



## **North Devon Council**

Report Date: **7<sup>th</sup> November 2022**

Topic: **Energy Company Obligation (ECO)**

Report by: **W.SLATE; SERVICE LEAD – HOME ADAPTATIONS, IMPROVEMENTS & ENERGY EFFICIENCY**

### **1. INTRODUCTION**

1.1. Members established North Devon Council's current Statement of Intent for the delivery of Local Authority Flexible Eligibility under Energy Company Obligation ECO3 at Strategy & Resources Meeting (Minute 9, 12<sup>th</sup> April 2021 refers)

1.2. This paper seeks to update the Statement of Intent (SOI) following introduction of ECO4

1.3. This paper will also outline the process for delivery, including consideration charging for declarations.

### **2. RECOMMENDATIONS**

2.1. To approve the adoption of the revised SOI, the publication of which is a requirement if money is to be drawn down and spent within the NDC area.

2.2. To give delegated authority to Head of Planning, Housing & Health to evaluate and if relevant implement the charging for declarations signed, following consultation with Lead Member for Housing.

2.3. That the Lead Member for Housing be authorised to act as a signatory of the Charter – best practice for trading standards around ECO flex / other retrofit grant schemes.

### **3. REASONS FOR RECOMMENDATIONS**

3.1. To maximise the community benefit from ECO4 measures.

3.2. Department for Business, Energy and Industrial Strategy (BEIS) laid down a system by which third party contractors can draw down funding to be put to Home Energy Improvements.

3.3. However, those third parties cannot operate within a LA area unless that authority has issued a SOI.

#### 4. REPORT

- 4.1. The Energy Company's obligation (ECO) is levied by Central Government on the largest energy providers, based on customer numbers.
- 4.2. Whilst not described as a tax, it generates a significant level of funding, which the Government directs them to put into varied schemes across the UK to improve energy efficiency.
- 4.3. In general, funding is sourced from the energy providers by intermediaries who then look for customers. Assistance being directed to those in greatest need, according to a combination of guidance produced by BEIS, and locally set criteria (from the relevant District Councils).
- 4.4. Local Authority Flexible Eligibility (LA Flex was introduced into the ECO scheme in 2017 (ECO2T)), is a system which allows councils to set their own eligibility criteria for private sector residents that do not claim state benefits. The criteria is set out in a published SOI and must support vulnerable people in, or at risk of fuel poverty.
- 4.5. North Devon Council (NDC) issued its first SOI in August 2018 and subsequent version in January 2021.
- 4.6. ECO4 is the latest scheme which will run until March 2026, with the primary aim to support low-income households to upgrade their homes and takes a fabric first approach.
- 4.7. Although there are similarities between ECO3 and ECO4, the government has introduced some significant changes, including:
  - 4.7.1.1. A 'buy-out mechanism' which allows smaller energy suppliers to be able to participate in the scheme.
  - 4.7.1.2. The eligibility criteria for ECO4 has changed with the aim to assist low-income households that aren't receiving benefits. Changes have also been made in the removal of some non-means tested benefits.
  - 4.7.1.3. Improvements are subject to a minimum requirement of improvement measured by SAP score on EPC's – F or G rated properties must be improved to D. E or D rated properties must be improved to C. Improvements required will depend on their starting EPC rating.

4.8. The ECO4 Order also outlines that four separate routes to identify low-income and vulnerable households can be used under Local Authority Flexible Eligibility. The four routes are:

4.8.1.1. Route 1 – Household income

Households living in private tenure SAP band D, E, F or G homes and with a gross annual income less than £31,000.

4.8.1.2. Route 2 – Proxy Targeting

Households living in owner occupied or privately rented SAP band E, F or G homes that meet a combination of two specified proxies.

4.8.1.3. Route 3 – NHS referrals

Households in private tenure SAP band D, E, F and G and identified as housing a person suffering from a severe and / or long-term health condition that is adversely affected by living in a cold home.

4.8.1.4. Route 4 – Bespoke Targeting

Suppliers and LA's can submit a proposal for a new route to identify low income and vulnerable households. Applications need to demonstrate a number of factors. BEIS are to publish further guidance for this targeting later in the year.

4.9. Ofgem provided a template SOI which NDC would seek to utilise, as it captures all requirements for the four routes detailed above. In the publishing of a SOI, NDC would be committed to follow the scheme rules as outlined in 'ECO4 Guidance: Local Authority Administration (20/9/2022)'.

4.10. A significant process change that has been introduced with ECO4, is that applications can be received from both an approved installer and a household can apply direct to the Local Authority.

4.11. To ensure that applications can be received and processed appropriately (including collection and retention of evidence), officers are evaluating the use of Firmstep and are working with Exeter City Council, who have developed the process. We would also seek to build in verification stages.

4.12. NDC would be required to produce and sign declarations for all households that it considers meets the eligibility criteria of one of the four routes. Ofgem will be setting up a new process to receive declarations notifications and will publish a report to summarise the overall findings of its audit.

4.13. Officers would seek to evaluate the charging for the declarations, based on a nominal fee, based on officer time to process an application, set-up and on-costs for the application process on Firmstep.



The charge would be levied at the approved installer as part of the evaluation process and the Memorandum of Understanding (signed by installers), would detail conditions that must be adhered to, including that no costs are passed onto the householder.

4.14. The Cosy Devon partnership, in consultation with the Devon Local Authority representatives and Trading Standards have produced a working Charter to ensure a best practice approach to recommending and vetting energy agents and their sub-contractors.

4.15. The Charter outlines that rogue practices will not be tolerated, reps are transparent and provide customers with paperwork to confirm their identity, who they're working for and whether customer's personal details can be sold. It also requires that reasonable precautions are taken and due diligence is applied when outsourcing marketing functions.

## 5. RESOURCE IMPLICATIONS

5.1. The burden placed on designated officers would be:

- 5.1.1. Receiving applications and evidence for verification.
- 5.1.2. Dealing with customer enquiries.
- 5.1.3. Signing off declarations.
- 5.1.4. Providing Ofgem requested data on declarations signed.
- 5.1.5. Sign posting potential applicants.
- 5.1.6. Sourcing third party providers (although publication of the SOI is expected to bring them to NDC).
- 5.1.7. Assessing the suitability of third party providers.
- 5.1.8. The marketing of the scheme to applicants and/or use existing information to identify likely localities/wards.

5.2. The Head of Planning, Housing & Health has in discussion with Service Lead – Home Adaptations, Improvements & Energy, identified (within the current establishment), a new operational model for the delivery which includes resources.

## 6. EQUALITIES ASSESSMENT

6.1. An equality impact assessment of this revised SOI has been completed.

## 7. ENVIRONMENTAL ASSESSMENT

7.1. Potential improvements in energy efficiency from increased housing standards may impact positively on the environment.

## 8. CORPORATE PRIORITIES

8.1. What impact, positive or negative, does the subject of this report have on:

8.1.1. The commercialisation agenda:

8.1.1.1. None

8.1.2. Improving customer focus and/or

8.1.2.1. Providing low-income residents of North Devon access to funded energy efficiency measures to improve their homes.

8.1.3. Regeneration or economic development

8.1.3.1. Improvement in housing standards

## 9. CONSTITUTIONAL CONTEXT

9.1. Article of Part 3 Annexe 1 paragraph: 1(f)

9.1.1. Strategy & Resources Committee

9.2. Referred or delegated power?

9.2.1. Delegated

## 10. STATEMENT OF CONFIDENTIALITY

This report contains no confidential information or exempt information under the provisions of Schedule 12A of 1972 Act.

## 11. BACKGROUND PAPERS

The following background papers were used in the preparation of this report:

- Statement of Intent agreed at Strategy & Resources (Minute 9, 12<sup>th</sup> April 2021 refers)

(The background papers are available for inspection and kept by the author of the report).

## 12. STATEMENT OF INTERNAL ADVICE

The author (below) confirms that advice has been taken from all appropriate Councillors and Officers:

Wendy Slate – Service Lead Home Adaptations, Improvements & Energy Efficiency