

# Delegated decision report

## **DECISION UNDER DELEGATED POWERS**

**DECISION CANNOT BE TAKEN BEFORE 3 NOVEMBER 2023**

Title **‘STATEMENT OF INTENT’ FOR ECO4 FLEXIBILITY SCHEME**

Report to **DEPUTY LEADER AND CABINET MEMBER FOR HOUSING & FINANCE**

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### EXECUTIVE SUMMARY

1. ECO4 (Energy Company Obligation, phase 4) is a major national energy efficiency programme and will run until March 2026. It is one of the principal sources of funding for energy efficiency improvements and is targeted at fuel poor households.
2. Households on certain specified benefits qualify automatically for ECO4. There is also the opportunity for local authorities to participate in ECO Flex (Local Authority Flexibility) which broadens the scope of qualifying households. In order to participate, local authorities must publish a Statement of Intent which states what criteria they will use to identify fuel poor households.
3. GBIS (the Great British Insulation Scheme) is a new energy efficiency scheme for households, which will support the existing Energy Company Obligation Scheme (ECO4) in the delivery of predominantly single measures targeted at a wider range of households.
4. This report proposes a Statement of Intent which, if adopted by the council, will be used throughout ECO4 and GBIS.

### RECOMMENDATION

5. That the attached Statement of Intent in full is adopted and authorises the Deputy Leader and Cabinet Member for Housing & Finance, in consultation with the Commissioner for Housing Renewal, to negotiate a Route 4 scheme with the Department for Business, Energy and Industrial Strategy (BEIS) and

add this to the Statement of Intent once approved, and adopt any future national scheme changes by Ofgem.

## BACKGROUND

6. The ECO4 and GBIS scheme criteria are set at a national level and as these are updated they need to be considered by the Council. A previous delegated decision was approved (9 February 2023) to seek update the scheme in line with changes to the criteria at that time.
7. The Energy Company Obligation (ECO4) Scheme runs from 2022-26. It aims to reduce home heating costs for low-income, fuel poor and vulnerable people, and is designed as a fabric first, multiple measure, whole-house retrofit scheme with the aim of encouraging the installation of insulation and renewables as well as upgrading inefficient heating systems.
8. Homes with an Energy Performance Certificate (EPC), band of D-G may be eligible for the scheme, providing certain conditions are met. There is a minimum 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 to a home for a more complete upgrade of the least efficient homes
9. Householders who receive specific benefits or in receipt of Child Benefit and below the equivalised income threshold for the household composition are members of the Help to Heat Group (HTHG). Private domestic premises qualify automatically for ECO4 if they are in the HTHG or live with someone in the HTHG in the same premises. HTHG is based on a tenant's status rather than the landlord's (if the property is rented).

Details of the benefits and income thresholds are set out below:

List of eligible benefits for ECO4 Help to Heat Group (HTHG):

1.	Income based Jobseekers Allowance (JSA)
2.	Income related Employment and Support Allowance (ESA)
3.	Income Support (IS)
4.	Pension Credit Guarantee Credit (PCGC)
5.	Working Tax Credit (WTC)
6.	Child Tax Credit (CTC)
7.	Universal Credit (UC)
8.	Housing Benefit
9.	Pensions Credit Savings Credit (PCSC)
10.	Child Benefit (and are below the equivalised income threshold for the household composition)

Income thresholds for households in receipt of child benefit:

Type of claimant	Number of children or qualifying young persons			
	1	2	3	4 or more
Single claimant	£19,900	£24,800	£29,600	£34,500
Member of a couple	£27,500	£32,300	£37,200	£42,000

10. ECO4 allows local authorities to apply a broader range of criteria to define fuel poor and vulnerable households that can benefit from ECO4 funding for energy efficiency improvements, known as ECO Flex. There are four qualifying routes for ECO4 Flex as follows, and the first three routes can also be used for GBIS eligibility:
- **Route 1 – Household combined income:** Households with a gross annual income of less than £31,000
  - **Route 2 – Proxy targeting:** Households meeting a combination of two specified proxies (see Appendix 3 for details)
  - **Route 3 – NHS referrals:** Households referred to the Local Authority, by an eligible medical professional, as housing a person suffering from a severe or long-term ill-health condition which is adversely affected by living in a cold home.
  - **Route 4 – Bespoke targeting:** Local authorities can submit an application where they have identified a new mechanism which identifies low income and vulnerable households. These schemes must be approved by or on behalf of the Department for Energy Security and Net Zero Secretary of State (SoS).
11. The GBIS broadens the eligibility pool from ECO4 by including 2 eligibility groups. The first group is the low-income group, which is for those referred by a local authority, devolved administration or energy supplier participating under Great British Insulation Scheme Flex, as well as for those on certain means tested benefits.
12. The second GBIS group is a general eligibility group that will expand provision to all homes within Council Tax bands A-D.
13. To participate in ECO4 Flex and GBIS, local authorities must publish a 'Statement of Intent' (SOI) which specifies the criteria that will be used to define eligible households. The SOI must be published on the council's website so that it can be easily accessed by interested parties.
14. Successful applications for ECO4 Flex and GBIS will be confirmed through a 'Declaration' by the council following scrutiny by a trained member of staff. This will specify through which route the household has qualified. Applications for ECO4 Flex and GBIS will only be accepted from companies which have been approved under the council's ECO Code of Conduct.

## STRATEGIC CONTEXT

### Provision of affordable housing for Island Residents

15. ECO4 Flex and GBIS is an energy efficiency scheme which aims to improve the quality of housing and reduce energy costs for qualifying households. There are specific standards which must be met, for example, houses with an Energy Performance Certificate EPC rating of D and E must be improved to at least a C rating, and those with an existing rating of F or G must be improved to at least a D. This should ensure that properties can be heated more efficiently than before.

#### Responding to climate change and enhancing the biosphere

16. ECO4 Flex and GBIS has the potential to reduce energy use and associated carbon emissions. It can also help households move from carbon-intensive fuels such as oil and LPG to less carbon intensive electricity and renewables. The fuel poor homes that are the target for ECO4 Flex and GBIS may take some or all of the energy 'savings' in increased comfort, that is, using the same amount of energy but having a warmer and more comfortable home; however, it is expected that some properties will reduce overall energy consumption and therefore contribute to the Climate & Environment Strategy objective of reducing residential emissions.
17. The council has set a target to achieve net zero emissions:
  - in its business and delivery of services by 2030;
  - across the school estate by 2035; and
  - as an island by 2040.

#### Economic Recovery and Reducing Poverty

18. ECO4 Flex and GBIS will reduce energy costs for residents or, in some cases, provide greater comfort for the same cost. It will also provide opportunities for local businesses which install insulation, low carbon heating systems and renewable energy. Separate work is underway to strengthen and grow the local supply chain to deliver ECO4 Flex and GBIS measures.

#### Impact on Young People and Future Generations

19. Young people are generally supportive of action to reduce greenhouse gas emissions. ECO4 Flex and GBIS has the potential to significantly reduce these emissions whilst also improving the housing stock, providing healthier, more affordable and energy self-sufficient homes for future generations. The retrofit of existing housing has been identified as one of the main opportunities for green economic growth and increased activity under ECO4 Flex and GBIS will provide employment opportunities for young people. It is also expected that over time young people will form their own companies specialising in both energy efficiency retrofit and related 'white collar' opportunities such as Retrofit Assessment and Co-ordination.

#### Corporate Aims

20. The Corporate Plan refers to the need to address the issues of fuel poverty and health inequalities by making homes more energy efficient. ECO4 Flex and GBIS is designed to achieve this and, by adopting a Statement of Intent,

the council can increase the number of fuel poor households that will receive ECO4 Flex and GBIS improvements. It also supports the ongoing business of the council to “...*promote and deliver the various home energy efficiency grant schemes to improve Island homes and reduce energy consumption*” (p30). As described in this report, ECO4 Flex and GBIS activity will improve the quality and affordability of housing, reduce carbon emissions and provide employment and training opportunities.

## CONSULTATION AND ENGAGEMENT

21. The Statement of intent has been discussed with the Footprint Trust and Future Isle of Wight CIC which are both involved in identifying households for ECO4 Flex and GBIS support. It has also been discussed with JJ Crump and City Energy which are established ECO installers that have been approved under the council’s Code of Conduct. These installers will be responsible for collecting the evidence that allows a household to qualify under ECO4 Flex and GBIS. All are in favour of broadening the number of qualifying households through the adoption of a Statement of Intent.

## FINANCIAL / BUDGET IMPLICATIONS

22. The costs relate to staff time required to check applications for ECO4 Flex and GBIS, to prepare Declarations that must be signed by the council and to retain suitable records for auditing by Ofgem. In order to offset these staff costs, a charge of £100 per property will be levied on the approved ECO installers that are applying for ECO4 Flex and GBIS declarations. This has become normal practice and it is anticipated that the funds levied will make the exercise cost neutral for the council.
23. If it is the case that fees do not cover the staff time, the fee levied will be increased.

## LEGAL IMPLICATIONS

24. The Energy Company Obligation was first introduced in 2013 as a government energy efficiency scheme for Great Britain and places a legal obligation on energy suppliers to deliver energy efficiency measures. The procedures for administering ECO4 Flex and GBIS are set out in the Electricity and Gas (Energy Company Obligation) Order 2022 and the ECO4A Order on 25 July 2023, which run until 31 March 2026. Participation in ECO4 Flex or GBIS is not an obligation on the local authority, rather, a local authority can choose to participate in ECO4 Flex and/or GBIS in accordance with Ofgem’s guidance.

## EQUALITY AND DIVERSITY

25. Following an Equality Impact Assessment, the proposal was judged to have no impact on the majority of protected groups and a positive impact with regards to age and disability. This is because these groups are targeted under Statement of Intent eligibility criteria or are more likely to benefit because of the eligibility criteria. None of the impacts are believed to be unlawful.

26. Regardless of this, delivery of the ECO4 Flex and GBIS scheme has numerous requirements to protect the well-being of customers and prevent mis-selling. There is also a requirement on ECO Providers to give the Council summaries of customer feedback and formal complaints so that equality impacts can be continually monitored.
27. The council will work with representative groups and other stakeholders to ensure that ECO4 Flex and GBIS is promoted to those that will benefit and that information is presented in a clear format.

### PROPERTY IMPLICATIONS

28. There are no implications for council property since ECO4 Flex and GBIS is exclusively for domestic properties.

### SECTION 17 CRIME AND DISORDER ACT 1998

29. This report is only considering the adoption of a Statement of Intent which, of itself, does not have any S17 implications.
30. However, ECO4 Flex and GBIS delivery will require assessors and installers to visit people in their homes and, in many cases, to carry out work. There are some personal safety issues arising from this and the Code of Conduct requires approved installers to have carried out DBS checks on its employees.
31. Furthermore, all ECO4 Flex and GBIS provider employees calling at or working in residents' homes will be required to carry a photo identity card. This should identify the person and also give a landline telephone number where the identity can be verified. The employee will also be required to provide the Council's phone number should the householder want independent verification of their identity.

### OPTIONS

32. The options are:

Option 1 - Not to adopt the Statement of Intent;

Option 2 - Adopt the Statement of Intent provided in Appendix 1;

Option 3 - Modify the Statement of Intent by removing some of the ECO4 Flex and GBIS qualifying criteria;

Option 4 - Modify the Statement of Intent at a later date by adding a Route 4 scheme and/or adopting mandatory national scheme changes.

### RISK MANAGEMENT

33. There are a number of risks associated with the collection and handling of data. Firstly, evidence must be collected to support applications for ECO4 Flex and GBIS which can be a lengthy process and beyond the means of the

council. To mitigate this, the council will require approved installers to collect all the necessary evidence and to submit this to the council with their applications.

34. Secondly, there is a risk associated with the collection and transfer of personal data, some of which may be sensitive. The council will ensure that the approved installers participating in the scheme are using a suitable Privacy Statement and will put in place a Data Sharing Agreement to ensure the secure handling and transfer of the necessary information.
35. Thirdly, the personal data must be stored securely to allow Ofgem to conduct audits. The storage of data will be done securely in line with the council's Data Protection & Retention policies.
36. It is also the council's responsibility to declare as fuel poor and eligible for ECO4 Flex and GBIS only those households which qualify under the Statement of Intent. Officers will be trained to carry out checks on the evidence submitted and the Commissioner for Housing Renewal will sign off all declarations. This process will comply with Ofgem requirements.
37. The council will only accept applications for ECO4 Flex and GBIS from installers that have been approved under its ECO Code of Conduct. These companies are subject to additional due diligence and their performance is monitored, ensuring, as far as possible, a good level of service that residents can trust. There are currently three approved installers / schemes with another application pending and details are published on the council website. It is unlikely that the council will be able to approve more than four ECO installers due to the pressure on resources. There is a risk that non-approved ECO installers will ask the council to make declarations and claim that residents are missing out on the opportunity when the council is not willing to do so. However, the council is unwilling to approve a customer journey with a company it knows nothing about, particularly when a high proportion of applicants are likely to be vulnerable. With at least three approved ECO installers, it is believed that all residents will be able to find a route to ECO.
38. It's possible that the income derived from the declarations may not be sufficient to cover the council's staff costs. Initially the council will levy a fee of £100 per property for declarations which is believed to be in line with other local authorities. If this is insufficient to cover costs, then the council will increase the fee. For perspective, the potential measure funding is unlimited and dependant on amount of work needed to achieve the required and appropriate result. It is possible that some households receiving ECO could benefit from a package of measures with a value of £45,000 and the total value of ECO4 to Island residents could be many millions of pounds.

## EVALUATION

39. The council is not required to adopt a Statement of Intent, it is purely voluntary. ECO4 and GBIS is a national government initiative funded by the energy suppliers and, those that qualify for ECO4 through benefit entitlement, will always be able to access the scheme. If it is decided not to be involved in ECO4 Flex and/or GBIS, the council would not have to administer applications

and this will reduce pressure on staff. However, this would substantially reduce the number of Island households that qualify for ECO4 as it is expected that 50% or more of recipients will qualify through ECO4 Flex and GBIS. This will leave many fuel poor households without access to energy efficiency grants and this option is therefore not recommended.

40. The draft Statement of Intent, shown in Appendix 1, includes all the options available for recognising and declare qualifying households. It has used the widest definition allowed by Ofgem (other than Route 4, see below). Some staffing resource will be required to administer ECO4 Flex and GBIS declarations and maintain records for audit; however, the cost will be offset by a charge for each declaration. As adoption of the full Statement of Intent will qualify the largest number of Island households whilst being compliant with ECO4 Flex and GBIS rules, this option is recommended.
41. The council is not able to widen the criteria for qualification (other than by adding a Route 4 scheme) but it can reduce it. Any of the qualifying options could be removed and this may make the scheme easier to understand and administer, but it will also reduce the number of qualifying households. Officers have reviewed the full range of criteria and discussed delivery of the scheme with key stakeholders and believe that all the options can be delivered. There remains some uncertainty over the 'health' qualification and the extent to which medical practitioners will be willing to provide the letter needed, but we will continue to work with the health sector to enable this. Because removing any of the criteria is likely to reduce the number of Island households qualifying for ECO4 Flex and GBIS, this option is not recommended.
42. Route 4 allows the development of a bespoke scheme, devised by the council and subject to approval by the Secretary of State (SoS). As the Local Authority has not yet fully assessed options for Route 4, it can't be included in the Statement of Intent at this stage but could be added at a later date. Authority is therefore sought for the Deputy Leader and Cabinet Member for Housing & Finance and Commissioner for Housing Renewal to add a Route 4 scheme at a later date once it has been approved by the SoS. This option is recommended.

#### APPENDICES ATTACHED

43. Appendix 1: Proposed Statement of Intent

#### BACKGROUND PAPERS

44. For further information on the administration of ECO - <https://www.ofgem.gov.uk/environmental-and-social-schemes/energy-company-obligation-eco>
45. For further information on the Great British Insulation Scheme - <https://www.ofgem.gov.uk/environmental-and-social-schemes/great-british-insulation-scheme>



46. Contact Point: Alan Barnes, Commissioner for Housing Renewal, ☎ 821000  
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