

Committee: **Cabinet**

Date of meeting: **19th April 2023**

Report Subject: **ECO4 Flexible Eligibility - Memorandum of Understanding and Joint 'Statement of Intent'**

Portfolio Holder: **Cllr. Helen Cunningham, Executive Member for Place and Environment**

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Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Governance Audit Committee	Democratic Services Committee	Scrutiny Committee	Cabinet	Council	Other (please state)
✓	✓	30.03.23				✓		

1. Purpose of the Report

- 1.1 The purpose of this report is to inform members of the agreement to work in partnership with the Cardiff Capital Region (CCR) and EDF, who through an agreed Memorandum of Understanding (MOU) are the energy supplier chosen to work within the Gwent region.
- 1.2 To outline the adoption and implementation of CCR's "Joint Statement of Intent" that enables the Council to participate in the most recent iteration of the Energy Company Obligation (ECO) scheme known as ECO4 and the Local Authority Flexible Eligibility Energy Company Obligation (ECO Flex).

2. Scope and Background

- 2.1 ECO4 Flex is Energy Company Obligation (ECO) funding which is a requirement placed on energy companies over a certain size to help improve domestic energy performance in the homes of the most fuel poor and low energy efficiency performing households across the country through a retrofit programme of insulation measures. The 'Flexible Eligibility' element to the scheme allows councils to set their own criteria to extend the funding outside of the normal rules of ECO (usually based on qualifying benefits). Funding is available only to property owners or privately rented tenants.
- 2.2 Blaenau Gwent has participated in the previous iteration known as ECO3 Flex through an Executive Committee Member Decision on the 26th September 2018 (Visit [here](#) for full report – item 13). One-Hundred and Thirty-Four households benefited from measures, mainly the replacement of boilers, but other measures also included cavity wall installation, internal wall Installation, first time central heating, upgrading electrical heaters and loft installation.
- 2.3 On this occasion, Blaenau Gwent's participation is in partnership with the 10 local authorities that make up the [Cardiff Capital Region \(CCR\)](#). Although

the MOU does allow for local authorities to work outside the Partnership. The Council also intends to do this (please refer to paragraphs 2.10.5 and 2.11.1 to 2.11.9 - ECO4 Flex Joint Statement of Intent).

2.4 ECO4 aligns with both CCR ambitions and the Council's ambitions (as per the Corporate Plan)

- Alleviating fuel poverty
- Energy Efficiency retrofit of the domestic housing stock to contribute to CCR net-zero targets.

2.5 **Fuel Poverty**

- Welsh Government predicts 45% of Welsh households could be living in fuel poverty this winter (despite the energy efficiency price cap and other support measures being in place).

2.6 **Energy Efficiency Retrofit**

2.6.1 Currently there are 476,000 properties which register EPC D or below across CCR:

- CCR target to reduce the number of properties rated an EPC D or below to less than 7000 by 2035.
- Target to retrofit 42,000 hard to treat homes with internal or external insulation by 2035.

112,000 homes currently heated by fossil fuels:

- Target to install 33,000 low carbon heat pumps into existing properties by 2035.
- Prioritise replacement of oil, LPG, and solid fuel heating systems.

2.7 For Blaenau Gwent for Non-Gas (properties without a gas grid connection) we obtained data from the [Non Gas Map](#) and for information in relation to Energy Performance Certificates (EPC) from the ([Housing: Census 2021 in England and Wales - Office for National Statistics](#)). However, the following caveat should be noted. The data below is derived from data collated from 2011 – 2016 and 2021. As a result, the data is not robust and is used only for a very broad analysis:

- just over 17% of properties are Off-Gas. (5,628 approximately properties).
- 684 properties use electric heaters.
- Approximately 225 properties are heated by fossil fuels.
- 163 properties use oil or LPG as their source of heating fuel.
- 173 properties have no form of central heating.
- Just over 43% of properties have an EPC registered.
- Approximately 9,755 properties register an EPC rating of D and below.
- Approximately 4,699 properties register an EPC rating of E and below (the likely target for installers).

2.8 A report presented to the CCR Cabinet on 29 November 2021 presented an opportunity to maximise the eligibility and funding for the region that would enhance the delivery of ECO programmes within the region. CCR Cabinet agreed to establish an ECO flex Working Group, create a CCR Flexible Eligibility 'Statement of Intent' and Memorandum of Understanding and to undertake market testing to select an energy company partner for delivery of the scheme.

2.9 Following a selection process, it was agreed at the ECO Working Group meeting that CCR would work with EON and EDF (both allocated 5 local authorities), based on prior working relationships. The agreed allocations are as follows:

- EDF: Blaenau Gwent, Caerphilly, Newport, Monmouthshire, and Torfaen.
- EON: Bridgend, Cardiff, Merthyr Tydfil, Rhondda Cynon Taf and the Vale of Glamorgan.

2.10 **Memorandum of Understanding (MOU) (See Appendix 1)**

2.10.1 There is agreement between the local authorities that make up the CCR region and the energy companies, that they will work together to maximise the delivery of ECO4 Flex through a Memorandum of Understanding document to be ratified and signed by each local authority. The attached Memorandum of Understanding gives a broad understanding of the following:

- the key objectives of the project.
- the principles of collaboration; and
- the respective roles and responsibilities the parties will have during the project.

2.10.2 However, a fundamental objective of the MOU is to provide a non-binding agreement. The fact that it is a non-binding agreement means that it has flexibility to allow each authority to work both simultaneously with and independently from the partnership to deliver the scheme within their own region. (See clause 9 of the document).

2.10.3 ECO4 differs from ECO3 in that ECO4 will take a whole house multi measure approach to achieve an upgrade of a property's energy efficiency rating by 2 SAP bands. ECO4 will target properties in the lowest SAP bands, D to G and not on the gas grid (off gas). Measure could include those more expensive ones such as solar panel and heat source pumps, etc. ECO3 concentrated on single measures and properties that were on the gas grid.

2.10.4 ECO is divided into two parts. Customers can qualify for the main ECO scheme if they live in energy inefficient housing and are in receipt of certain means tested benefits. The following benefit criteria is for owner occupied or private rented properties only

Benefits eligible for ECO4 funding are: -

- Income-based Job Seekers Allowance
- Income-related Employment and Support Allowance
- Income Support
- Pension Credit Guarantee Credit
- Working Tax Credit
- Child Tax Credit
- Universal Credit
- Housing Benefit
- Pension Credit Savings Credit
- Child Benefit (income thresholds apply)

2.10.5 However, since 2017, suppliers can meet a proportion of their obligations (50% for ECO4), by installing measures for households that meet broader fuel poverty and vulnerability criteria set out in a Local Authority Statement of Intent (Sol). This is known as Local Authority Flexible Eligibility (LA Flex). Therefore, in effect this part of the ECO4 obligation enables Local Authorities to widen the eligibility criteria for ECO4 funding and to tailor energy efficiency schemes to their respective area. Under ECO4 Flex, a participating Local Authority can refer private tenure households that it considers to be living in fuel poverty or on a low income and vulnerable to the effects of living in a cold home.

2.11.1 **ECO4 Flex Joint ‘Statement of Intent’ (See Appendix 2)**

2.11.2 The Statement of Intent sets out the flexible eligibility criteria for the ECO4 scheme from April 2022 – March 2026 on behalf of the 10 Local Authorities in the CCR.

2.11.3 The attached ‘Statement of Intent’ sets out the extended criteria on eligibility and the process by which householders can access the funding. The drafting of the Statement has followed the Department for Business, Energy & Industrial (BEIS) Strategy’s document ‘Energy Company Obligation: ECO4 Guidance V1’, produced by Ofgem (Office of Gas and Electricity Markets).

2.11.4 The scheme acts in a similar way to Welsh Government run schemes such as Nest and Arbed. For a household to claim funding they must qualify via one of the three routes listed below:

Route 1:	Household income – EPC (D – highly unlikely to be viable for installers), E, F and G with an income cap of £31,000 across the UK regardless of region, property size or number of occupants.
Route 2:	Proxy targeting – combination of 2 pre-selected proxies to evidence a household is low income along with a household in EPC rating E, F or G.
Route 3:	NHS/Health referrals – Those who could be severely impacted by the effects of living in a cold home that have respiratory,

	cardiovascular, limited mobility or immune suppressed conditions.
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2.11.5 If using Route 2 (Proxy Targeting) - there are five proxies that further widen the eligibility criteria so that more vulnerable households can access the scheme. Households must meet a combination of two of the following proxies, however proxies 1 and 3 cannot be used together.

Table 1 - Route 2 (Proxy Targeting)

Proxy 1*	Homes in Lower Super Output Area (LSOA) decile 1-3 on the Welsh Index of Multiple Deprivation 2019.
Proxy 2	Householders receiving a Council Tax rebate (rebates based on low income only, excluding single person rebates).
Proxy 3*	Householders vulnerable to the effects of living in a cold home as identified in the National Institute for Health and Care Excellence (NICE) Guidance. Only one from the list can be used, excludes the proxy 'low income'.
Proxy 4	A householder receiving free school meals due to low-income.
Proxy 5	A household referred to the LA for support by their energy supplier or Citizen's Advice because they have been identified as struggling to pay their electricity and gas bills.

(*Note that proxies 1 and 3 cannot be used together)

2.11.6 The final decision on whether a household receives a measure under ECO flexible eligibility or other ECO funding stream will rest with the energy supplier (EDF) or their agent/contractor (Zing Energy). Qualification in the statement of intent or the declaration by Blaenau Gwent County Borough Council will not guarantee installation of any measures.

2.11.7 Energy suppliers and/or their agents involved with flexible eligibility surveys will comply with the Data Protection Act and they will need to undertake work in accordance with Ofgem requirements and act in accordance with industry best practice in relation to consumer care and quality standards.

2.11.8 The adoption and publication of the Statement of Intent (on the Blaenau Gwent website) enables the Council to move forward and approve any eligible households. For each household/application the Council must check that:

- The property is eligible, and
- The household is eligible i.e., meets one of the four eligibility criteria.

2.11.9 In addition to the Council verifying evidence to demonstrate eligibility, it must provide signed 'declarations' to Ofgem for each approved applicant and to the installer to certify that the household qualifies for the energy efficiency measure(s). The installer will subsequently confirm in due course what works (if any) are completed to eligible properties. Ofgem will link the information from the declarations with information from suppliers about works completed at a property.

3. **Options for Recommendation**

3.1 That Members note the content of the report in relation to the implementation of ECO4 Flex in the borough.

4. **Evidence of how this topic supports the achievement of the Corporate Plan / Statutory Responsibilities / Blaenau Gwent Well-being Plan**

4.1. Corporate Plan 2022-27

- Respond to the nature and climate crisis and enable connected communities - Blaenau Gwent Council greatly reduces its carbon emissions, provides an environment which supports growth and well-being and connects communities.
- An ambitious and innovative council delivering quality services at the right time and in the right place - Blaenau Gwent Council works in partnership to provide high quality services to meet local need and improve the quality of life and wellbeing within the community.

4.1.2 Local Authorities have statutory responsibilities under the Housing Act 2004 to keep the housing conditions in their area under review with a view to identifying any action that may need to be taken. Where relevant health and safety hazards are identified, the local authority has duties and/or powers to intervene. The additional responsibilities under the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 means substandard F and G rated properties should not be placed on the rental market.

5. **Implications Against Each Option**

5.1 ***Impact on Budget (short and long term impact)***

5.1.1 The funding stream for the scheme is provided direct from the Energy Suppliers (EDF) under the provisions of the Energy Company Obligation (ECO) and the local authority will not be expected to provide any additional funding.

5.1.2 The authority will receive an administration fee of £150 for reviewing each application for eligibility.

5.2 ***Risk including Mitigating Actions***

5.2.1 Reputational risk- the risk for the authority is low energy suppliers are responsible for the scheme and for the quality of the works undertaken. Suppliers will need to demonstrate excellent customer service and complaints procedures.

5.3 **Legal**

5.3.1 The scheme is completely funded by the Energy Companies Obligations (ECO). Therefore, the scheme doesn't fall into the remit of state aid requirements.

5.4 **Human Resources**

5.4.1 The application process and collating the information will be carried out by Zing Energy. Following this, the assessment of the Eco Flex 'declarations' will be undertaken by local authority staff in the community hubs if demand is relatively low. However, it is difficult at this stage to be precise about the level of resource required as that depends to a large degree on the uptake rate from the public. Should demand increase there could be a need to increase resources to meet that demand.

6. **Supporting Evidence**

6.1 **Performance Information and Data**

6.1.1 The previous ECO3 Flex scheme saw One-Hundred and Thirty-Four households benefit from one or more energy measures; a breakdown of the type of measures can be seen in the table below:

Boiler Replacement	122
Cavity Wall Insulation	15
Internal Wall Installation	4
Electrical Storage Heater	3
Loft Insulation	25
First Time Central Heating	5

6.1.2 To evaluate the success of Blaenau Gwent's participation in the proposed ECO4 Flex scheme the following data will be collected by Zing Energy:

- Level of demand
- Identification of vulnerability of the household
- Identification of the type of property and measure(s) installed
- The cost of the measure(s) installed.
- The likely savings/per year of fuel energy.
- The likely CO2/yr kg saving

6.2 **Expected outcome for the public**

6.2.1 Energy efficiency measures will be available to all qualifying households as set out in the Statement of Intent at Appendix 2. Qualifying criteria mainly centres around lower household incomes, health vulnerabilities, and risk of fuel poverty. The scheme is designed to reduce inequalities in terms of living standards, health, and wellbeing.

6.3 **Involvement (consultation, engagement, participation)**

6.3.1 Relevant internal colleagues (Public Protection, Legal and Corporate Compliance and Customer Experience & Transformation) have been consulted on the content of this report and associated appendices.

6.4 ***Thinking for the Long term (forward planning)***

6.4.1 The Council made the decision several years ago to withdraw discretionary private sector housing funding, such as renovation grants. There are, therefore, no alternative grant funding streams available to householders to improve their properties.

6.4.2 ECO4 Flex will build on existing schemes available through the Council that mitigate against socio economic disadvantage. Such services include:

- Empty Property Loans (Houses to Homes)
- Home Improvement Loans
- Disability Facilities Grants

6.4.3 It is the expectation of Welsh Government that the Council supports the implementation of the ECO4 Flex scheme to support low income and vulnerable households.

6.5 ***Preventative focus***

6.5.1 The scheme will contribute to better housing conditions and the prevention of public health problems related to poor housing.

6.6 ***Collaboration / partnership working***

6.6.1 The scheme will be run in partnership with the Local Authority, EDF Energy, Zing Energy, and the Cardiff Capital Region (CCR).

6.7 ***Integration (across service areas)***

6.7.1 The scheme will contribute to relevant social services, well-being, and regeneration agendas.

6.8 ***Decarbonisation and Reducing Carbon Emissions***

6.8.1 ECO4 Flex will provide additional grant funding to help low-income households living in homes with poor energy efficiency to access energy efficiency improvement measures and help reduce CO2 emissions.

6.9 ***Integrated Impact Assessment***

6.9.1 The Integrated Impact Assessment has been completed and no negative implications were identified (See Appendix 3).

7. ***Monitoring Arrangements***

7.1 The scheme will be monitored by Public Protection Managers and by way of relevant reports to the Corporate Director of Regeneration & Community Services, CLT, Scrutiny and Executive Committee, as necessary.

7.2 ***Background Documents /Electronic Links***

Appendix 1 Memorandum of Understanding (MOU)

Appendix 2 Joint Statement of Intent for ECO4

Appendix 3 Integrated Impact Assessment (IIA)

- Web-link [Private Sector Housing Renewal Policy](#)
- Web-link [Energy Company Obligation ECO4 Guidance: Delivery v1.1](#)
- Web-link [Zing Energy](#)
- Web-link [Housing Act 2004](#)
- Web-link [The Regulatory Reform \(Housing Assistance\) \(England and Wales\) Order 2002](#)
- Web-link [The Energy Efficiency \(Private Rented Property\) \(England and Wales\) Regulations 2015](#)
- Web-link [National Institute for Health and Care Excellence \(NICE\) Guidance](#)
- Web-link [Housing Health & Safety Rating System \(HHSRS\)](#)