

Environmental *Change* Institute



Retrofit Salary Sacrifice:

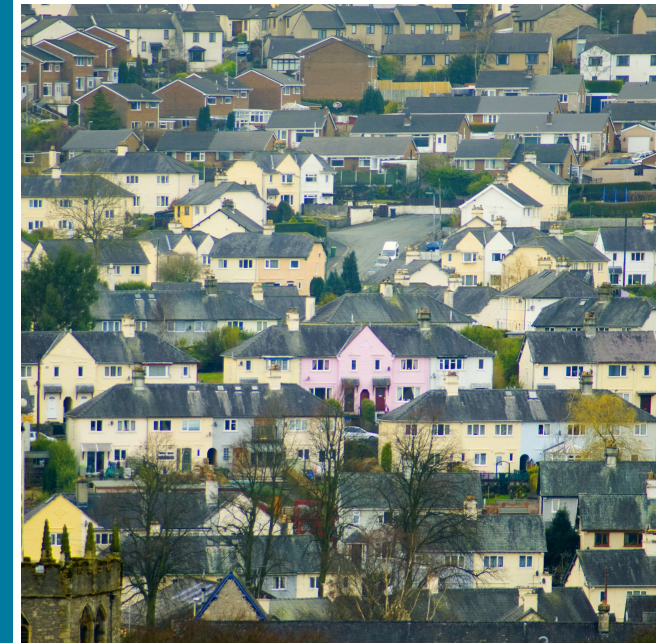
A financial incentive to help decarbonise owner occupied houses.

Marina Topouzi

ESRC Impact Acceleration Account

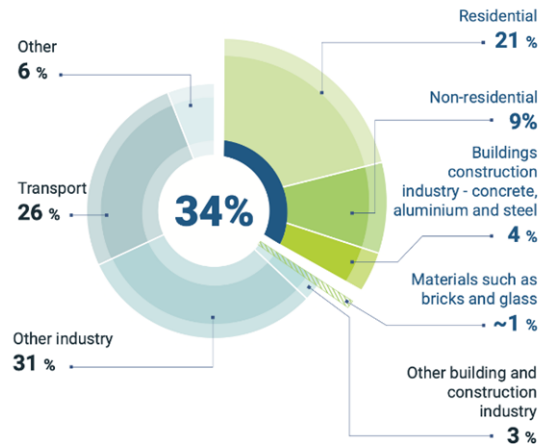


CENTRE FOR RESEARCH INTO
ENERGY DEMAND SOLUTIONS



What is the problem(s) to solve

Global share of buildings and construction final energy demand, 2021



2022 GLOBAL STATUS REPORT FOR BUILDINGS AND CONSTRUCTION, Source: <https://globalabc.org/our-work/tracking-progress-global-status-report>

Decarbonise the building sector



7 -12 years left

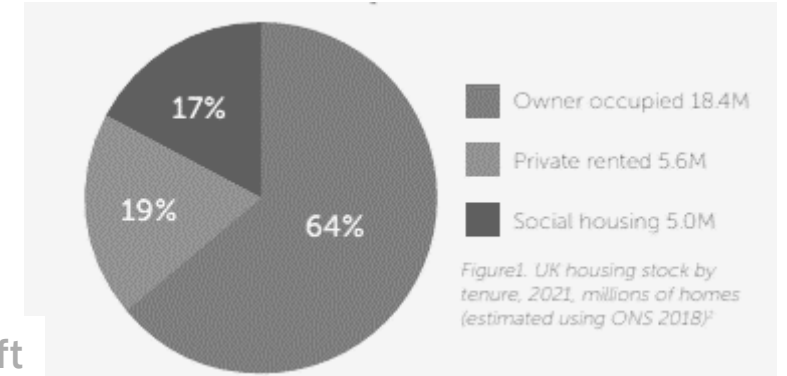


Figure 1. UK housing stock by tenure, 2021, millions of homes (estimated using ONS 2018)¹

Source: CREDS- <https://www.creds.ac.uk/building-on-our-strengths-transformation-to-energy-retrofit/>

“The decarbonization and sustainability transition of the built environment remains “not on track”.

Who gains from Rishi's 'long-term' thinking? Not the planet, not the north ... not even him
Marina Hyde

'Let Rishi be Rishi', is the new Tory catchphrase. So far, that seems to be code for 'let Britain be rubbish' - and Suella Braverman is circling, says Guardian columnist Marina Hyde

27m ago 45

I'm a Tory MP, but I know Rishi Sunak's claims about the cost of net zero are false
Chris Skidmore

3h ago 221

United Nations Environment Programme 2022

Policy(ies) that create
DEMAND
for RETROFIT uptake

Barriers to Retrofit

Engagement, outreach, targeting



Awareness and Trust of the retrofit process



Supply Chain capacity and skills



Policy to create a long-term market for retrofit



Policy consistency, Regulation and standards



Finance and Incentives to retrofit

Finance and fiscal measures



Developing a financial incentive for retrofit



Flexible working: A great opportunity to improve our home-office environment and increase multiple benefits

Home > News & blog > Blog > Flexible working: A great opportunity to improve our home-office environment and increase multiple benefits

18 January, 2022

Marina Topouzi
Peter Mallaburn
Tedd Mose

Reading time: 5 minutes

In the last ECEEE 2021 Summer study Marina Topouzi and Peter Mallaburn presented the Retrofit Salary Sacrifice scheme – an innovative idea they developed for a financial retrofit incentive. Here, together with Tedd Mose they look at it through the lens of multiple benefits in terms of equality and legal implications in policy.

What does 'flexible working from home' mean?

The Covid-19 pandemic has fundamentally reshaped the ways in which people work. Working from home

Academia/
Research

Interdisciplinary
team of experts

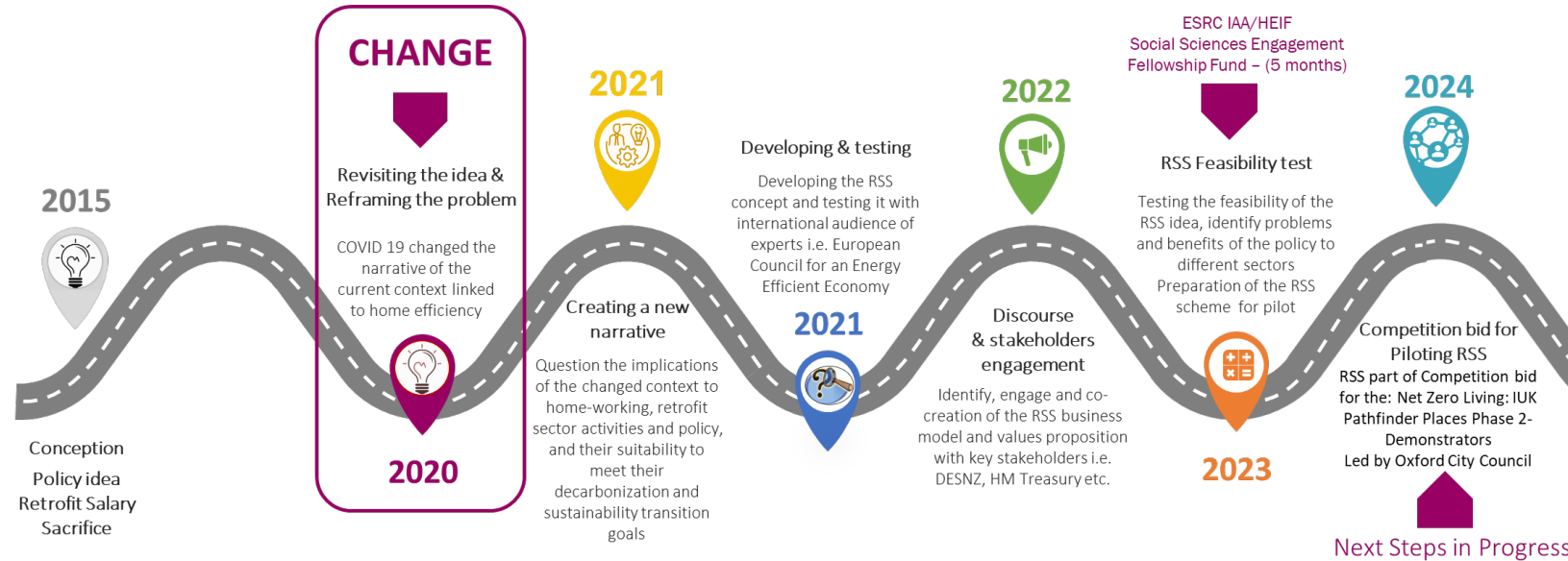
- Policy
- Flexibility
- Finance

CREDS Knowledge
Exchange Manager
(Policy)

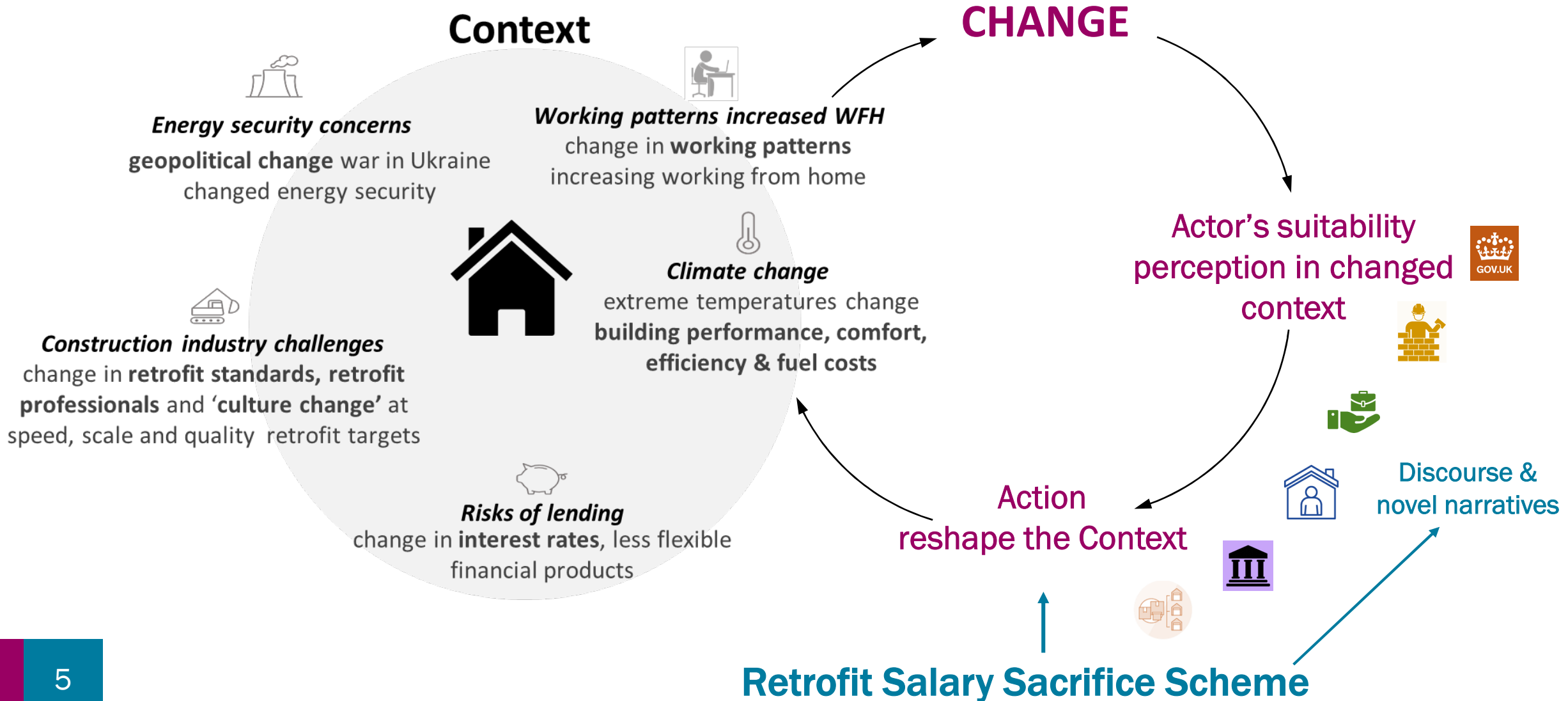
Oxford Innovation
LTD

- Business model/
Value proposition

Retrofit Salary Sacrifice scheme

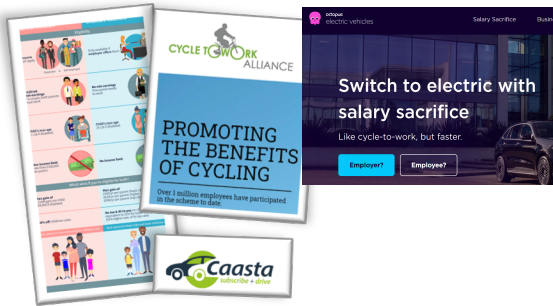


Changes in context related to Home Efficiency



Rationale: Retrofit Salary Sacrifice scheme

Successful salary sacrifice schemes



UKGB 2013 one policy solution to tick all boxes and solve the problem of the whole housing sector



Green Finance Institute 2020

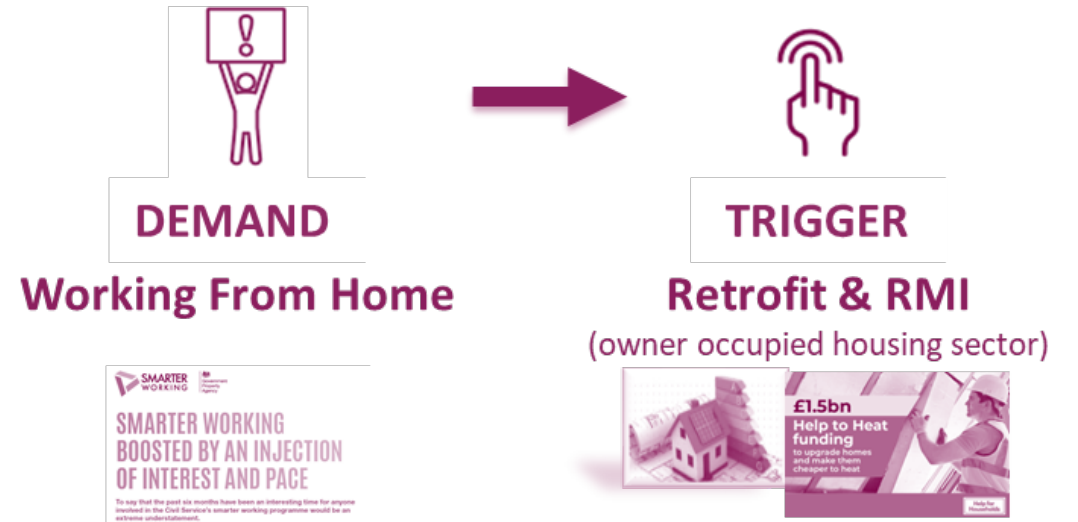
lending product for owner-occupied with a number of potential delivery partners

problem



create demand for retrofit uptake

What is different:



Salary sacrifice scheme:

employees getting a loan through their employer for **home energy improvements**, which is repaid via **gross salary contributions**

Why RSS is different ...

....'able-to-pay' doesn't necessarily mean 'able-to-retrofit' if there isn't any incentive and support in customer's retrofit journey (BEIS, 2021a)

A. Builds on

- Government's Net Zero objectives without raising taxes
- Salaried 'able-to-pay' homeowners for flexible 'future work' patterns
- Existing retrofit services (OSS-CosyHomes), and mechanisms for quality assurance of works and price control of suppliers (PAS), and retrofit roles (and accredited installers (Trustmark))

B. Prioritises

- Evaluation & 'understanding-first' the existing building condition, and Retrofit and Repair Maintenance & Improvement (RMI) planning

D. Facilitates

- Access to retrofit planning advice and finance with customer/employee centred 'service' for retrofit and RMI
- Investment in retrofitting without upfront costs and without affecting credit scores

C. Creates

- New narratives for home efficiency and trigger for 'home-office' improvement
- New narratives on employment relationships
- New narrative for employers addressing Scope 1-3 of their direct/indirect carbon emissions
- Leverage for additional demand for retrofit 'service' and professionals/roles

Testing the feasibility of the RSS idea

ESRC IAA/HEIF- Social Sciences Engagement Fellowship Fund (March 2023 5 months)

Data Collection:

- Online survey to 5 stakeholder groups (n=70).
- Half-day online workshop (n=18).
- One-on-one conversations and meetings (n=45).

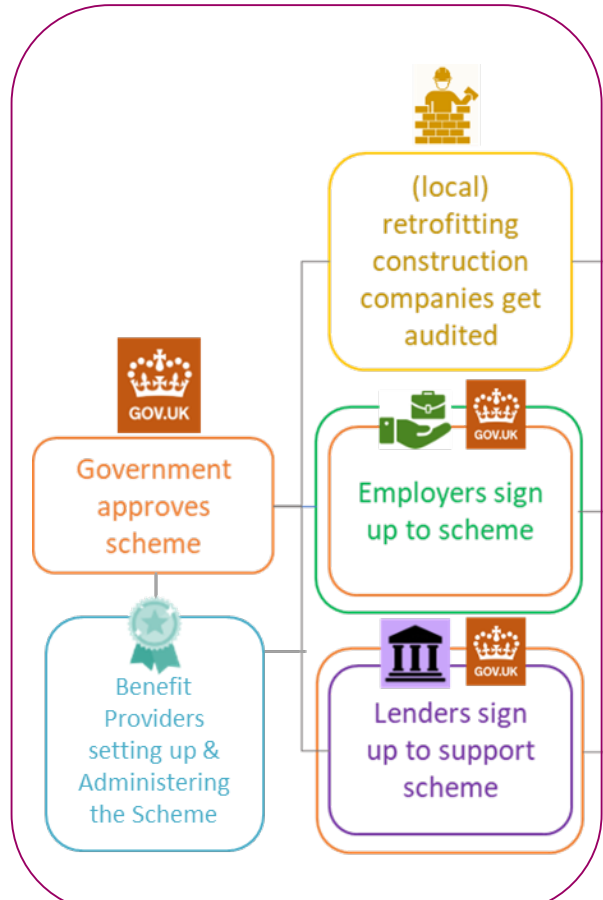
Key areas explored:

- identify where value will be delivered by RSS and to which sectors/stakeholders
- what additional benefits/barriers are associated with these value streams
- how do these benefits/risks compare with alternative interventions

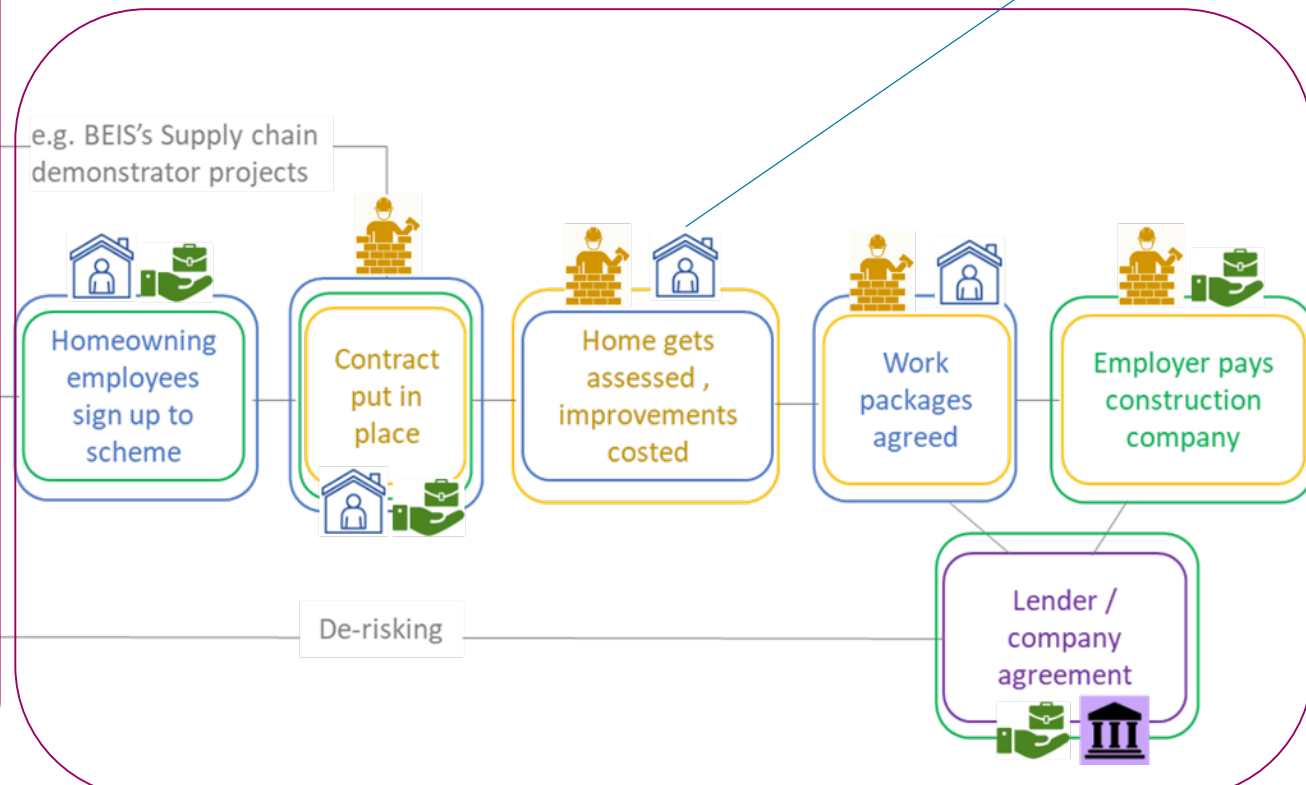
Retrofit Salary Sacrifice business model

Examples of application	Capital cost band £	Cost of measure (£)	Total gross cost/ Monthly gross salary reduction	Term (months)	Total lower rate (20%) tax payer cost/ NI rate based upon 13.25%	Total higher rate (40%) tax payer cost/ NI rate based upon 3.25%	Disruption band	Additional funds
Home assessment & Whole House planning	Up to £100-£1000	£100	(£100) £8.33	12	£5.56	£4.73	Low	No
		- £500-£1000	(£500) £41.67		£27.81	£23.65		No
Triple glazing patio doors (U=1.0)		£5300	£294.44	18	£196.54	£167.10	Low	No
MVHR installation	£5000-£10,000	£5000	£277.78	18	£185.42	£157.64	Moderate	No
Flat roof insulation(U=0.15)		£5800	£322.22	18	£215.08	£182.86	Low	No
Ex wall insulation(U=0.3)		£6200	£258.33	24	£172.44	£146.60	Low	Yes
Heat-pumps	Over £10,000	£7,000-£10,000	(£10,000) £416.67	24	£278.13	£236.46	Low	Yes

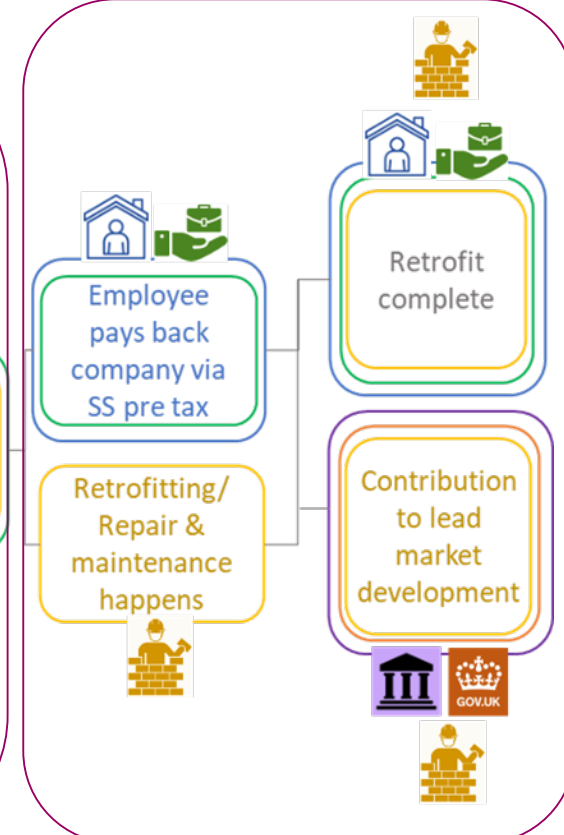
Retrofit scheme administration








Retrofit works facilitation



Pay back & completion



Stakeholder Perspectives: Value & Beneficiaries

Value	 Construction sec ↓	 Employee/homec ↓	 Employer/compa ↓	 Government/Las ↓	 Banks/Lenders ↓	Value
Retrofit Salary Sa	Construction sec ↓	Employee/homec ↓	Employer/compa ↓	Government/Las ↓	Banks/Lenders ↓	Retrofit Salary Sa
Convenience and Practicality		Simplified process	Flexible working			Convenience and Practicality
Carbon Reduction & Environmental Goals			← Meet their own carbon reduction goals →			Carbon Reduction & Environmental Goals
Policy Alignment and Utilization	Existing skills/roles			Existing policies		Policy Alignment and Utilization
Engagement and Market Stimulation	Stimulate supply chain growth			Boost retrofit		Engagement and Market Stimulation
Enhanced Reputation & Value Proposition	Prepare for future demands		Eco-conscious reputation		Ethical differentiation & sustainability goals	Enhanced Reputation & Value Proposition
Quality and Assurance	Accreditation & high-quality delivery	Customer trust				Quality and Assurance
Risk Management and Trust	Mitigates payments & quality assurance				RSS structure	Risk Management and Trust
Economic and Socio-Economic Benefits	Job creation	Energy savings		Job creation & broader economy		Economic and Socio-Economic Benefits
Financial Accessibility & Affordability	Accessibility of funding and finance		Staff retention		Reduced risks	Financial Accessibility & Affordability

Perceived challenges & potential barriers/risks



Government/
Local
Authorities

What if employees aren't interested?



Construction
sector

How do we ensure consistent quality of delivery without making certification onerous?



Employee/
homeowner

What happens to the loan if I leave the employer providing the scheme?



Banks/
lenders

How do we minimise administrative complexity, quality assurance and attractiveness to homeowners?



Employer /
company

How do we make it fair to those who aren't homeowners?

Summary

What did we learn?

A. Unique Value of RSS Scheme:

Intensifies diverse routes for delivering value that are harder to deliver with other retrofit programmes for the home-owner able to pay sector.

B. Leveraging Past Experiences:

Using the vast reservoir of insights and in place mechanisms and services from other retrofit pilots that can be instrumental in crafting an effective RSS scheme.

C. Detail-Oriented Planning:

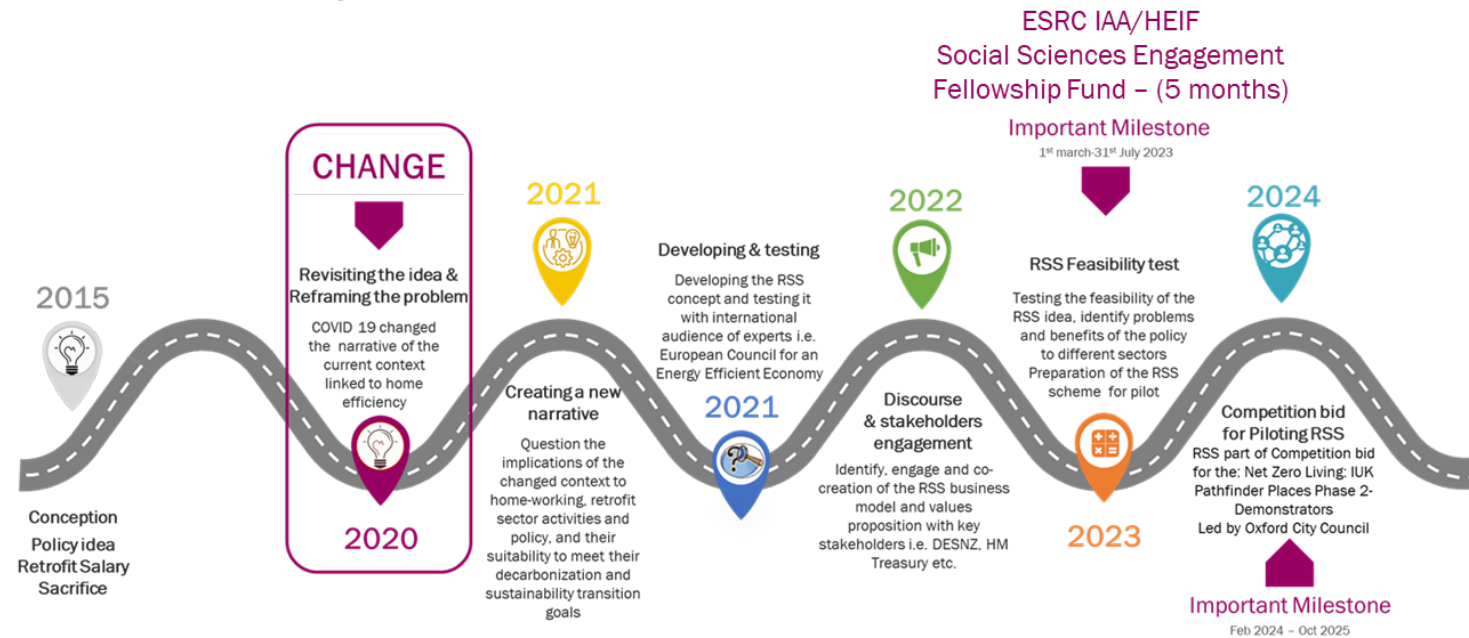
For a successful pilot and subsequent rollout, attention to detail is crucial. It is vital to define clear roles, responsibilities, manage cash flows, and establish robust risk management mechanisms.

Conclusions & next steps...



- Context and time
- Identify the change
- Discourse and novel narratives
- Engagement with stakeholders & project partners

Retrofit Salary Sacrifice scheme



Next steps

Planning and developing strategies to secure funding for the RSS pilot – IUK Pathfinder bid currently in progress

Environmental *Change* Institute



Thank you

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University of Oxford | CREDS

<https://www.creds.ac.uk/people/marina-topouzi/>

Acknowledgement :

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Funders

ESRC Impact Acceleration Account

