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Facilitating Retrofit:

A comprehensive sectoral analysis








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Contents

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We would like to give special thanks to our supporting authors, research partners and experts for their advice, review and contributions throughout the research project:

Rufus Grantham and **John Leach** (Living Places); **Jenny Russon**, and **Richard Hauxwell Baldwin** (MCS Foundation); **Sophie Whinney**, **Robbie Evans**, and **Rebecca Ford** (Regen); **Liz Warren** (SE2); **Andrew Gaisford**, **Melania Tarquino**, **Karan Purewal**, **Jake Mitchell**, and **Luke McCarthy** (Surrey County Council); **David Adams** (UKGBC); and **Catrin Maby**.

Many thanks to the experts who generously shared their wisdom during the interviews. Their expertise has been instrumental in shaping the depth and quality of this research:

Ashden
Brighton and Hove Energy Cooperative (BHESCO)
Cumbria Action for Sustainability
Furbnow
Futureproof (CSE)
Greater Manchester Combined Authority (Your Home Better)
Green Economy
Heat Pump Federation
Hestia
Kuppa
Leeds Retrofit Accelerator
NetZero Group
People Powered Retrofit
Regen Group
Severn Wye
The Retrofit Hub
Your Energy Your Way
Zero Carbon Harrogate

We are grateful for the generous support of the Aurora Trust

1 Executive Summary

1.1 Background

Upgrading the nation's homes is one of the biggest opportunities the UK has to reduce carbon emissions whilst tackling the cost-of-living crisis, energy security and levelling up.

While there are some mechanics in place for the social housing sector and low-income groups, there are currently very few UK-wide national policy drivers[1] to encourage 'self-funded' householders to upgrade the fabric of their homes. This means that frustratingly, many climate or comfort motivated self-funded householders are not undertaking retrofit, because of multiple barriers.

As a result, the supply chain to deliver an end to end[2] retrofit service to self-funded householders is virtually non-existent. Much of the retrofit market in the UK is geared towards single-measure installations by sole traders. This approach alone is inadequate to meet the UK's climate goals and risks not meeting customer needs. Instead, it is important that multiple types of service providers work together to deliver a more complete package of support for customers.

Retrofitting homes – improving the energy efficiency of the fabric and adding low carbon heating systems - is complex. It involves a myriad of stakeholders, from surveyors, to installers, to finance providers. The process can be overwhelming for individual householders and landlords alike, so much so that they are put off trying to do anything in the first place. They are unsure what they need to do, how they can do it, who they can trust to advise on and deliver upgrades, and how much it will all cost.

The 'one stop shop' or 'Retrofit Facilitation Provider' (RFP) approach is a way of trying to overcome this complexity and deliver 'hassle-free' home upgrades. Under this model, multiple services are bundled together to offer homeowners an end-to-end journey; from raising awareness of the need for an upgrade, undertaking assessments and designs, arranging contractors, helping to organise finance, through to post-retrofit assessment and sign-off.

This report summarises research into existing Retrofit Facilitation Providers and associated issues. We investigated how to assess the capacity of a supply chain and how to grow them to meet the increased demand generated by a RFP. We also investigated how those RFPs can engage householders to build demand for retrofit and finance opportunities available. The research was carried out for the MCS Foundation by a consortium of Living Places, Regen, SE2 and the UK Green Building Council (UKGBC). The research is based on literature reviews and interviews with existing RFPs and retrofit experts. It was carried out over four months in late 2023 and focused largely on England-based organisations. It is not exhaustive and provides a snapshot of the current market as of December 2023.

It is worth noting that we recognise, of course, that with 29m homes to retrofit by 2050, local/neighbourhood level activity will likely need to be complemented by national policy drivers to stimulate retrofit at scale.

This report considers the following areas:

- Review of Retrofit Facilitation Providers
- Assessing supply chains
- Increasing supply chain capacity and quality
- Marketing to householders
- Retrofit financial mechanisms

1 To date there is only the Great British Insulation Scheme (formally known as ECO+) which offers installation of single insulation measures for those that meet the eligibility criteria. It is designed to upgrade the least energy-efficient homes for low-income households to tackle fuel poverty. **More information here**.

2 By 'end to end' we mean a comprehensive service for householders comprising advice, assessment, design of the retrofit, management and evaluation of the works.

3 Regen, 2024, Fostering a Local Workforce (to be published autumn 2024).

4 Energy Savings Trust, National or local retrofit advice (2023). **Energy-Saving-Trust-National-Local-Retrofit-Advice-report_update.pdf** (energysavingtrust.org.uk)

1.2 Key Findings

Review of Retrofit Facilitation Providers

- The last 2-3 years have seen a small but growing evolution in the number of organisations offering some form of retrofit service (from energy advice services to whole house retrofit installations) to 'willing to fund' households.
- The growth and use of web-based 'platform' services and peoples' comfort in using and trusting such platforms (coupled with the ease of using them on mobile phones) offers opportunities for new entrants to the market due to their low operating costs.
- RFPs might falter due to a lack of supply chain to meet the demand meaning householders are frustrated and drop out and RFP growth is held back.
- To maintain a strong pipeline of work, beyond the initial interest, there needs to be follow on sustained investment in marketing to continue to find customers. As most of the RFP services are still new, to date there is limited evidence of a successful transition from this initial interest to a sustained and growing pipeline of work within the RFP model.
- Customer Relationship Management needs to be built in from the start and communication maintained throughout the customer journey.

Assessing Supply Chains

- Most supply chain assessments take a 'headcount approach' and there are some key metrics which are not being tracked in traditional supply chain assessments. While valuable, these studies do **not** always capture the nuance involved in successful retrofit delivery.
- Health indicators' could be used to more effectively characterise a regional supply chain beyond simply counting the number wof individuals or companies active within a certain trade:
  - Direct health indicators

    Such as the number of retrofit coordinators in an area, or the number and type of retrofit measures being installed. These indicators have a clear impact on the health of a supply chain and are easier to measure.
  - Indirect health indicators

    Such as company diversity or the availability of local training courses and apprenticeships. These indicators have a more nuanced impact on the health of the supply chain and can be harder to measure.
- The quality of the data is a major challenge. Using the proposed 'health of the supply chain indicators' could take more resource (as the data can be more uncertain and illustrative rather than definitive), however this potentially more subjective view can provide a more useful conclusion.
- A deep knowledge of, and relationship with the retrofit sector is still the best way to deliver effective retrofit strategies. Retrofit remains a deeply personal matter for householders, with a lot of its success reliant upon active engagement with local residents to build a desirable customer journey. To know whether retrofit work is being delivered well requires a thorough understanding of the sector and engagement with business and local communities.
- For any supply chain to grow, effective communication and trust are paramount.

Increasing Supply Chain Capacity and Quality

- **Attract the workforce:** Engage particularly with schools and colleges to promote diverse career opportunities in the retrofit industry, targeting young individuals.
- **Coordinate the supply chain:** Establish a community of practice to enhance coordination along the supply chain, foster relationships, and facilitate knowledge exchange.
- **Provide a training pipeline:** Adopt a partnership approach involving local authorities, framework contractors, and colleges to bridge the skills gap and create a resilient training pipeline.
- **Stimulate demand locally:** Shift from advice to action by leveraging trusted intermediaries and communication channels, emphasising local and community approaches.
- **Work with others:** Collaborate with key local stakeholders, share best practices, and create open communication channels with other local authorities and community groups.
- **Trusted partners:** Local authorities can support the supply chain by identifying trusted contractors in the area who do not currently undertake low energy retrofit works and support them to broaden their offer into this field.

Marketing to Householders

- There is some (albeit limited) customer willingness to pay for services such as assessments and project management among those who are motivated and who can afford to retrofit.[5]
- The retrofit market has evolved to place peer-to-peer communication (e.g. word of mouth) and community approaches to marketing at its heart.
- Spending time understanding and segmenting the audiences for different aspects of the service and for different measures is essential, especially given the diversity of households within scope.
- Using targeted messaging based on audience attitudes and demographics, and being ready to adapt messaging and marketing tactics based on sudden changes in the wider political and funding landscape will be essential. RFPs need to be conscious that sudden national announcements of grant funding can cause demand to temporarily dry up as householders wait to see if new funding will apply to them. Marketing may need to pivot to clarify eligibility, redirect to eligible customers and to keep customers on board who will not be eligible for funding.
- Building on existing local brands which already have some traction, and which are seen as local and independent is a strong starting point. Partnerships at an appropriate scale and alignment of brand values will be needed here.
- Creating opportunities for conversations, through Open Homes, events, webinars etc. is effective.
- Digital channels are important. Successful schemes have invested in good Search Engine Optimisation, a clear website and social media marketing.
- Local authorities should be careful not to 'overheat' the initial market by setting very high early expectations that simply cannot be met in a timely fashion. It may be necessary to resist political pressure for a 'big launch', instead consciously starting slowly to create a sustainable growth of demand.

5 Based on interviews with RFPs. Also see The MCS Foundation, Ramping up retrofit: what are homeowners willing to pay? (2024). **MCSF-Ramping-Up-Retrofit-Report-FINAL.pdf (mcsfoundation.org.uk)** and UKGBC householder research carried out in 2021: **https://www.new-experience.com/wp-content/uploads/2024/02/Understanding-motivations-for-whole-house-retrofit.pdf**

Retrofit Financial Mechanisms

- The environment is currently challenging for commercially available domestic retrofit finance.
- In many cases it can be a struggle to make the energy bill savings from retrofit match up to cover the finance costs of borrowing to fund those measures, meaning whole house retrofit can slide into the preserve of those with savings.
- Negative perceptions of borrowing, complex applications and uncertainty over eligibility are all hampering take-up of grants and loans.
- A significant barrier to increasing finance for retrofit is the difficulty for lenders to prove that implemented measures will result in better energy efficiency. As a result, many green finance offers are only available for EPC A-C rated properties.
- More socially equitable alternatives to commercially available retrofit finance are difficult to grow due to a lack of low/no cost capital and newer products are sub-scale or still in design.

- There are some alternatives or products in development, for example:
  - Not-for-profit lenders like Lendology, Robert Owen Community Bank Fund and credit cooperatives provide low interest or 0 per cent retrofit loans often to less well-off households, typically on shorter than conventional mortgage terms (which offsets lower interest rates), and with some protection through a title restriction or land charge, but these models require access to grant or low-cost capital which can be challenging to secure.
  - **Community Municipal Bonds:** Abundance has developed an offer for retail investors which can be used to fund green projects and which prices below Public Works Loan Board rates, but sums raised to date are currently low single digit millions and are not ISA eligible beyond 5 years (which maturity is less attractive to LAs for funding retrofits).
  - **Carbon offsetting/credits:** Anthesis has built an Area Based Insetting platform which allows individuals and corporates to fund projects which reduce local emissions, but this is currently only a philanthropic model. Sale of commercial carbon credits may provide LAs with additional funding but focuses on removal not reduction.
  - **Property Linked Finance:** Green Finance Institute is working with UK banks to develop a long-dated loan product which survives sale of the property (along the lines of a similar product in US) but this is still on the drawing board.
- National policy levers could help increase activity. Providing direct financial support to drive uptake of mainstream domestic retrofit finance by the 'able to pay' market is generally not politically compelling. The amounts of capital required to subsidise interest rates, underwrite lender risk or provide cashback incentives require national government support.
- Providing indirect financial support through the tax system (variable stamp duty based on energy improvements, council tax rebates geared similarly, salary sacrifice schemes to help with retrofit funding etc) could reduce revenues but also reduces the requirement for capital investment and could be introduced in a progressive way.

2 Introduction

2.1 Why Retrofit?

With time running out to keep global temperature rise to within 1.5 degrees[6], upgrading the nation's homes is one of the biggest opportunities the UK has to reduce carbon emissions whilst tackling the cost-of-living crisis, energy security and levelling up.

The UK has one of the oldest and leakiest housing stocks in western Europe, and 80 per cent of the building stock for 2050 already exists.[7] Without urgent, nationwide action, our buildings will continue to waste precious, and increasingly expensive, heat as it leaks out of every uninsulated wall, roof and door.

However, anyone who works in the home retrofit sphere will recognise that there is a deep-seated market failure at play.

There are currently no UK wide national policy drivers to encourage self-funded households to upgrade the fabric of their homes, yet there is huge market potential: there are around 19,000,000 owner occupiers in the UK – 54 per cent of whom do not have a mortgage.[8]

This means that frustratingly, many climate – or comfort - motivated self-funded householders are not undertaking retrofit currently at the rate required to meet net zero targets. This is due to the multiple barriers they face, including a shortage of trusted tradespeople and a lack of knowledge around what retrofit measures to undertake.[9]

As a result, the supply chain to deliver an end-to-end retrofit service to self-funded householders is virtually non-existent – the status quo model represents an uncoordinated supply chain, focused on installing single measures.[10]

Because of the lack of supply chain, every time national government introduces a new grant scheme for private householders to upgrade their home (e.g. the Green Homes Grant, Energy Company Obligation), the money often goes un/underspent.[11] This is partly because of the green skills gap and challenges with gaining certifications and standards for retrofit tradespeople to deliver the work – i.e. supply chain failure.[12] Where government funded schemes are successful, when the grants stop, the demand dries up and the companies established to deliver the work fail.[13]

Local authorities are ideally placed to encourage and support groups of like-minded communities to connect and support local builders and contractors to diversify to undertake low energy home improvement works.[14] However, many do not have the capacity, resources or experience to either establish, or partner with third party providers to establish, 'Retrofit Facilitation Providers' (RFPs) in their area.

6 Imperial College, **Window to avoid 1.5°C of warming will close before 2030 if emissions not reduced (2023)**

7 McKinsey & Company Call for action: Seizing the Decarbonization Opportunity in Construction (2021) and UKGBC, **Net Zero Whole Life Carbon Roadmap (2021)**.

8 In 2021, 33per cent of all households owned the accommodation they lived in outright **(Office for National Statistics)**. Around 65per cent of householders are **owner occupiers**, with 54 per cent of these not having a mortgage.

9 Citizens Advice, Demand: net zero. Tackling the barriers to increased homeowner demand for retrofit measures (2023). **Demand: Net Zero (citizensadvice.org.uk)**.

10 Regen, Growing local retrofit supply chains (2024). **https://ukgbc.org/download/61420/?tmstv=1727453128&v=61421**

11 See for example: **https://inews.co.uk/news/millions-missing-out-government-energy-scheme-3170809**

12 Baringa, TrustMark & Travis Perkins plc, The Great British Retrofit: the scaling of the supply chain to achieve home decarbonisation in the UK (2024). **the-great-british-retrofit.pdf (baringa.com)**

2.2 Purpose of this Report

This report summarises research into existing Retrofit Facilitation Providers, assessing the capacity of and growing the supply chain, and engaging with householders to build demand for retrofit. The research was carried out over the course of four months in 2023 and focused largely on England-based providers.

This report considers the following questions:

- What is the retrofit service provider provision in the UK currently?
- How do we determine the state of supply chains?
- How do we increase the capacity and quality of supply chains?
- How do we effectively market retrofit to householders?
- What are the financial mechanisms available for retrofit?

This research was commissioned by the MCS Foundation and undertaken by UKGBC, Regen, SE2 and Living Places.

3 Review of Retrofit Facilitation Providers

This research was carried out via a desk-based literature review of the current range of RFPs, followed by one-hour interviews with 11 RFPs, who were identified as offering a more comprehensive, end to end service, or those offering a multi-tenure approach.

The research was not exhaustive and provides a snapshot of the market as of the end of 2023.

3.1 What is a Retrofit Facilitation Provider?

Implementing energy retrofit in residential buildings is complex, and involves a myriad of stakeholders, from surveyors to installers to finance providers. The process can be overwhelming for individual householders and landlords alike, so much so that they are put off trying to do anything in the first place.[16] They are unsure what they need to do, how they can do it, who they can trust to advise on and deliver upgrades, and how much it will all cost. The Retrofit Facilitation Provider (RFP) or 'one stop shop' approach is a way of trying to overcome this complexity from the perspective of the individual householder or landlord and deliver 'hassle-free' home upgrades. Under the RFP model, multiple services are bundled together to offer homeowners an end-to-end journey; from raising awareness of the need for an upgrade, undertaking assessments and designs, arranging contractors and helping to organise finance.

The RFP approach is endorsed by the European Parliament, which, in a recent report on maximising the energy efficiency potential of the EU building stock (April 2020) said:

> Energy efficient buildings benefit all citizens; especially those at risk of energy poverty. For this to succeed, best practices such as one-stop-shops for information, advice and financing, and as places to discuss specific community needs should be replicated in all Member States. Capacity building for municipalities, and the active involvement of local actors such as energy communities, housing cooperatives, local industries, and financial actors have also proven successful. To this end, the proposed platforms on renovations are certainly a useful tool to develop inclusive community based integrated Retrofit Policy Playbook renovation programmes that can be replicated, scaled up elsewhere, and help create value chains at local and regional level."[17]

13 Brocklehurst et al, Domestic retrofit supply chain initiatives and business innovations: an international review (2021). **https://journal-buildingscities.org/articles/10.5334/bc.95**

14 E3G, Enabling locally led retrofit: reforms to scale up effective delivery (2023). **2023_07-locally-led-retrofit-report.pdf (e3g.org)**

15 UKGBC, One Stop Shops: State of the sector summary report (2024). **https://ukgbc.org/download/61418/?tmstv=1727453053&v=61419**

16 Energy Savings Trust, National or local retrofit advice (2023). **Energy-Saving-Trust-National-Local-Retrofit-Advice-report_update.pdf (energysavingtrust.org.uk)**

17 Committee on Industry, Research and Energy, Draft report on maximising the energy efficiency potential of the EU building stock (2020/2070(INI) **https://www.europarl.europa.eu/doceo/document/ITRE-PR-648631_EN.pdf**

A very helpful guide to setting up one stop shops for local authorities across Europe was published by INNOVATE (July 2020). Created from live projects across Europe, including the UK, it includes case studies of different models, along with checklists and guides to choosing the right models and governance structures, as well as recommendations from real life experience.

The **INNOVATE** guide identifies 4 types of business models for one-stop-shops with increasing levels of responsibility for the results of the renovation works:

Our research concluded that currently most of the existing services in the UK fall into Category 1 or 2, therefore facilitation or coordination models only.

The aim of this research was to review the current Retrofit Facilitation Providers (RFPs) to determine current best practice, service provision and performance where possible.

Business Model	Roles and Responsibilities	Practical example of what the one-stop-shop offers to homeowners
1 **Facilitation Model**	● Raise awareness on energy renovation benefits ● Provide general information on optimal renovation works ● First advice at the 'orientation stage'	It advises on how to renovate your house and can provide you with the list of suppliers
2 **Coordination Model**	● Coordinate exisitng market actors (suppliers) ● Make sure all one-stop-shop services are offered to homeowners ● No responsibility for the result of renovation works (only overlooking the whole process) ● No responsibility for the overall customer journey (just the first part)	It advises on how to renovate your house and will push suppliers to comply with their promises. Suppliers remain responsible for the final result.
3 **All-inclusive Model**	● Offer a full renovation package to homeowners ● Bear responsibility for the result of renovation works ● Bear responsibility for the overall customer journey	The one-stop-shop is a contractor that sells you the whole service package and is your main contact point in case something goes wrong with suppliers.
4 **ESCO-type Model**	● Offer a full renovation package with guaranteed savings to homeowners ● Bear responsibility for the result of renovation works ● Bear responsibility for the overall customer journey	The one-stop-shop sells you the renovation package and guarantees the energy savings for the contract duration. The one-stop-shop is paid through energy savings achieved.

Figure 1: INNOVATE one-stop shop definitions

Source: **https://energy-cities.eu/wp-content/uploads/2020/07/INNOVATE_guide_final.pdf**

Table 1 below provides an overview of the kinds of retrofit services that the organisations we researched offer, while Table 2 demonstrates which stages of the 'PAS 2035'[18] process the RFPs provide.

We have noted in the tables where data was unavailable.

Research Findings

Company	Whole House Assess-ment	Renew-ables	Finance Offer/ Advice	Do they go the Full Customer Journey	Do they Align with PAS 2035	Links with Local Authority	Do they Build Supply Chain	Do they do Grant Funded Work
Furbnow	✓	✓	✗	✓	✓	✗	✓	✗
Leeds Retrofit Accelerator (Proposal Stage)	✓	✓	✓	✓	✓	✓	◎	◎
People Powered Retrofit	✓	✓	◎	✓	✓	✗	✓	✓
SERO	✓	✓	〓	✓	〓	〓	〓	〓
Cumbria Action for Sustainability	✓	✓	✗	✓	◎	✓	✓	〓
Centre for Sustainable Energy Futureproof	✓	✓	◎	✓	✓	✓	✓	✓
HESTIA	✓	✓	✗	✓	✓	✓	✓	✓
Severn Wye	✓	✗	✓	✗	✓	✓	✓	✓
The Retrofit Hub	✓	✓	✗	✓	✓	✗	✓	✗
Zero Carbon Harrogate	◎	✗	◎	✗	〓	◎	✓	✓
Greater Manchester Combined Authority	✓	✓	✓	✓	〓	✓	✓	✓
Plymouth Energy Communities	✓	✗	✓	〓	〓	✓	〓	✓
Kuppa	✓	✓	✓	◎	✓	✓	◎	✓
SELCE	✓	✓	〓	✓	〓	✓	〓	〓
Cosy Homes Oxfordshire	✓	✓	〓	✓	✓	〓	〓	✓
Nesfit	✓	✓	✓	✓	〓	〓	✓	〓
Retrofit West	✓	✓	✓	✓	✓	✓	✓	〓

Table 1: UK Retrofit Facilitation Providers

Key

✓ Yes ◎ In progress/planning to
✗ No 〓 Unknown

18 PAS 2035 is the British Standard for retrofitting dwellings. First published in 2019, the standard outlines how retrofit projects should be managed and delivered for a whole house, end-to-end project.

Company	Prelim-ineries	Risk Assess-ment	Whole Dwelling Assess-ment	Retrofit Design	Install-ation	Testing and Comm-isioning	Hand-over	Retrofit Advice	Moni-toring and Evalu-ation
Furbnow	✓	✓	✓	✓	✓	✓	✓		◆
Leeds Retrofit Accelerator	✓	✓	✓	✓	✓	✓	✓	✓	✓
People Powered Retrofit	✓	✓	✓	✓	✓	✓	✓	✓	✓
Cumbria Action for Sustainability	✓	✓	✓	✓	•••				
Futureproof	✓	✓	✓	✓	✓	✓	✓		
HESTIA	✓	✓	✓	✓	✓	✓	✓	✓	✓
Severn Wye	✓	✓	✓	✓	•••	•••			
The Retrofit Hub	✓	✓	✓	✓	⌂	⌂		✓	✓
Zero Carbon Harrogate	✓	✓	◆	✓	◆				
Greater Manchester Combined Authority	✓	✓	✓	✓	✓	✓			
Kuppa	✓	✓	✓	✓	✓	✓	✓	✓	

Table 2

Key

- ✓ Yes
- ◆ Planning to Add
- = Match Installer to Property
- ••• Optional Support
- ⌂ In-house

3.2 Retrofit Facilitation Provider Sector in the UK

The last 2-3 years have seen a small but growing evolution in the number of organisations offering some form of retrofit service (from energy advice services to whole house retrofit installations) to 'willing to fund' households.

With a growing recognition that meeting the UK's legally binding net zero target by 2050 target will require upgrading nearly all of the UK's 29m homes, anecdotal evidence shows that more private sector companies are recognising the market opportunity in this space. They are bringing with them new ways of identifying and targeting prospective retrofit customers, using a mixture of community social marketing, Search Engine Optimisation and social media.[19]

The exponential growth and use of web-based 'platform' services , and peoples' comfort in using and trusting such platforms (coupled with the ease of using them on mobile phones) offers opportunities for new entrants to the market. For example, some RFPs see themselves as increasingly able to offer a nationwide service with centralised systems through a web-based platform as much of the process can be done remotely. They also however recognise the need to build their brand locally, and work with local stakeholders to build the supply chain.[20]

Another RFP which currently works on retrofit of large private rented sector and social housing schemes, believes that to serve owner occupiers efficiently and at scale, we need to be able to direct institutional capital into private household retrofit (i.e. a whole street approach).

Our research highlighted that the reasons why RFPs might falter include: a lack of supply chain to meet initial demand meaning householders are frustrated; a lack of growing supply chain to be able to scale over time; a lack of agile marketing directed towards the right households to keep demand sustained over the longer term.

The RFPs we spoke to confirmed there is no shortage of demand from willing-to-fund householders, at least at the scale they're working at currently. However, it should be noted that even the most successful RFPs are delivering limited numbers of multi-measure retrofits a year in self-funded households currently.

The RFPs we spoke to varied considerably in their view on their supply chain. Some really struggled to get installers to attend retrofit courses and sessions, others said their courses were fully booked. This points to the need to really invest in supply chain relationships.

It is worth noting that some providers are often working to develop and support a nationwide network that supports peer learning and development among locally-based organisations – and they often do this on a pro bono basis. This enables scaling up while also tapping into local knowledge and networks. Among community energy organisations across the country there is a lot of existing knowledge and interest in retrofit – this can be of benefit to local authorities who can potentially tap into and support this.[21]

19 UKGBC, One Stop Shops: State of the sector summary report (2024). **https://ukgbc.org/download/61418/?tmstv=1727453053&v=61419**

20 Ibid.

21 SE2, Work package 4: Market engagement mechanisms (2024). **https://ukgbc.org/wp-content/uploads/2024/09/RD-Phase-2_WP4_Market-Engagement_FINAL-1.pdf**

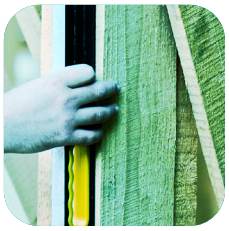
The RFPs we researched can be loosely grouped into the following categories:

Retrofit Facilitation Service Provider 'In a Box'

- National provider supporting a local entity with a toolkit of resources, training and tools
- Specialise in willing-to-fund owners using savings
- May support the development of a nationwide network that supports peer-to-peer learning and development
- Low upfront cost for the 'toolkit' as staff costs not included
- Service provided can be co-developed with / tailored for the community
- Significant opportunity for local authorities to shape the offer
- National provider provides ongoing support after the launch of the local Retrofit Facilitation Provider Service
- Can provide 'end to end' processes and software for local actor(s) to then deliver the service.
- Can provide supply chain development but some risk of supplier having limited local supply chain contacts
- Purchaser of the service takes the risk
- Relatively new, currently very limited number of examples

Locally Based Service Provider

- National provider establishing a local presence with proprietary toolkit of resources and tools
- Specialise in willing-to-fund owners using savings
- Sizeable revenue investment requirements as staff costs included
- Service offer tailored with, and for, the community
- Some opportunity for local authorities to shape the offer
- Ability to call on specialist advice
- Can provide 'end-to-end' service
- Provides local supply chain development activity using local resources
- Service provider carries the delivery risk
- Local authority can provide oversight/governance with performance monitored against agreed targets
- There are a growing number of examples – with mixed performances so far



National Service Provider

- There are a broad range of national service providers, and the approach will differ between them.
- National provider with an established service offer and proprietary processes.
- Specialises in owners willing-to-fund from savings.
- Zero to low revenue investment requirement by local authority or other stakeholder.
- Potential to link with community groups to offer service beyond individual householders.
- National 'product' with– little opportunity for local stakeholders to shape the offer.
- Potentially a limited range of retrofit measures due to operating model.
- May or may not invest in developing the local supply chain, and may be less inclined to build local partnerships, networks, or support local skills development to the same extent as a Locally based Service Provider.
- Strong emphasis on online brand and marketing to reach the right customers.
- Provides end-to-end service.
- Likely to be able to start quickly.
- Provider carries the delivery risk.
- Local authority provides limited or no oversight/governance.
- Provider will prioritise geographical areas based on their business model and targets.
- New service so difficult to determine performance.

National Service Provider – Street by Street

- National provider with an established service offer and proprietary processes.
- Specialises in multi-tenure street-by-street or area-based service provision.
- Zero to low revenue investment required by local authorities.
- Will work with community / resident groups, and landlords.
- Strong emphasis on door-to-door marketing.
- Provides end-to-end service.
- National 'product' – little opportunity for local partners to shape offer.
- Provider carries the delivery risk.
- Local authority provides limited or no oversight/governance.
- New service still being developed so no delivery performance evidence.

To aid comprehension of the differences between the different kinds of RFPs, we have compiled Table 3 below.

This table should not be considered as exhaustive, rather it seeks to provide an overview of the attributes of the different organisations, as they differ in aims, scale, type and business model.

Attributes	Type of Retrofit Facilitation Provider			
	Retrofit Facilitation Service Provider 'In a Box'	**Locally Based Service Provider**	**National Service Provider**	**National Service Provider- Street by Street**
●●●●● = Very Limited ●●●●● = Significant				
Current Provision	●	●●	●	●
Service	A toolkit of resources, training and tools for adoption by a local organisation	National provider establishing a local presence with proprietary toolkit of resources and tools	National provider with an established service offer and proprietary processes	National provider with an established service offer and proprietary processes
Focus	Willing to fund owners	Willing to fund owners	Willing to fund owners	Multi-tenure, street by street
Local Authority Upfront Investment	Low (but staff costs not included)	Sizeable revenue investment (staff costs included)	Zero to low	Zero to low
Opportunity for Local Community Shaping of Service	Service offer can be tailored with, and for, the community	Service offer can be tailored with, and for, the community	National 'product' – little opportunity for local community to shape the offer	National service but can work with community/ resident groups/ landlords to develop
Enable 'Peer to Peer' Learning for Community Groups and Other Local Stakeholders	●●●●●	●●●	●●	●●
Opportunity for Local Authorities to Shape the Offer	●●●●●	●●●	●●	●●
Support Available to Develop Local RFP Service	Ability to call on specialist advice	Ability to call on s pecialist advice	Not applicable	Not applicable
Extent of Service Provision	Can provide end to end processes and software	Can provide end to end service	Provides end to end service	Will provide end to end service
Range of Retrofit Measures	Likely broad	Likely broad	Potentially limited	Not known as still in development
RFP Delivered By	Local actor(s)	Locally supported central organisation	National Service Provider	Not known as still in development
Supply Chain Development	Can provide supply chain development but some risk of limited local supply chain contacts	Provide and deliver support and strategy service using local resources	Limited	Not known as still in development
Level of Potential Local Stakeholder Oversight/ Governance	●●●●●	●●●●●	●●	●●
Marketing Approach	Often community based	Often community based	Strong emphasis on digital marketing	Strong emphasis on door-to-door marketing

3.3 Key Findings

- The last 2-3 years have seen a small but growing evolution in the number of organisations offering some form of retrofit service (from energy advice services to whole house retrofit installations) to 'willing to fund' households.
- The growth and use of web-based 'platform' services and peoples' comfort in using and trusting such platforms (coupled with the ease of using them on mobile phones) offers opportunities for new entrants to the market due to their low operating costs.
- RFPs might falter due to a lack of supply chain to meet the demand meaning householders are frustrated and drop out and RFP growth is held back.
- To maintain a strong pipeline of work, beyond the initial interest, there needs to be follow on sustained investment in marketing to continue to find customers. As most of the RFP services are still new, to date there is limited evidence of a successful transition from this initial interest to a sustained and growing pipeline of work within the RFP model.
- Customer Relationship Management needs to be built in from the start and communication maintained throughout the customer journey.

4 Assessing Supply Chains

The research undertaken by Regen[22] explored options for assessing a retrofit supply chain within a given UK region. It included understanding the number of people involved in key retrofit roles across a range of energy efficiency and low carbon measures.

This part of the research addressed the following key questions:

- What is the current best practice for supply chain assessment?
- What data can be drawn on to underpin supply chain assessments?
- What health indicators can be drawn from current data and where are the gaps?
- What are the implications for an area?

The research entailed reviewing existing literature and approaches to supply chain assessment and then findings were enhanced and validated through interviews. The literature review was supplemented with a review of data sources for evaluating supply chain.

The aim was to establish an appropriate methodology for carrying out an assessment of a given region's retrofit supply chain, and its ability to deliver retrofit. To do this, the research split the question of how to assess a supply chain into:

- A review of over 30 pieces of relevant literature and five directly relevant supply chain assessments to establish how people have already assessed retrofit supply chains, and to determine important factors in a healthy supply chain.
- A review of 25 data sources that help understand the level of activity in a retrofit supply chain.

At present, most literature on the topic of the retrofit industry is centred on how to develop the supply chain. A smaller pool of studies attempts to quantify the level of retrofit work currently being carried out on a national and regional level, largely through interviews with relevant stakeholders and headcounts of businesses.[23]

Our research found that this process can lead to inaccurate conclusions about the supply chain. For example, a headcount approach might count a company that is formally based in the area, but fail to understand that the company actually operates in a different region.

To provide a more useful assessment of the supply chain, Regen identified metrics to understand the 'health' of the supply chain. This potentially more subjective view can provide a more useful conclusion.

Six core themes emerged from the literature review, and from these, a set of metrics for assessing the health of a supply chain were identified.

The data review identified a range of search directories, consumer dashboards and trade associations amongst other resources that give a sense of the number of organisations operating within an area. However, these are limited by lack of database completeness, geographical imbalances, and the absence of information on wider indicators of health.

22 Regen, Assessing local retrofit supply chains (2024). https://ukgbc.org/download/61422/?tmstv=1727453142&v=61423

23 Regen, Assessing local retrofit supply chains (2024). https://ukgbc.org/download/61422/?tmstv=1727453142&v=61423

4.1 Determining Supply Chain 'Health'

Analysis of insights from the data review and literature review led to the emergence of a number 'health indicators' to characterise a regional supply chain beyond simply counting the number of individuals or companies active within a certain trade.

These indicators are split into:

- Direct health indicators, such as the number of retrofit coordinators[24] in an area, or the number and type of retrofit measures being installed. These indicators have a clear impact on the health of a supply chain and are easier to measure.
- Indirect health indicators, such as company diversity or the availability of local training courses and apprenticeships. These indicators have a more nuanced impact on the health of the supply chain and can be harder to measure.

These indicators are intended to act as a starting point to make a measured assessment of the retrofit supply chain in its local area. Each measure provides a slightly different perspective on the health of the supply chain; together, they provide a more nuanced and complete narrative.[25] They are not presented in any order of priority, and indeed, prioritisation for these should align with wider local strategies, retrofit needs and supply chain development goals.

[24] As mentioned above, a headcount approach might count a company that is formally based in the area, but fail to understand that the company actually operates in a different region. This is a health indicator not a conclusive assessment.

[25] Regen, Assessing local retrofit supply chains (2024). **https://ukgbc.org/download/61422/?tmstv=1727453142&v=61423**

Health Indicator	Importance	Methodology for Measurement	How to Improve Measurement Methodology	Measurability
Number of Retrofit Coordinators	Provide end-to-end project coordination, identify and manage risks and often carry out the evaluator role.	Found through databases including Trustmark and Elmhurst Energy, both of which are postcode-based searches.	Greater clarity on how often databases are updated Local effort to ensure Retrofit Coordinators register with databases.	
Number of Retrofit Advisors	Provide end-to-end project coordination, identify and manage risks and often carry out the evaluator role.	Found through databases including Trustmark and Elmhurst Energy, both of which are postcode-based searches.	Addition of the Retrofit Advisor role to established databases, i.e. Trustmark.	
Number of Retrofit Assessors	Collate building data to be used in the development of a plan	Found through databases including Trustmark and Elmhurst Energy, both of which are postcode-based searches.	Greater clarity on how often databases are updated Local effort to ensure Retrofit Coordinators register with databases.	
Number of Certified Installers:	Some measures, such as electricity generation and heating systems, require an installer with certifications to install them.	Depending on the technology, it can be found across a wide range of sources, including MCS, BESA and NAPIT; see Table 4 for more.	Some of these schemes are "self-assessing" and it isn't always clear what the criteria for the certification are. Pushing for more transparency on this is important for understanding who is in these databases.	
Number of Specialist Installers:	Specialist installers are needed for specific measure installation that other installers might not have the expertise for.	Depending on the technology, it can be found across a wide range of sources, including FENSA, Glass and Glazing Federation Glass and Glazing Federation (GGF) and NAPIT. Installers may fall into both Certifiable and Specialist categories, so data cleaning might be need.	Some of these schemes are "self-assessing" and it isn't always clear what the criteria for the certification are. Pushing for more transparency on this is important for understanding who is in these databases.	
Number of Generalist Installers	Generalists are responsible for a wide range of more general retrofit work, including a lot of fabric measures. This can help give a good idea of the general capacity to deliver retrofit in an area.	Can be found through Trustmark, RMI Index and NFRC. A considerable number of generalist installers will be difficult to identify purely through online searches and will likely need engagement with local stakeholders. The studies that captured this number often did so through email and telephone engagement, analysis of Thomson or SIC codes to establish which businesses appeared to be engaged in retrofit and then a manual data clean to establish those that actually were relevant.	Given that a considerable number of generalist installers operate hyper-locally, having local organisations add active installers to existing databases can help give a better view of their number. With the fragmentation of the construction industry as it is, this will always be a difficult number to quantify. The methodology is resource-heavy and, in some studies required the assistance of an external organisation. This is likely to be the case for any attempt to assess the number of generalist companies.	
Cumulative Company Turnover	Turnover can act as a useful proxy of market activity.	No retrofit-specific datasets include information on company turnover.	Additional research would be required to review identified retrofit installers against Companies House data. This can be done directly or through contracting organisations specialising in company data, who would charge for their expertise.	
Number and Type of Retrofit measures Being Installed:	Gives a clear idea of the actual level of retrofit being carried out.	It can be measured through governmental statistical releases for government grant-funded projects and changes in EPC data over time. Sources such as the MCS Data Dashboard for low carbon generation also give a good idea.	Many measures may be installed through informal networks or not being picked up by out-of-date EPC data. Stronger local regulation on EPCs would improve the data quality in this area.	
Existing Level of Retrofit in Regional Housing Stock	Helps define the potential demand for retrofit in an area.	Most of the data available is EPC data which has flaws. Platforms such as Priority Places from Which? give a general idea of the level of retrofit in the area, again based upon EPC data.	Stronger local regulation on EPCs would improve the data quality in this area.	

Table 4: Direct health indicators

Health Indicator	Importance	Methodology for Measurement	How to Improve Measurement Methodology	Measurability
Company Diversity: Age, gender balance, ethnic diversity of employees	Provides a healthy future for retrofit work beyond the current generation of tradespeople, promotes innovation and better represents the people being served by retrofit.	Measurable through direct surveys and interviews with relevant stakeholders. Would need to engage with the local companies and stakeholders known to be involved in the retrofit supply chain.	If these surveys are already done at a local authority level, publishing them would be insightful for other authorities. If they're not done, starting regular surveys would help capture this information.	
Customer Type (Region Housing Stock Demographic): Regional housing stock demo-graphic Fuel poverty level in the region Median house-hold income	Gives an idea of the different support consumers in a region might need and who is being supported by the current supply chain status quo, as well as the different housing stock challenges.	Measurable through census data, sub-regional fuel poverty data and median household income data from the ONS.	Difficult to improve, as this data is often reliant upon wider national governmental data collection.	
Local Policy Support for Retrofit: Presence of local heat decarbonisation policy Presence of local heat decarbonisation incentives	Local supportive policy can enable greater local retrofit activity and provide market certainty for tradespeople.	The nuance of policy is always going to make quantifying its impact tough. Difficult to improve.	Difficult to improve, as this data is often reliant upon wider national governmental data collection.	
Local Training Courses and Apprenticeships: Course availability Course completion rate	Vital to ensure that the health of the supply chain is maintained and its necessary growth is achieved.	It would require a survey of courses available at local education institutions as well as the completion rate of the course. On-the-job training would be harder to track due to its more ad hoc nature.	Building a relationship with local colleges and universities offering retrofit courses could enable greater data collection around passing rates and the trade/region the graduates end up working in.	
Number of Active Community Organisations in the Area:	Gives an idea of the extra retrofit capacity there might be in the community.	Easy to find information on community energy groups from central resources such as the Community Energy England, membership database.	Understanding how community energy groups are supporting the uptake of energy-efficient measures would require further research, such as reviews of community energy group websites or interviews with those involved.	

Table 5: Indirect Health Indicators

This approach to retrofit supply chain assessment was intended to provoke discussion with local authorities as to the operation and health of a regional retrofit supply.

It should be noted that while the indicators above seek to enable a quantitative assessment of the supply, this should be complemented with a qualitative assessment by interviewing experienced local providers as well as capturing anecdotal evidence. With both qualitative and qualitive assessments combined to form an overall judgement on the state of the supply chain.

4.2 Key Findings

- There are key metrics not being tracked in traditional supply chain assessments, with most studies taking a 'headcount' approach which, while valuable, don't always capture the nuance involved in successful retrofit delivery or the true status of the supply chain in an area. The 'health' indicator approach is intended to go some way towards addressing these nuances.
- The quality of the data is a major challenge. Using the proposed 'health of the supply chain indicators' could take more resource (as the data is more uncertain and illustrative rather than definitive) however it should provide a more nuanced and qualitative measure of the supply chain, essential for a more rounded understanding of the local supply chain.

5 Increasing Supply Chain Capacity and Quality

The substantial expansion of the UK retrofit market, essential for achieving net-zero targets, anticipates the creation of 500,000 new professionals and tradespeople.[27] This growth not only promises a considerable influx of new jobs but also opens avenues for desired green jobs and increased diversity within the construction industry.

Despite the potential career benefits, the retrofit sector is still in its nascent stages and has notable challenges. Many perceive the current demand as inadequate to drive business development, while individuals interested in retrofitting struggle to find qualified installers.[28]

National policy and regulation have some power to change this, but it's clear that local mechanisms can have significant impact. Indeed, retrofit supply chains can be predominantly local, with the workforce serving within a reasonable travel radius.[29]

The objective of this research report was to compare and assess how organisations have developed retrofit supply chains locally, through eight interviews with practitioners based in England.

From the interviews and research, several fundamental elements emerged which need to be addressed at a local level. There are still outstanding actions which should be addressed at a national level, however the following actions are within the gift of local governments to take action on now.

Attract the Workforce

The transition to a clean energy future offers diverse and aspirational retrofit career opportunities and is a chance to fulfil the growing desire among young people to work for environmentally sustainable businesses. Recent market research by Savanta on behalf of the MCS Foundation found that "there is an untapped audience of young people with a desire for good, well-paid jobs that they enjoy, and feel are making a positive contribution to the environment".[30]

The heating workforce is ageing and shrinking[31] and there is a "national shortage of skilled tradespeople, including plumbers and electricians, which is set to cost the UK £98bn in missed economic growth by 2030".[32] The Construction and Leadership Council has estimated that 500,000 new professionals are required to respond to the retrofit challenge, but this will not happen overnight. It's clear that significant focus needs to be placed on new entrants. Given the doubling in heat pump installations needed through the 2030s, the window to target those in school is now.

26 Regen, Growing local retrofit supply chains (2024). **https://ukgbc.org/download/61420/?tmstv=1727453128&v=61421**

27 Construction Leadership Council, Greening Our Existing Homes - National retrofit strategy, 2021. **https://www.constructionleadershipcouncil.co.uk/wp-content/uploads/2020/12/CLC-National-Retrofit-Strategy-final-for-consultation.pdf**

28 Ibid.

29 Regen, Growing local retrofit supply chains (2024). **https://ukgbc.org/download/61420/?tmstv=1727453128&v=61421**

30 MCS Foundation & Savanta, Getting Gen-Z into retrofit and renewables jobs: the appetite is there, but not the awareness (2023). **Getting-Gen-Z-into-Green-Jobs-report.pdf (mcsfoundation.org.uk)**

31 N. Macdonald, the heating workforce is shrinking and that's a problem (2019). Available: **https://www.hvpmag.co.uk/The-heating-workforce-is-shrinking-and-thats a-problem/11401**.

32 Kingfisher, A national shortage of skilled tradespeople, including plumbers and electricians, is set to cost the UK £98bn in missed economic growth by 2030 (2023). Available: **https://www.kingfisher.com/tradeskills**

Coordinate the Supply Chain

To support whole house retrofit for net zero, improving coordination of supply chain components is crucial; we need to grow from the current piecemeal, or single measure, retrofit. The interviews identified several methods to alleviate the current fragmentation, including supporting the growth of multi-skilled businesses, establishing 'supply-chain-coordinator' roles, using centralised regional hubs to take on administrative tasks, and improving social networks.

This 'supply-chain coordinator' role is not to be confused with the retrofit coordinator. There is not yet a consistent name for such a role but includes titles such as 'project manager' at Regen group, and 'membership development manager' at Cosy Homes Oxfordshire. Their work is more strategic and long term, supporting the development and connectivity of the supply chain. One or two may be required per locality and they must be confident in their ability to build supply chain relationships/rapport and facilitate a supply chain community/network.

The research identified that building a network or community within a supply chain brings about several key advantages for achieving better coordination among its members. At a high level, networks foster the development of strong interpersonal relationships, leading to greater trust and mutual understanding among participants. This trust is essential for effective coordination and plays a role in resource utilisation, allowing members to identify opportunities for resource sharing or pooling.[33] This can enhance overall supply chain efficiency by reducing bottlenecks and delays. A structured forum also provides an opportunity for regular and open dialogues, which is crucial for sharing information, addressing issues, promote knowledge sharing and allowing members to exchange best practices.

To the best of the researchers' knowledge, no best practice on supply chain engagement has been published in the UK. Some organisations have found supply chain engagement challenging; asking people to take time out of their workday, can be a tall ask if events aren't deemed valuable. On the other hand, some group consistently sell out events. When starting from scratch, be ready to 'fail fast' – i.e., quickly gather feedback and adapt.

Provide a Training Pipeline

To bridge the existing skills gap and cultivate a workforce capable of meeting the dynamic demands of retrofit, it is imperative for local stakeholders to adopt a proactive partnership approach. By promoting collaboration between framework contractors and local training providers and facilitating the expansion of green apprenticeships throughout the entire supply chain, a resilient training pipeline can be established.

Stimulate Demand Locally

While we need significant national policy drivers to help tip the scales and unlock mass scale demand, interviewees generally felt there is enough interest from able-to-pay homeowners to support initial supply chain growth. The challenge is not marketing but progressing interest to action.

Some interviewees highlighted that national advertising campaigns could, currently, have a negative effect, stimulating demand beyond the capabilities of the supply chain to deliver, leaving customers disappointed and losing interest. This is backed by others, who noted that currently social marketing was enough to bring in a consistent stream of interested customers. This highlights the difficulty of matching supply and demand at the local level without greater levels of coordination.

Work with Others

Given the lack of capacity and resources within local authorities to advance net zero plans, it is imperative to explore alternative avenues for support and collaboration.

Given the multitude of stakeholders in this sector, it's important that attempts to build connected and co-ordinated supply chains establish open communication channels with other local authorities and community groups. This can help facilitate the sharing of best practices on implementing effective local training and coordination strategies.

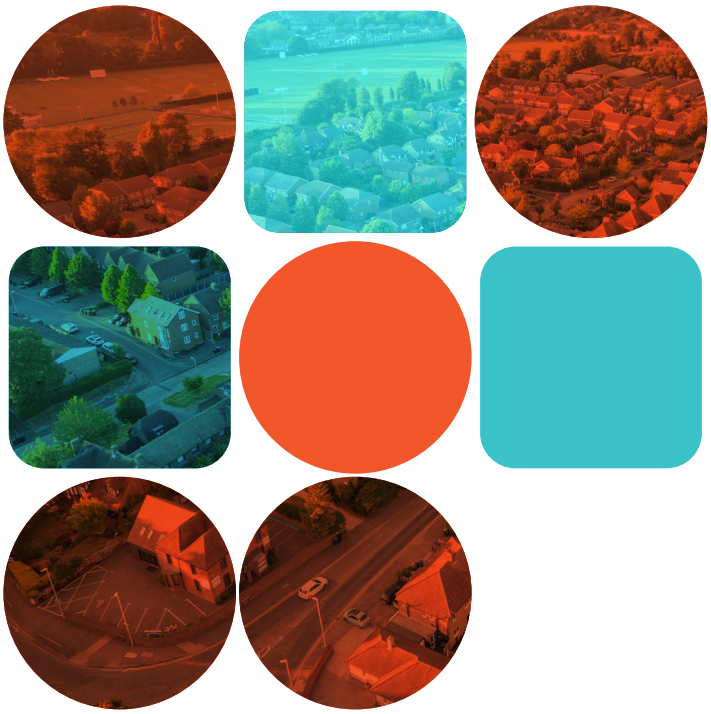
Moreover, there is a need to amplify positive narratives within the industry. This could be by developing an online or social media platform to showcase and celebrate the excellence of individuals and organisations, for example, or by identifying local best-in-class examples, promoting success stories that inspire and drive innovation within the retrofit community. By fostering collaboration, accessing additional resources and highlighting success stories, this recommendation aims to create an ecosystem for the growth of the retrofit supply chain.

33 SE2, Work package 4: Market engagement mechanisms (2024). **https://ukgbc.org/download/61416/?tmstv=1727452928&v=61417**

5.1 Key Findings

This work identifies key actions which local authorities can implement today to unlock supply chain growth locally. Regardless of further national action, we believe these recommendations can have meaningful impact:

- **Attract the workforce:** Engage particularly with schools to promote diverse career opportunities in the retrofit industry, targeting young individuals.
- **Coordinate the supply chain:** Establish a community of practice to enhance coordination along the supply chain, foster relationships, and facilitate knowledge exchange.
- **Provide a training pipeline:** Adopt a partnership approach involving local authorities, framework contractors, and colleges to bridge the skills gap and create a resilient training pipeline.
- **Stimulate demand locally:** Shift from advice to action by leveraging trusted intermediaries and communication channels, emphasising local and community approaches.
- **Work with others:** Collaborate with key local stakeholders, share best practices, and create open communication channels with other local authorities and community groups.
- Local authorities can support the supply chain by identifying trusted contractors in the area who do not currently undertake low energy retrofit works and support them to broaden their offer into this field.



7 Marketing to Householders

The aim of this research carried out by SE2 was to determine current ways that organisations in the UK have tried to develop retrofit markets for advice and the delivery of measures and evaluate them to determine best practice.

The study was based upon a literature review, drawing on academic, Government, NGO and consultancy research. Over 30 research papers were reviewed,[34] many of which were summaries of prior evidence. In addition, we reviewed published findings and outputs of retrofit and energy efficiency schemes and tested various eligibility tools and web resources. Desk research was supplemented by interviews with several scheme providers.

The report discusses the ways in which retrofit and energy efficiency schemes have approached marketing and engagement with householders and identifies the effectiveness of different approaches. Approaches include subsidising retrofit assessments and plans and the use of online eligibility checkers and tools.

It is worth noting that many retrofit schemes are still at a very early stage of development and that the evidence base on the effectiveness of marketing activity is limited.

34 SE2, Work package 4: Market engagement mechanisms (2024). **https://ukgbc.org/download/61416/?tmstv=1727452928&v=61417**

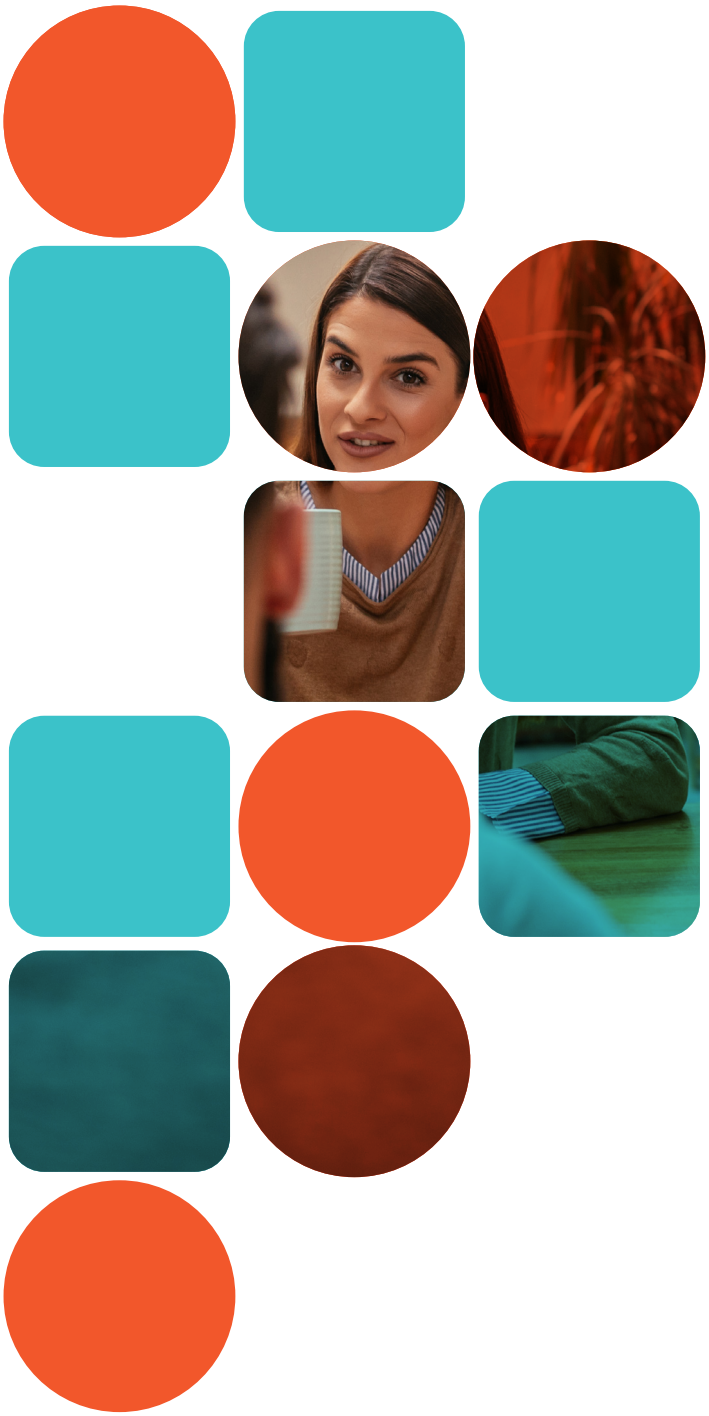
35 The MCS Foundation, Ramping up retrofit: what are homeowners willing to pay? (2024). **MCSF-Ramping-Up-Retrofit-Report-FINAL.pdf (mcsfoundation.org.uk)**. Also see: 35 Based on interviews with RFPs, and UKGBC householder research carried out in 2021: **https://www.new-experience.com/wp-content/uploads/2024/02/Understanding-motivations-for-whole-house-retrofit.pdf**

36 Examples include **Kuppa**, **Furbnow** and **Snugg**.

37 SE2, Work package 4: Market engagement mechanisms (2024). **https://ukgbc.org/download/61416/?tmstv=1727452928&v=61417**

7.1 Key Findings

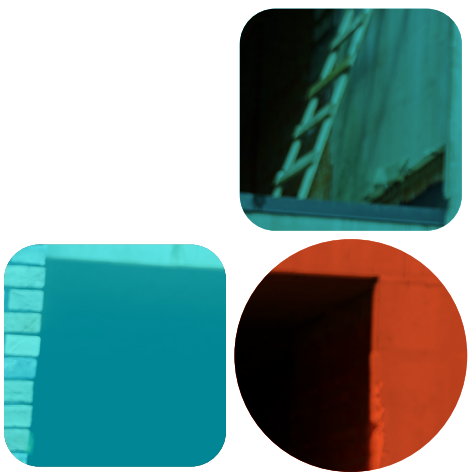
- There is some, albeit limited, customer willingness to pay for services such as assessments and project management among those who are motivated and who can afford to retrofit. The MCS Foundation found that the price considered good value for a retrofit assessment peaked at £101-200 for households, suggesting willingness to pay is very dependent on the costs of services and could be a limiting factor to increasing appetite for retrofit services.[35]
- The retrofit market has evolved to place peer-to-peer communication and community approaches to marketing at its heart.
- Online tools help customers to understand their options,[36] whilst also helping schemes to filter out enquiries that are less likely to lead to a sale. However, filtering out unsuitable enquiries can mean losing that customer contact altogether. Customer Relationship Management needs to be built in from the start and communication maintained throughout the customer journey.
- A flexible approach to defining an offer can keep more customers in the system for longer. This could mean offering both whole-house and single measure solutions, or the layering of services into a menu from which the householder can make choices.
- However, Retrofit Facilitation Providers (RFP) services do need to be very clear about what they are offering and to whom, and the level to which services and / or measures will be subsidised.



From the limited evidence base,[36] there are some approaches to engagement that are likely to increase the chance of scheme success:

- Spending time understanding and segmenting the audiences for different aspects of the service and for different measures, especially given the diversity of households within scope. Data-driven approaches to marketing are common and schemes such as People Powered Retrofit, Your Home Better and Futureproof have built up a detailed understanding of their customer base to inform further marketing. At present, the core audience for whole house retrofit schemes is seen as affluent, well-educated homeowners with strong environmental motivations. Secondary audiences include younger professionals with an interest in technology or "green bling".
- Building on existing local brands which already have some traction, and which are seen as local and independent. Partnerships at an appropriate scale and alignment of brand values will be needed here.
- Using targeted messaging based on audience attitudes and demographics and be ready to adapt messaging and marketing tactics based on sudden changes in the wider political and funding landscape. Several of the projects discussed in this report were affected by the national launch and then cancellation of the Green Homes Grant Voucher Scheme. This led to spikes in demand and enquiries which often did not fit the service that the projects were trying to offer. RFPs need to be conscious that sudden national announcements of grant funding can also cause demand to temporarily dry up as householders wait to see if new funding will apply to them. Marketing may need pivot to clarify eligibility, redirect to eligible customers and to keep customers on board who will not be eligible for funding.
- Create opportunities for conversations, through Open Homes, events, webinars etc. Retrofit is a complex area, and potential customers will come with a lot of questions. One scheme reported that "Anything that enables conversations and answering questions based on house type has been good for us."
- Targeted direct mail remains very effective for eligibility-based offers (e.g. grant funding targeted at off gas properties or those with low EPC rating or at low-income householders).
- Digital channels are important. Schemes have invested in good Search Engine Optimisation, a clear website and Facebook marketing. Some schemes have used online tools like Parity Projects' Plan Builder to help customers self-serve (and to filter out enquiries that were not suitable). Grant funds with eligibility criteria (such as the Energy Companies Obligation (ECO)) often have online checkers for eligibility too, though these are often about data capture rather than being part of a well-developed customer journey. Many of the schemes described in this report charge for services like retrofit assessments, with prices ranging from £100 to £800.
- Customers' willingness to pay for an assessment is seen as an early indicator of their likelihood of progressing through a retrofit project. Price has also come to be used as a signal to manage or suppress demand, particularly if there is a constrained supply chain.
- Local authorities should be careful not to 'overheat' the initial market by setting very high early expectations that simply cannot be met in a timely fashion. It may be necessary to resist political pressure for a 'big launch', instead consciously starting slowly to create a sustainable growth of demand.

Key watchwords arising from the evidence are **flexibility** and **patience**. Flexibility is essential in a complex landscape with a changing funding and policy context, and a wide range of actors. Patience matters when customers can take six months or more to move through a customer journey to installation, and when a sustainable business model for a service could take 5-6 years to build.



7 Retrofit Financial Mechanisms

The aim of this research[39], was to review:

- Current financial offers to UK homeowners for the delivery of retrofit measures and evaluation to determine best practice;
- Financial mechanisms in development e.g. property-linked finance; and
- Potential additional areas of development that could support a particular finance mechanism e.g. local authority investment supported by growth in carbon credit market.

To complete this work, we undertook a detailed desktop review of available products and a literature review of recent reports[39] on domestic retrofit finance, supplemented by a series of interviews with banks, building societies, alternative lenders, a local authority and the Green Finance Institute who were asked about:

- Current level of uptake of loan products
- Key trends/issues affecting uptake e.g. maturity/rate/size of finance per household/other
- Views on any products currently in development
- Horizon scanning for new developments.

7.1 Key Findings

The environment is currently challenging for commercially available domestic retrofit finance.

In many cases it can be a struggle to make the energy bill savings from retrofit match up to cover the finance costs of borrowing to fund those measures. Homeowners are, therefore, potentially financially worse off if they use commercial loan finance to fund retrofit. Excluding subsidies, whole house retrofit can therefore slide into the preserve of the 'able to pay' or 'self-funded' household, which is currently a small share of the overall market. A recent Barclays survey[40] found that most homeowners (around 2/3 of UK market either owned outright or with a mortgage) hoped to make retrofit improvements in the next five years, but three-quarters said they couldn't afford them. Similar findings were found in the Ramping up Retrofit report by the MCS Foundation.[41]

A survey in September 2023 by People Powered Retrofit found that 'payback is not necessarily a key issue for homeowners' but negative perceptions of borrowing, complex applications and uncertainty over eligibility are all hampering take-up of grants and loans.

Reducing borrowing costs significantly could increase the addressable market but whilst lending against energy-efficient properties should become lower risk, a Money Savings Expert review of the green mortgages market in September 2023[42] 'found few green mortgage deals offered by high-street lenders that can't be beaten in interest rate by standard, non-green mortgage deals on the wider market'.

The research identified that a significant barrier to increasing finance for retrofit (as opposed to for purchase of energy efficient homes) is the difficulty for lenders to prove that implemented measures will result in better energy efficiency. As a result, many green finance offers are only available for EPC A-C rated properties.

38 Living Places, WP5 Domestic retrofit finance market review (2023). **https://ukgbc.org/download/61424/?tmstv=1727453207&v=61425**

39 Living Places, WP5 Domestic retrofit finance market review (2023). **https://ukgbc.org/download/61424/?tmstv=1727453207&v=61425**

40 Consumer data and insights taken from a nationally-representative research study of 2,000 homeowners, commissioned by Barclays, and carried out by Mortar Research from 26 August – 1 September 2022. More information available **here**.

41 The MCS Foundation, Ramping up retrofit: what are homeowners willing to pay? (2024). **MCSF-Ramping-Up-Retrofit-Report-FINAL.pdf (mcsfoundation.org.uk)**

42 Money Saving Expert, Green mortgages: If you've an energy-efficient home, could you save with a green mortgage? (updated 2024). **Green mortgages (moneysavingexpert.com)**

More socially equitable alternatives to commercial finance are difficult to grow due to lack of low/no cost capital and newer products are sub-scale or still in design. There are some smaller scale alternatives or products in development, for example:

- **Not-for-profit lenders:** Such as Lendology, Robert Owen Community Bank Fund and credit cooperatives provide low interest or 0 per cent retrofit loans often to less well-off households, typically on shorter than conventional mortgage terms (which offsets lower interest rates) and with some protection through a title restriction or land charge but these models require access to grant or low-cost capital which can be challenging to secure.
- **Community Municipal Bonds:** Abundance has developed an offer for retail investors which can be used to fund green projects and which prices below Public Works Loan Board (PWLB) rates, but sums raised to date are currently low single digit millions and are not ISA eligible beyond 5 years (which maturity is less attractive to LAs for funding retrofits).
- **Carbon offsetting/credits:** Anthesis has built an Area Based Insetting platform which allows individuals and corporates to fund projects which reduce local emissions, but this is currently only a philanthropic model. Sale of commercial carbon credits may provide LAs with additional funding but focuses on removal not reduction.
- **Property Linked Finance:** Green Finance Institute is working with UK banks to develop a long-dated loan product which survives sale of the property (along the lines of a similar product in US) but this is still on the drawing board.

There are, however, numerous non-financial barriers which impact levels of domestic retrofit activity, and which could be addressed by councils including:

- Supporting development of local information, advisory and supply chain infrastructure which will help grow the whole market whilst noting that direct involvement may carry some reputational risk e.g. Solar Together
- Exploring collective approaches either through social housing or net zero neighbourhoods which have the potential to create significant social, economic and environmental benefits and economies of scale.

Considering potential to use technology platforms which map individual properties and their characteristics

There are some national policy levers that could help increase activity. Providing direct financial support to drive uptake of mainstream domestic retrofit finance by the 'able to pay' market is generally not compelling, and the amounts of capital required to subsidise interest rates, underwrite lender risk or provide cashback incentives require national government support.

Providing indirect financial support through the tax system (stamp duty, council tax rebates, salary sacrifice etc) could reduce revenues but also reduces the requirement for capital investment and could be introduced in a progressive way.

8 Appendices

List of current or emerging retrofit advice services and Retrofit Facilitation Providers researched in 2023:

AURIGA services

BEIS (Simple Energy Advice website)

Brighton Homes Energy Services Company

British Gas

British Gas, Natwest, Worcestor Bosch, and **Quidos**

Changeworks

Cosy Homes Oxfordshire

Cumbria Action for Sustainability

Energy Projects Plus

Equans

Furbnow

Future Proof

Future Ready Homes (Severn Wye)

Greater Manchester Combined Authority

Groundwork

Heat Geek

Hestia Homes

Kuppa

Leeds Retrofit Accelerator

Loco Home Retrofit

Pineapple Partnerships

Pioneer Places

Nesfit

Ovo Energy

People Powered Retrofit

Plymouth Energy Communities

Retrofit West

Selce (South East London Community Energy)

Sero

Snugg

The Heat Project

The Retrofit Hub

Warm Works

Wise Group

Yes Energy Solutions

Zero Carbon Harrogate







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