

CO-OPERATIVES UK

RETROFIT CO-OPERATIVES

A report for policymakers



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INTRODUCTION

Millions of UK households want to cut their energy use and decarbonise. Despite the tough economic climate, many can afford to invest in their homes. But they're holding back – put off by market failures in independent advice, quality assurance, installation standards, finance and skills.¹

It is estimated that we need to have retrofitted over 20 million homes by 2035.² This will require a six-fold increase on recent activity.³

Household reluctance is in part driven by confusing and inefficient consumer markets. In order to retrofit a home fully, a range of different suppliers are needed, from surveyors to installers. These skilled workers are in short supply. All this combines to make retrofit an overwhelming and off-putting proposition for households.



1. (<https://councilmeetings.lewisham.gov.uk/documents/s96657/03%20Appendix%203%20-%20Survey%20findings%20250222.pdf>); (<https://ww3.rics.org/uk/en/journals/built-environment-journal/retrofitting-uk-homes.html#:~:text=The%20UK%20government's%20mandated%202050%20net%2Dzero%20carbon,approach%20and%20providing%20more%20efficient%20space%20heating>)

2. <https://nationalretrofithub.org.uk/wp-content/uploads/2024/08/NRH-State-of-the-Nation-Review.pdf>

3. <https://nationalretrofithub.org.uk/wp-content/uploads/2024/08/NRH-State-of-the-Nation-Review.pdf>

Warm Homes Plan

The Westminster government has started delivering on its Warm Homes Plan, pledging more than £13bn over the next five years to upgrade five million homes.⁴ This has rightly started with a focus on supporting local authorities and social housing providers to upgrade the lowest income households.

The plan also includes offering middle and higher income households grants to help fund the installation of heat pumps and boilers. However, the plan will not succeed until we overcome the reluctance of households and supply chain challenges, as the dire under-performance of past government schemes shows. While we have recently seen increased uptake of heat pumps, progress remains far behind the target for 2028.

To succeed, the Warm Homes Plan also needs to drive action by private landlords and owner occupiers in flats. These present the trickiest challenges of all.

⁴ <https://www.gov.uk/government/news/help-to-save-households-money-and-deliver-cleaner-heat-to-homes>

Retrofit co-operatives

As is often the case where state and market fall short, there is a co-operative solution. In recent years, a promising community of practice has emerged in 'co-operative retrofit' in the UK. This network is made up of co-operatives founded specifically to enable energy efficiency, alongside community energy schemes that have diversified into this area.

Led by two Mancunian pioneers, People Powered Retrofit and its sister Carbon Co-op, this is a growing network of nine organisations in cities from Exeter to Glasgow. During the period from 2020 to 2023, when progress in UK retrofit stalled, this network collectively achieved a nine-fold increase in clients.

The diversification of community energy generators into retrofit is supported by Community Energy England, Community Energy Wales and other regional bodies.

While starting points and particular activities vary, there is a common core of practice that we refer to as a 'retrofit co-operative':

- A place-based co-operative intermediary operating for mutual benefit an environmental mission, with fairness, transparency and accountability designed-in
- Bringing together households, tradespeople, landlords, finance and other critical contributors, to address market failures and other barriers to mass retrofit
- A trusted, accessible and participative facilitator that bundles together multiple services from advocacy and advice to market making and arrangement of services, making it easier for households to access end-to-end retrofit support.

OUR PRIORITY RECOMMENDATIONS

1. Co-operative development: Start up, diversification and transition

Fund support to help communities and local industry replicate and adapt the retrofit co-operative model for their area, including community organising, peer-support, specialist consultancy and start-up grants. Ensure community energy schemes that want to diversify into retrofit can access specialist advice, peer support and finance. And ensure existing retrofit facilitators can access support to transition to a co-operative model where this fits with their mission. A relatively small up-front investment in co-operative development will pay dividends in terms of consumer uptake and the success of other net zero interventions.

2. Co-operative capital rising

Unlock options for co-operatives to raise more capital from members, investors and communities. This includes action by the British Business Bank and social investment intermediaries to enable a greater role for institutional finance in the co-operative economy. It also requires support for organisations to raise funds through community shares. Great British Energy can also help finance retrofit co-operatives as part of its wider support for community energy. Modernisation of co-operative law will also help.

3. Innovative financing

Government should work with credit unions, building societies and others, to explore innovative financing. This includes green loans to support families to access the savings brought by retrofit. Combined authorities can bring local credit unions together into a consortium to provide finance efficiently, following the example of Sound Pound in Greater Manchester.⁵

4. Inclusive supply chain strategy

Design and implement a fully resourced strategy for addressing the shortage of trained and qualified advisors, contractors and consumer support services. Use retrofit co-operatives to enable the growth of local retrofit industries that are inclusive and create great opportunities, jobs and wealth in communities. This should include ensuring that grants to local authorities to facilitate retrofitting allow for authorities to partner with and support co-operative and community energy programmes as part of delivery.

5. Co-operative federation

Support retrofit co-operatives across the country to work together strategically by forming 'secondary co-operatives,' to scale-up their impact in ways they could not achieve if working in isolation.

6. Removing barriers to co-operation

Many retrofit co-operatives are incorporated as registered societies. The law for societies is in urgent need of modernisation to reduce costs and complexities and to enable capital raising. Public bodies, including HMRC and private businesses like high street banks need to improve the poor service they currently provide to societies.



5. Soundpound credit unions work with Manchester mayor on green home loans – Co-operative News

RETROFIT FACILITATORS: **WHY MAKE THEM CO-OPERATIVE?**

The publication of the government's Warm Homes Plan has been welcomed across the sector as helping to reduce some of the financial barriers to retrofit. Research suggests that alongside the costs of retrofit, consumer attitudes, information failures and immature markets, are also significant barriers.⁶ Evidence from Ireland suggests that a place based retrofit hub approach can be successful in overcoming many of these challenges.⁷ The Skidmore review under the last government recommended a similar approach.⁸

A recent sectoral analysis in the related field of retrofit facilitators, highlights the importance of stimulating local demand by leveraging trusted intermediaries and communication channels, peer-to-peer communication and community approaches to marketing. It also stresses the need to build connected and coordinated supply chains, with open communication among firms, and between industry, local government and communities.⁹ These are all things retrofit co-operatives are demonstrably good at bringing together. Indeed, it is telling that three co-operatives featured in the report.

The co-operative intermediary model offers more than localism. It enables a powerful partnership between households, landlords and retrofit suppliers, built on mutuality and trust.

It is a core principle of co-operatives that they work together to meet needs and tackle societal challenges. For example, People Powered Retrofit in Greater Manchester working with a consortium of local credit unions to provide financing solutions for households. This has the potential to generate systemic impacts.

6. [EcoFurb-Home Retrofit Trends Index](#)

7. [Passive House Plus \(2022\)](#)

8. [Skidmore, C. \(2023\) Mission Zero: Independent Review of Net Zero – final report](#)

9. [Facilitating Retrofit: a comprehensive sectoral analysis | UKGBC](#)



**WHY USE
CO-OPERATIVES
AS THE
FACILITATORS?**

ADVANTAGES OF CO-OPERATIVE FACILITATORS

- 1. Matching supply and demand:**
Co-operatives provide an ideal intermediary to bridge the disconnect between supply and demand signals.
- 2. Aggregating demand:**
Co-operatives can aggregate demand, creating efficiencies that are beneficial and stimulating for the supply chain, while also lowering costs for households.
- 3. Wrap-around support:**
A place-based not-for-profit co-operative model can focus on a high-value and responsive service, providing households with support and peace of mind throughout the whole process – from exploration, through the disruption of works and after-care. This wrap-around support can also allow SMEs delivering the retrofit to grow, reducing admin costs in finding potential customers, which helps grow demand and supply at the same time.
- 4. Increased speed and scale of roll-out:**
Co-operatives achieve collective scale that is simply not being delivered through fragmented individual consumer behaviour.
- 5. Increased private investment**
Co-operatives are a mechanism for enabling larger scale projects suitable for new sources of private finance.
- 6. Reach and persuasion:**
Co-operatives use peer influence and relationships between friends and neighbours to encourage households to engage and change behaviour.
- 7. Trust and consent:**
The not-for-profit co-operative model prioritises quality and enables high-trust relationships between households and industry, which is critical when arranging expensive, high-risk work in people's homes.
- 8. A just transition:**
Co-operatives ensure the opportunities and benefits in the retrofit economy are broadly and fairly shared, for example by creating good livelihoods for local people.



CONCLUSIONS

There is a strong case for DESNZ, Great British Energy and combined authorities to co-fund a network of regional pilots to support the development of retrofit co-operatives, as part of the next stage of the Warm Homes Plan.

The co-operative and community energy sectors stand ready to support such pilots, both in design and in the delivery of support.

More widely, the potential of retrofit co-operatives underlines the importance of government action to create a more enabling environment for co-operatives to form and thrive. This requires greater resourcing of co-operative business support, access to finance, tax reform and modernisation of law.

CASE STUDY: CARBON CO-OP AND PEOPLE POWERED RETROFIT

“Housing accounts for 18% of UK greenhouse gas emissions. That’s 65.9 million tonnes of CO₂ every year,” says Alex King of Carbon Co-op, a Greater Manchester-based provider of the tools, knowledge and services people need to reduce their energy use.

“We focus on people’s homes, not just because of the climate but also because of affordability. Experts now predict that the average household is going to be paying £4,266 per year on energy bills.

“One of the few meaningful contributions individuals can make to combat the climate crisis is to have their home insulated, if they can afford it. And Carbon Co-op’s sister co-op, People Powered Retrofit (PPR), was set up to help households do this.”

PPR was founded by Carbon Co-op and Urbed in 2022 as a separate community benefit society. PPR is a retrofit stop shop, offering a range of services including householder advice, supply chain training, and replication services.

Householders using PPR’s services have their homes assessed by the team’s expert surveyors, who advise on the best measures to meet their retrofit goals. PPR can also support with designing appropriate retrofit measures and connecting householders with contractors and installers.

“Carbon Co-op also delivers retrofit projects. To help more vulnerable people, the team has produced a ‘Retrofit for All’ toolkit. This is a guide for organisations designing energy efficiency schemes for residents experiencing energy vulnerability.



“Often, retrofitting work is ‘top-down,’ with the builders and experts in charge. People Powered Retrofit does things differently and puts the client at the heart of every project, allowing them to lead. We also liaise with local builders and quality assure their work.”

Alex King
Carbon Co-op





This work complements Oldham Energy Futures – a project the co-op is leading on with communities in the town. Alex said: “We’re working with local people to explore how transforming power can benefit them, as well as being green.

“The aim is to reduce the carbon footprint, transition to low carbon and create several community energy projects. We’ve produced the toolkit as a guide to support communities, local authorities and housing associations that would like to lead similar projects.”

Alex and his colleagues were also commissioned by the Greater Manchester Combined Authority (GMCA) to set up a ‘Citizens’ Jury.’ They put together a group of 12 people to deliberate on local energy markets. The result was a set of recommendations for the GMCA overwhelmingly in favour of public ownership of energy suppliers.

The team is also pioneering an innovative energy efficiency scheme called PowerShaper Flex. Alex said: “With the energy system, we have massive spikes in demand, and those spikes will only get bigger as we move to electric transport and heating. Before, we could simply fire up fossil fuelled power stations to meet that demand. But we can’t do that with renewables.

“For the grid to be able to decarbonise further, it will need to be able to handle increases in demand by means other than increasing the energy supply. We’ll need to manage demand. PowerShaper Flex is a project to help the green grid handle those increases in demand.”

For this scheme, selected households will connect smart devices and electric vehicle chargers to Carbon Co-op’s home energy management systems, which will turn the charge to those appliances on and off at specific times, notifying participants in advance. Participants can opt out of switch-off events whenever they like.

“This community-minded co-ordination will enable the network to manage local capacity. It could also potentially save people money on energy bills, if they can charge at more advantageous times, as well as helping the grid transition to net zero.”

Carbon Co-op has 450 regional and national householder members (growing at a rate of one third per year) who pay an annual subscription of £35. Those members are part of a thriving community who collaborate and support each other, sharing their experiences and opening their homes at green home events.

Alex said: “Our members can also borrow equipment from us, free of charge. They benefit from services, offers, training and energy efficiency materials, as well as access to expert retrofit networks.”

Carbon Co-op and People Powered retrofit have led on developing a Community-Led One-Stop Shop for finance and retrofit. The consortia also includes Metro Moneywise Credit Union, ABCUL (the Association of British Credit Unions Limited), Loco Home Retrofit and Manchester Care and Repair. Funded under the Department for Energy Security and Net Zero’s (DESNZ) Green Homes Finance Accelerator programme.

carbon.coop | retrofit.coop



CASE STUDY: LOCO HOME RETROFIT

Glasgow has some of the oldest and least energy-efficient housing stock in Europe, so Loco Home Retrofit (LHR) co-operative was established in the city to promote energy efficiency within homes, tackle the climate crisis and keep energy bills affordable.

As an intermediary, LHR supports households, tradespeople and professionals to navigate the process of home retrofitting.

“We want to help people get off fossil fuels and help bring to an end Glasgow’s contribution to climate change,” said co-founder Chris Carus.

By bringing together homeowners and industry professionals LHR provides solutions and shares knowledge to make properties in Glasgow fit for a greener future.

So what are the benefits of being place-based and relational? LHR finds that being rooted in Glasgow communities builds trust and enables reach and persuasion.

The relational model enables people to be persuaded to take up retrofit by their families, friends and neighbours, in ways transactional campaigns from government and industry have so far failed to do.

Loco Home Retrofit is built on the belief that people understand their own communities better than, for example, government or big business. The relational business model puts householders at the core of their own retrofit projects, with higher-value wrap-around support. This allows each retrofit project to be tailored to suit individual needs, making for higher performance and a better retrofit experience.

locohome.coop



“Our theory is that in each town or community, you need a local trusted advisor rooted in that community, and the co-op model is the perfect way to do this.”

Chris Carus
Loco Home Retrofit



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