the BS 40104 Retrofit Assessment should help to ensure better quality. But, with the former due for release in October and the latter just now entering the consultation stage, the sector won't see those benefits for a while. In lieu of this, we believe the required standard should be clearly defined by clients, with specialised input from skilled and knowledgeable consultants, rather than being led by the contractor and their design team. More generally, retrofit design should follow the principles of any RIBA or RICS appointment for design services and be supported by relevant contractual links in the form of collateral warranties.

Care also needs to be taken on how information and outputs are managed. We have seen problems resulting from the use of complex technological solutions and platforms that have hindered delivery, so careful due diligence and selection is required.

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A COLLABORATIVE APPROACH

In our view, the best partner is one who already knows your housing stock. If you decide to procure a new partner, their roles and responsibilities should be clearly defined throughout the procurement process and in the contract to balance the client's power to manage cost, risk, energy improvement and time with a collaborative approach to harness contractor expertise and technical knowledge from consultants.

One of these responsibilities should be properly run onboarding and briefing meetings, bringing in each stakeholder to make sure everybody is reliably informed and taken on the retrofit journey.

The procurement route and contract selection is also important, particularly given the scale of the funding and associated timescales. From our experience, a JCT Measured Term contract with archetypal designs, set by a client-side advisor, is an effective delivery approach.

A GREAT OPPORTUNITY

Standing back from bid pressures, property selection and engagement with residents – at its core, SHDF Wave 3 is about improving properties and lives while safeguarding the environment. To make it a success story, social housing landlords need strong project management and the coordination of specified works to a known quality standard, as well as effective monitoring and reporting. In short, the work required to make SHDF Wave 3 a success will be made much easier with knowledgeable Chartered Building Surveyors and other qualified consultants on board.



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