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## NORTH AYRSHIRE COUNCIL

24 January 2023

### Cabinet

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**Title:** Providing Affordable Warmth - ECO4 Flex

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**Purpose:** To seek Cabinet approval for proposals to enable access to ECO4 Flex funding for eligible households within North Ayrshire.

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**Recommendation:** That Cabinet (i) approves the introduction of ECO4 Flex in North Ayrshire on the terms outlined in paragraph 2.8, and (ii) delegates authority to the Executive Director (Place) to publish an updated Statement of Intent following completion of the Prior Information Notice and subsequent assessment of eligible contractors.

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### 1. Executive Summary

- 1.1 The Energy Company Obligation 4 (ECO4) programme is a national four year programme worth £4 billion to support those on low incomes, and who are fuel poor and vulnerable to the cold, to assist these households to increase the energy efficiency of their properties.
- 1.2 To support the Council's ongoing commitment to the cost-of-living crisis, a specific component of ECO4 - referred to as 'Flex' - has been identified as an opportunity to further support affordable warmth in owner occupied and privately rented homes, as well as complementing our 'Energy Smart' programme.
- 1.3 A proposed delivery mechanism for access to ECO4 Flex is provided within this report to maximise this external funding opportunity to further support affordable warmth measures across North Ayrshire. The delivery model is a proposed new scheme for the Council, involving a partnership approach with external contractors to enable access to ECO4 Flex funding for eligible households.
- 1.4 Details of how the scheme would be introduced and administered are provided at paragraph 2.8.

## **2. Background**

- 2.1 The Energy Company Obligation (ECO), first introduced in 2013, is a national energy efficiency scheme that places legal obligations on energy suppliers to deliver energy efficiency and heating improvement measures to domestic premises. This aims to reduce heating costs for low-income, fuel poor and vulnerable people, and usually incorporates the replacement or upgrade of inefficient heating systems, installation of insulation, and/or installation of renewable technologies. ECO funding has been delivered in successive rounds over the years, with the most recent iteration being ECO4.
- 2.2 The latest four-year ECO4 scheme is worth £4 billion nationally and will run to March 2026. The main objective of the scheme is to reduce household heating costs by improving the least energy efficient housing stock occupied by low income and vulnerable households. The delivery funds for ECO4 are generated from energy suppliers with more than 150,000 domestic customer accounts, and minimum supply volumes of 300 GWh/year electricity and 700 GWh/year gas.
- 2.3 ECO4 has two main routes to support eligible households: ECO4 'Help to Heat Group' and ECO4 'Flex'. Help to Heat Group funding allows independent installers to access funding for private owners or tenants in receipt of income derived benefits and has no local authority involvement.
- 2.4 While a variation of ECO Flex has been available in previous rounds of ECO funding, the new ECO4 Flex scheme encourages the delivery of multiple measures for a 'whole house' approach to the least efficient homes. The criteria for accessing ECO4 funding is more stringent however more funding is available under the new scheme for those that are eligible.
- 2.5 Under ECO4 Flex, a participating local authority can enable access to funding for private tenure households that are living in fuel poverty or on a low income and vulnerable to the effects of living in a cold home.
- 2.6 Owner occupied homes with an Energy Performance Certificate (EPC) band of D-G may be eligible for the ECO4 Flex scheme. Separately, private rented homes with Energy Performance Certificate band of E-G may also be eligible for the ECO4 Flex scheme. There is a minimum delivery requirement of improving band F or G homes to at least band D, and band D or E homes to at least a band C. This requirement is to encourage the delivery of multiple measures in a home to a more complete upgrade of the least energy efficient homes.
- 2.7 The maximum number of potentially eligible properties in North Ayrshire is approximately 21,700 owner occupied properties with an energy efficiency rating of D, and a further 12,900 owner occupied or private rented properties with an energy efficiency rating of band E, F or G.
- 2.8 A summary of how ECO4 Flex would work in North Ayrshire is as follows:
  - A Statement of Intent (SOI) is a document published by a local authority to set out criteria for access to ECO funding in the authority area. We currently have a published SOI which is used to enable access to ECO funding for our annual

‘Energy Efficiency Scotland: Area Based Scheme’. The SOI would be updated with details of selected contractors identified as suitable to install measures under ECO4 Flex. Only contractors named on the SOI will be able to access ECO4 Flex funding for eligible households. A copy of the proposed SOI is provided at Appendix 1. In accordance with OFGEM’s guidance, households must meet at least one of the following four available funding access routes:

1. EPC bands D-G households with an income less than £31,000. This cap applies irrespective of the property size, composition, or region.
  2. EPC bands E-G households that meet a combination of two additional criteria available in the OFGEM guidance.
  3. EPC bands D-G households that have been identified by their doctor or GP as low- income and vulnerable, with an occupant whose health conditions may be impacted further by living in a cold home. These health conditions may be cardiovascular, respiratory, immunosuppressed, or limited mobility related.
  4. EPC band D-G households that are referred under ‘Bespoke Targeting’. Suppliers and local authorities can apply to BEIS where they have identified a low income and vulnerable household that is not already eligible under the existing routes. Bespoke targeting is provided as a safety net and would be an exceptional case identified that is not eligible under the existing routes.
- The process of identifying contractors would be informed from responses to a Prior Information Notice (PIN) undertaken to test market interest and identify potential contractors. Once the PIN responses have been returned, the Council would engage with suppliers to apply a number of quality tests (see further information below) before the contractor is added to the SOI. The contractor will also be expected to sign a Minute of Agreement setting out terms and conditions that the contractor will require to meet to participate in the scheme. As part of our Community Wealth Building approach, it is proposed that contractor participation is restricted to Ayrshire based contractor(s), unless such geographically based contractors do not express interest, or do not meet our quality criteria or do not sign the Minute of Agreement.
  - Once the new SOI is published, the contractors will engage directly with households deemed to be eligible. The Council is not required to generate leads for the contractors; however, the scheme would be widely publicised both internally and with external agencies who interact with households that may be eligible in order to generate additional referrals and maximise reach.
  - Once the contractor has engaged with the household and sought the relevant evidence to meet the criteria within the SOI, a declaration will be provided to the Council for approval. Officers would then assess the declaration and submitted evidence to make sure the funding criteria have been met, and then sign the declaration and return it to the contractor. The contractor then notifies OFGEM and the ECO4 supplier for final approval. Measures are then installed in the property by the contractor.

2.9 The key next steps and timeline, subject to Cabinet approval of the proposal, would be:

- Assessment of PIN exercise including quality checks: February 2023
- Signature of Minute of Agreement with contractor(s): March 2023
- Publication of updated SOI: end March 2023
- Promotion of the ECO4 Flex scheme by contractor(s) and across Council channels: April 2023 onwards

2.10 Ensuring quality as part of the ECO4 Flex programme is an important consideration for a number of reasons, including:

- To provide a positive customer experience
- To ensure measures installed are appropriate, of the required quality standard, and are installed correctly to maximise effectiveness
- To ensure adequate protection, as referrals can involve working with vulnerable families

For these reasons, contractors added to our SOI would be required to be Trustmark and PAS 2030/35 accredited, to ensure high quality workmanship. The scheme would include key performance indicators to ensure roles and responsibilities are clear and commitments are adhered to. Officers will also consider other assessment checks to ensure the customer journey is of a high quality.

2.11 In order to provide the required declarations as part of the scheme, contractors must submit various documents including personal and special category data of a sensitive and personal nature. A data sharing platform will be established with the Council's ICT Service, to safely share and store documentation. Appropriate data sharing protocols and agreements will be required, and Information Governance will be consulted throughout the development of the programme.

2.12 Separately, the Council is investing £2.176m through the Energy Smart scheme to support residents impacted by the cost-of-living crisis. The programme includes the installation of physical energy efficiency measures for homes. This programme offers an additional route for access to ECO4 Flex funding, for eligible properties, and officers would refer such properties to SOI contractors where relevant in order to maximise the reach of the original £2.176m funding package.

2.13 In addition, the Council receives annual funding to support energy efficiency measures in hard-to-treat private sector domestic premises. These are properties where traditional energy efficiency measures are more difficult to implement, typically, properties of certain construction types, for example 'no-fines' construction. As noted above, the Energy Efficient Scotland: Area Based Scheme (EES: ABS) has in the past utilised ECO Flex funding through the appointed EES:ABS contractor to support additional measures. However, the new iteration of ECO4 no longer allows this cross funded approach. ECO4 Flex funding can however be used either as a replacement funding source for properties otherwise eligible for EES:ABS or to provide additional measures that government funded programmes such as EES:ABS cannot support. For example, if the limit of grant funding for EES:ABS has been reached, then we could complete the additional measures such as windows replacement. Only the EES:ABS contractor named on the SOI would be able to access ECO4 Flex funding. This helps to both maximise

available funding and reflect a 'whole house approach' to energy efficiency upgrades.

- 2.14 A final consideration which will be kept under review is the potential for a Managing Agent agreement to be put in place to administer ECO4 Flex declarations on behalf of the Council. A specialist company could be appointed to manage the scheme via a Minute of Agreement, with ongoing costs to be met through contractor referral fees. It is anticipated that at present the administration of the scheme can be undertaken with the resource available inhouse; and resource requirements will be kept under review as the scheme develops.

### **3. Proposals**

- 3.1 That Cabinet (i) approves the introduction of ECO4 Flex in North Ayrshire on the terms outlined in paragraph 2.8, and (ii) delegates authority to the Executive Director (Place) to publish an updated Statement of Intent following completion of the Prior Information Notice and subsequent assessment of eligible contractors.

### **4. Implications/Socio-economic Duty**

#### **Financial**

- 4.1 The Council is already investing £2.176m in energy support for those impacted by the cost-of-living crisis. This proposal provides an opportunity to lever-in significant external funding for eligible properties to support affordable warmth in owner occupied and private rented homes across North Ayrshire.

#### **Human Resources**

- 4.2 It is anticipated that the administration of the scheme can be delivered from existing resources, however, this will be monitored in response to demand once the scheme is operational.

#### **Legal**

- 4.3 As part of the ECO4 Flex scheme there is an obligation to ensure the quality and integrity of the partnerships to ensure customer satisfaction and minimise reputational risk.

#### **Equality/Socio-economic**

- 4.4 The proposal utilises external investment to support those living in fuel poverty or on a low income and vulnerable to the effects of living in a cold home, in our most energy inefficient properties. It further supports our climate change ambitions, provision of fair green jobs and a green economic recovery.

#### **Climate Change and Carbon**

- 4.5 The proposal aims to:

- make a positive contribution to national carbon reduction targets by improving affordable warmth and making homes more energy efficient.

- contribute to the North Ayrshire Council Climate Emergency declaration commitment to be carbon neutral by 2030.

The proposals would also contribute to the delivery of the North Ayrshire Environmental Sustainability & Climate Change Strategy (ESCCS) Affordable Warmth workstream.

### **Key Priorities**

4.6 The proposals contained within the report support the North Ayrshire Council Plan priorities:

- Active and strong communities
- Inclusive, growing and enterprising local economy
- A sustainable environment; and
- People enjoy good life-long health and wellbeing

### **Community Wealth Building**

4.7 As noted at paragraph 2.8, the ECO4 programme would be delivered in accordance with Community Wealth Building aims of creating a fairer local economy central to our aims of tackling climate change, poverty and inequality.

## **5. Consultation**

5.1 Consultation was undertaken with ICT and Democratic Services in the preparation of this report.

RUSSELL McCUTCHEON  
Executive Director (Place)

For further information please contact **David Hammond, Head of Sustainability, Corporate Property & Transport**, on 01294 324514.

### **Background Papers**

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North Ayrshire Council  
Comhairle Siorrachd Àir a Tuath

## **North Ayrshire Council ECO4 Flexible Eligibility**

**Statement of Intent Local Authority name: North Ayrshire Council**

**Publication Date: XX/XX/2023 Version**

**number: V.1**

**Publication on web site: [www.north-ayrshire.gov.uk](http://www.north-ayrshire.gov.uk)**

This statement sets out **North Ayrshire Council's** flexible eligibility criteria for the Energy Company Obligation (ECO4) scheme to March 2026.

The ECO4 scheme will focus on supporting low income and vulnerable households. The scheme will improve the least energy efficient homes helping to meet the Government's fuel poverty and net zero commitments.

The flexible approach for Local Authorities (LAs) to identifying fuel poor and vulnerable households who may benefit from heating and energy saving measures is referred to as "ECO4 Flex".

The Council welcomes the introduction of the ECO4 Flex eligibility routes as it helps the Council achieve its plans to improve the homes of those in fuel poverty or vulnerable to the cold.

The Council is publishing this Statement of Intent (Sol), on the **XX/XX/2023** to confirm that each of the households declared will adhere to at least one of the four available routes outlined below:

**Route 1:** SAP bands D-G households with an income less than £31,000. This cap applies irrespective of the property size, composition, or region.

**Route 2:** SAP bands E-G households that meet a combination of two of the following proxies:

<b>Proxy 1)</b> Homes in Scotland in Area 1-3 of Index of Multiple Deprivation for 2020, published by the Scottish Government <sup>1</sup>
<b>Proxy 2)</b> Householders receiving a Council Tax reduction (based on low income only).
<b>Proxy 3)</b> Householders vulnerable to 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'.
<b>Proxy 4)</b> A householder receiving free school meals due to low-income.
<b>Proxy 5)</b> A householder supported by a LA run scheme, that has been named and described by the LA as supporting low income and vulnerable households for the purposes of NICE Guideline.

**Proxy 6)** A household referred to the LA for support by their Energy Supplier or Citizen's Advice or Citizen's Advice Scotland, because they have been identified as struggling to pay their electricity and gas bills.

**Route 3:** SAP bands D-G households that have been identified by their doctor or GP as low-income and vulnerable, with an occupant whose health conditions may be impacted further by living in a cold home. These health conditions may be cardiovascular, respiratory, immunosuppressed, or limited mobility related.

This is because the Council has identified a positive correlation between households who suffer from long-term health conditions and living off a low-income, with living in poorly insulated homes.

**Route 4:** SAP band D-G households that are referred under Route 4: Bespoke Targeting. Suppliers and LAs can submit an application to BEIS where they have identified a low income and vulnerable household, who are not already eligible under the exiting routes.

### Guidance Notes

Route 1 - P60 and P45 documentation must be provided for all members earning income in household. 3 wage slips only will not be permitted as they do not reflect annual salaries. Such documents are available at UK Gov website link [P45, P60 and P11D forms: workers' guide: P60 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/forms/p45-p60-and-p11d-forms-workers-guide) for all household members.

Route 2 - Proxies 1 & 3 cannot be used in combination with each other.

Route 3 - evidence must be submitted using OFGEM template. Any corresponding email must be sent from NHS registered email. No other format will be accepted

Route 4 – currently not available. North Ayrshire Council reserve the right to implement this route and update its Sol accordingly.

<sup>1</sup> [Scottish Index of Multiple Deprivation 2020 - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/scottish-index-of-multiple-deprivation-2020/pages/1-introduction-to-the-index-of-multiple-deprivation-2020.aspx)

### Household contact

Households interested in ECO4 flex should contact Home Energy Scotland on 0808 808 2282 to check their eligibility for this scheme as well as other Government programmes. Households can also contact ECO4 Flex installers assessed to work within North Ayrshire, the **approved contractor list** is published on the council website [www.north-ayrshire.gov.uk](https://www.north-ayrshire.gov.uk).

### Declaration

To access ECO4 Flex funding, North Ayrshire Council is required to complete a Local Authority Declaration for eligible households. The final decision on whether a household receives ECO support is made by the energy suppliers and therefore inclusion within a declaration will not guarantee installation of measures.

The final decision will depend on:

- The survey carried out on the property and the installation costs calculated.
- The energy savings that can be achieved for a property.
- There is adequate funding to support ECO funding for the installation of the energy efficiency measures.



- Whether ECO obligated parties have achieved their targets or require further measures to meet their ECO targets.

## **Compliance**

ECO installers will be responsible for collecting eligibility data on behalf of North Ayrshire Council to determine if the householder meets ECO4 Flex eligibility criteria as detailed within this Sol. This data will be collected through the completion of a Household Energy Efficiency Survey.

An individual file for each household requesting assistance will be securely transferred to the Council for evaluation. All applications and supporting documentation must be on the appropriate OFGEM application templates. Any applications/evidence/amendments not on the correct forms will be rejected. On agreement, declarations will be provided to the contractor to allow funding to be sought via obligated suppliers.

All evidence, as set by OFGEM, will be accepted on face value as being accurate and all risks and liabilities reside with the contractor to ensure those submitted are true and accurate.

ECO installers will liaise with North Ayrshire Council and energy suppliers with regards to eligibility and the measures that are proposed to be installed.

ECO installers will cooperate with North Ayrshire Council fully with any audits or investigations and provide access to all relevant paperwork at any time during ECO4 to ensure regulatory compliance. Failure to do so would result in a temporary ban and review to determine continued eligibility to deliver this scheme in North Ayrshire.

## **Privacy Notice**

All information supplied to North Ayrshire Council will be transferred and held securely in line with Council policies and procedures.

Each household will be provided with the contractor's OFGEM approved, fair privacy notice, detailing how the contractor will process information.

Please refer to the Council's [ECO4 privacy notice v1](#).

Further information about how the Council manages personal information can be found within our privacy policy, [Privacy Policy \(north-ayrshire.gov.uk\)](https://www.north-ayrshire.gov.uk/privacy-policy).

The officer below will be responsible for checking and verifying declarations and associated evidence submitted on behalf of the local authority:

**Name:** David W Hammond

**Job Title:** Head of Sustainability, Corporate Property & Transport

**Telephone:** 01294 320000

**Email:** [energyandsustainability@north-ayrshire.gov.uk](mailto:energyandsustainability@north-ayrshire.gov.uk)

## **CEO or dedicated responsible person mandatory signature**

**North Ayrshire Council** will administer the scheme according to BEIS' ECO4 Order and will identify eligible households via Ofgem's application process. The CEO of the Council will oversee the process of identifying eligible households under ECO4 Flex.

The eligibility information will be stored securely in line with the Council's data protection policy,

Information Commissioner's Office Data Sharing Code, and BEIS guidance.

**Signature:** XXXXXX

**Name:** Craig Hatton

**Job Title:** Chief Executive

**Date of signature:** XX/XX/2023

For any general enquires relating to this Sol, please contact [energyandsustainability@north-ayrshire.gov.uk](mailto:energyandsustainability@north-ayrshire.gov.uk).

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