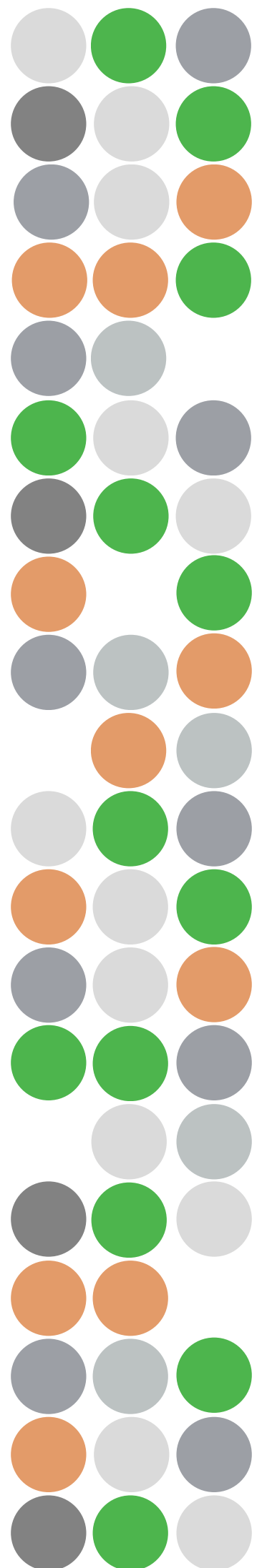


RETROFIT SUCCESS

Financing and
procurement for
retrofit





About SHAP

Originating in the West Midlands and now with a national reach, the Sustainable Housing Action Partnership (SHAP) is a not-for-profit organisation working to advance the transition to net zero across the housing sector. We work with organisations from the public, private and third sectors to turn ambition into action.

For 20 years, SHAP has worked at the forefront of sustainable housing, driving change through innovative research, thought leadership, and the development and sharing of best practice. Our network and client base spans housing associations, local and combined authorities, charities, community groups, academic institutions and businesses.

Our Vision is one of thriving communities with sustainable, high quality, low carbon homes.

Our Mission is to accelerate the delivery and impact of net zero, by leading and promoting best practice on the environmental, social and economic aspects of sustainable housing.

SHAP's Board is drawn from across the sustainable housing ecosystem and brings together leaders with deep, collective experience of the sector's successes and challenges. Providing strategic oversight, they help steer SHAP's work, ensuring it responds to sector needs and remains relevant, credible and impactful.



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This guide is one of eight thematic guides developed with insights from 70 organisations, drawing on practical retrofit experience in real homes, streets and communities.



Communicating retrofit effectively



Community and resident engagement



Data and digitalisation



Financing and procurement for retrofit



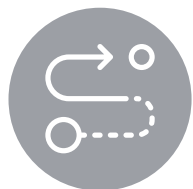
Governing and managing retrofit delivery



Retrofit evaluation and improvement



Skills and workforce development



Strategic planning for area-based retrofit

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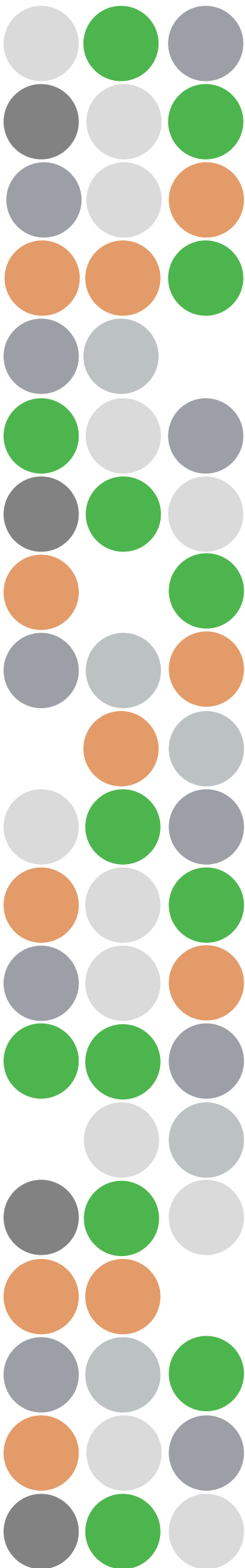


1.0 Introduction

This guide is part of SHAP's Retrofit Success series; practical, experience-led resources to support more effective retrofit delivery. Developed with nearly 100 contributors, the series reflects decades of first-hand insight from those shaping and delivering retrofit on the ground. For fullest value, we recommend reading this guide alongside the Retrofit Success in Summary document which captures the shared context, core insights, and opportunities for adopting great practice, as well as guidance on how we can be more bold in designing and delivering retrofit.

This particular guide focusses finance and procurement, decisions about which set the foundations for every retrofit programme. When well-designed, they unlock high-quality delivery, fair risksharing, and meaningful long-term value. When poorly designed, they create pressure points that ripple across delivery: from rushed mobilisation to insufficient aftercare or fragile supply chains.

This guidance explores how to design finance and procurement models that are resilient, fair, and outcomes-focused — before, during, and after retrofit delivery. It draws on practical experience from delivery partners, as well as opportunities to go further in aligning commercial models with long-term place-based impact. Each section includes real-world strategies and bold innovations that can help shift retrofit from reactive procurement to proactive investment in quality, trust, and outcomes.



The guidance



2.1 Planning for retrofit delivery

Best practice **now**

01

Design funding approaches that align with real-world delivery

Too often, funding cycles are short, fragmented, or overly rigid. Aligning funding with realistic timescales, seasonal delivery windows, and community engagement needs helps avoid rushed mobilisation and missed opportunities.

02

Structure procurement to reflect long-term planning, not short-term spend

Move away from reactive, project-by-project procurement. Frameworks and contracts should reflect the need for consistent delivery over years, not months — allowing for phased rollouts, supplier investment, and capacity building.

03

Engage suppliers early to shape viable commercial models

Early market engagement — particularly with smaller or specialist contractors — builds mutual understanding of risks, costs, and timelines. It helps avoid bidding failure and increases supplier readiness.

04

Co-design contracts with those delivering on the ground

Frontline delivery teams, including engagement officers and assessors, can spot risks and inefficiencies that often get missed in high-level design. Involving them early ensures the commercial model supports, rather than undermines, quality delivery.

05

Allow time to cost in wraparound support

Too many procurement processes under price the non-technical aspects of retrofit — including resident liaison, behavioural support, and aftercare. Ensuring these are properly costed from the outset helps protect delivery quality.

06

Pre-agree common standards across delivery partners

Agree shared expectations on specification, data capture, performance evaluation, and resident experience across frameworks or partners. This supports consistency in quality and reduces confusion in the market.



07

Map and plan for known capacity constraints

Use intelligence on known supply chain gaps (e.g. PAS2035 coordinators, ventilation specialists) to shape delivery phasing and procurement. This avoids bottlenecks and allows time for workforce development.

08

Develop a strategic investment narrative to attract co-funding

Crafting a compelling case that links retrofit to wider benefits (e.g. health, fuel poverty, jobs) can unlock alignment with other funding streams or investors. Start this narrative-building before procurement to shape scope and ambition.



How we can be **bolder**

01

Create aggregated, multi-year pipelines across regions

Join up demand across local authorities or housing providers to de-risk investment for suppliers, allow workforce planning, and attract innovation. Publish multi-year forecasts to give the market confidence to grow.

02

Embed social value as a contract requirement, not an add-on

Bake in outcomes like local jobs, training, and SME involvement as scored criteria — not vague aspirations. Weight social value appropriately in tender evaluation to shift delivery norms.

03

Test alternative funding models that blend public, private and community investment

Explore community municipal bonds, energy performance contracts, or shared savings models that offer long-term returns. These can increase financial resilience and engage wider stakeholders in retrofit.

04

Pool procurement expertise across local authorities or housing providers

Create shared procurement hubs or consortia with in-house retrofit expertise. This builds capability, reduces duplication, and supports better outcomes for smaller councils or landlords.

05

Use procurement to build local supply chain ecosystems

Set requirements or incentives for main contractors to partner with local SMEs, create training pathways, or incubate new technologies. This positions procurement as a lever for economic development, not just compliance.

06

Pre-qualify flexible, placebased contractor pools

Rather than rigid, ranked frameworks, pre-qualify a range of trusted suppliers who can be drawn on based on geography, need, or capability — improving responsiveness and local alignment.



07

Trial outcome-based funding linked to real-world performance

Move beyond outputs (e.g. number of homes retrofitted) to payments based on outcomes — such as verified energy savings, improved EPC ratings, or resident satisfaction — encouraging deeper quality.

08

Devolve retrofit investment budgets to regional or combined authorities

Localised financial control can enable more tailored, area specific procurement approaches — particularly when paired with devolved delivery powers and performance accountability.



2.2 During retrofit delivery

Best practice **now**

01

Build flexibility into procurement contracts to support adaptive delivery

Rigid contracts can't always accommodate issues uncovered during installation, like unexpected property conditions. Include variation clauses and contingency pots to allow delivery teams to adapt without triggering delays or cost overruns.

02

Use procurement models that reward quality and long-term outcomes — not just EPC ratings

Move beyond lowest-cost tendering or narrow compliance with EPC C. Weight contracts toward in-use performance, affordability, and customer satisfaction. Recognise that EPC-focused targeting can unintentionally skew delivery toward 'easy wins' at the expense of longer-term net zero or occupant wellbeing.

03

Ensure contractor payment terms support cash flow and delivery quality

Small and mid-sized contractors often face challenges from delayed payments. Fair, staged payment structures — including advance payments or milestone billing — help maintain delivery momentum and quality.

04

Align procurement design with financial risk management

Clearly allocate financial risk — such as performance guarantees, inflation, or defects liability — in contract design. Finance and procurement teams should work together to manage these risks across the delivery phase.

05

Pool procurement where possible to reduce cost and complexity

Collaborate across councils, housing associations, or regions to create shared frameworks and joint procurement. This strengthens buying power, standardises expectations, and reduces duplicated effort.

06

Track social value delivery during the contract — not just at award

Don't let social value commitments become tick-box exercises. Require contractors to evidence delivery on local jobs, skills, or community benefit throughout the works, not just at bid stage.



07

Use open-book contract management to maintain trust

Promote transparency in costings, variations, and margins. Open book approaches allow for collaborative problem-solving and help manage budget pressures under volatile market conditions.



How we can be **bolder**

01

Pilot outcome-based funding models that consider affordability, not just energy savings

Explore contracts that release payments based on measured performance — including running costs, satisfaction and resident experience. Retrofit must deliver both energy and financial security, particularly in the context of the rising cost of living.

02

Use retrofit delivery as a platform for financial innovation

Trial models like revolving funds, pay-as-you-save, or community bonds alongside grants. This is especially powerful in mixed tenure areas where grant-only models may fall short.

03

Mandate local economic benefit through procurement design

Require that a percentage of labour, materials or contracts are sourced locally. This ensures public investment in retrofit also delivers place-based economic development.

04

Coordinate procurement pipelines across programmes

Align timelines and procurement strategies across Warm Homes, ECO, capital works and other schemes. This steadier demand signal helps contractors invest in skills and capacity.

05

Develop dynamic, regional procurement frameworks with embedded learning

Move beyond static frameworks. The Procurement Act 2023 allows flexible processes to drive innovation and develop unique solutions, such as shared KPIs, engagement standards, and live performance monitoring.

06

Design delivery mechanisms that braid together multiple funding streams — including private and social sources

Combine grant funding, private finance, and aligned investments (e.g. health, fuel poverty, decarbonisation) through unified procurement. Explore private sector partnerships and social investment models to unlock capital at scale, particularly in mixed-tenure or hard-to-fund areas.



2.3 After retrofit delivery

Best practice **now**

01

Ensure post-delivery financial evaluation is built in from the start

Reviewing whether projected savings, costs, and benefits materialised should be a core part of every retrofit programme — not an afterthought. Build time and budget for financial reflection into contracts and programme plans.

02

Track actual performance against original cost assumptions

Compare modelled energy savings and cost-benefit ratios with real-world outcomes. Understanding where assumptions proved over- or under-optimistic can improve future funding design and commercial modelling.

03

Review procurement outcomes, not just compliance

Post-delivery evaluation should consider whether procurement routes delivered the quality, timelines, and social value promised — not just whether the process followed due diligence.

04

Evaluate the full cost of delivery, including snagging and aftercare

Capture real spend across the whole lifecycle — from mobilisation and handover to complaints and post-install troubleshooting. This enables more accurate budgeting and risk profiling next time.

05

Capture feedback from delivery partners on what worked and didn't

Contractors, suppliers, and frontline staff often hold insights into inefficiencies or blockers that finance and procurement teams miss. Build in structured routes for capturing and acting on this intelligence.

06

Analyse failure demand and its financial impact

Track the cost of avoidable call-outs, complaints, or rework due to poor communication, rushed delivery, or under-scoped support. Quantifying this can strengthen the case for investing in engagement and quality upfront.



07

Share financial lessons across the sector

Many actors repeat the same mistakes in procurement and finance design. Establish mechanisms to share learning on pricing, risks, and outcomes across councils, housing associations and funders.

08

Link financial reporting with wider value tracking

Use financial close-out to report not only on spend and outputs, but also health benefits, fuel savings, resident satisfaction and social value achieved. This helps build the case for future investment.



How we can be **bolder**

01

Create standardised tools for post-project financial evaluation

Develop shared templates or digital dashboards for assessing financial performance, including spend versus budget, outcome realisation, and value for money. This allows benchmarking and drives learning.

02

Pilot shared learning funds from underspend or delivery efficiencies

Where projects come in under budget, channel some of the surplus into regional learning hubs or evaluation pilots — turning savings into systemic improvement.

03

Introduce feedback loops between procurement and frontline delivery

Formally connect procurement teams with those who manage delivery, engagement and aftercare — ensuring financial decisions are grounded in the lived reality of retrofit.

04

Use outcome-based contract bonuses to reward real-world success

Incentivise contractors not just for timely delivery but for achieving verified outcomes — such as reduced energy bills, fewer complaints, or high resident satisfaction.

05

Include resident insights in commercial performance evaluation

Gather feedback from residents as part of the contractor performance review. This provides a broader picture of value and helps identify gaps that may be invisible in financial data alone.

06

Build case studies that link financial models to quality outcomes

Document and share examples where particular finance or procurement approaches directly enabled better delivery, trust, or long-term value. This supports future commissioning with evidence.



07

Feed evaluation insights back into framework design

Use post-project reviews to shape the next generation of procurement frameworks — refining specifications, KPIs, or pricing models based on evidence, not assumptions.

Thank you to our contributors

