

HOUSING EMERGENCY: “ON-BOARDING” WITH OFGEM ECO4 FLEX

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to explain the benefits of Ofgem’s ECO4 Flex Scheme and to seek approval from Members to appoint a Managing Agent to deliver ECO4 Flex enabling Council Officers to sign off eligible ECO4 Flex Declarations.
- 1.2 Ofgem’s ECO4 Flex Scheme benefits low-income households in energy inefficient privately owned or privately rented properties using the Energy Company Obligation funding available to provide a range of energy efficiency through a network of independent installers.
- 1.3 Qualifying criteria is set by Ofgem and declarations confirming eligibility for the Scheme must be signed off by the Local Authority.
- 1.4 Argyll and Bute Council has taken a measured approach to onboarding and hasn’t previously participated in the ECO4 Flex scheme. However, it is recognised that ECO4 Flex can provide energy improvements to some of the most vulnerable households in the Local Authority area.
- 1.5 Onboarding with the Ofgem ECO4 Flex Scheme will result in positive outcomes for the priorities identified in the Local Housing Strategy Action Plan Outcome Two relating to Energy Efficiency, Climate Change, Fuel Poverty and Child Poverty
- 1.6 It is proposed to deliver ECO4 Flex by engaging the services of an established Managing Agent on a zero-value contract.
- 1.7 This report seeks approval to engage a Managing Agent to deliver ECO4 Flex and approval for Council Officers to sign off eligible ECO4 Flex Declarations.

RECOMMENDATIONS

Members are asked to consider and approve the following: -

- Delegate authority to the Executive Director with responsibility for Development and Economic Growth to sign off ECO4 Flex Declarations for eligible households.
- Engage a Managing Agent to deliver ECO4 Flex across the Local Authority area.

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2.0 INTRODUCTION

- 2.1 The Main purpose of this report is to provide detail to Members on the benefits of Ofgem’s ECO4 Flex Scheme which is available to qualifying households across Argyll and Bute. Local Authorities decide individually if they wish to “on-board” with the Scheme, and if so, then publish a “Statement of Intent” (SOI).
- 2.2 At present there are 23 out of 32 Local Authorities in Scotland that publish an SOI. It is proposed that Argyll and Bute Council now goes “on-board” with the Scheme with a view to improving the energy efficiency of eligible homes in Argyll and Bute.

3.0 RECOMMENDATIONS

- 3.1 Members are asked to consider and approve the following: -
- Delegate authority to the Executive Director with responsibility for Development and Economic Growth to sign off ECO4 Flex Declarations for eligible households.
 - Engage a Managing Agent to deliver ECO4 Flex across the Local Authority area.

4.0 DETAIL

- 4.1 **ECO4** is a scheme overseen by Ofgem which obligates the major UK energy suppliers to provide energy efficiency measures to low income and energy inefficient privately owned and privately rented homes using the Energy Company Obligation (ECO) funding available through a network of independent Installers.
- 4.2 Ofgem have determined the criteria for the ECO4 Scheme (called “Help to Heat”) and confirmation of eligibility is checked directly with the Benefits Agency Data Matching Service. Local Authorities have no requirement to be involved in ECO4.

- 4.3 **ECO4 Flex** allows energy efficiency measures to be installed to low income and energy inefficient privately owned and privately rented homes which are not eligible for “Help to Heat” but meet further criteria through 4 further Ofgem prescribed routes to funding.
- 4.4 Historically under previous ECO schemes (ECO1-3) the ECO Flex route had been subject to fraudulent applications. To counter this, a requirement was added by Ofgem in ECO4 for Local Authority sign-off before payments are made to an installer by the energy supplier. The Local Authority is regarded as a “trusted body” who will confirm that the householder meets the further criteria through evidential proof and by signing a declaration to confirm that the household meets the ECO4 Flex criteria.
- 4.5 All energy efficiency measures are installed by independent Installers.
- 4.6 The measures installed are insulation and renewable technologies such as solar panels and heat pumps and can result in significant carbon savings alongside monetary savings for the occupiers of the buildings.
- 4.7 The ECO4 Flex initiative, funded by major UK energy suppliers, aims to help households reduce energy bills and carbon emissions by enhancing a property's Energy Performance Certificate (EPC) rating. This programme, scheduled until March 2026, focuses on installing energy efficiency measures tailored to improve a property's EPC rating by two bands.
- 4.8 The Ofgem prescribed routes to funding under ECO4 Flex are detailed in **Appendix 1**.
- 4.9 Local Authorities decide whether to administer the Scheme themselves, or whether to engage, by way of procurement, a Managing Agent.
- Delivery Option 1** – the ECO4 Flex scheme is delivered in house.
Delivery Option 2 – appoint a Managing Agent to deliver the ECO4 Flex scheme.
- 4.10 There is presently no personnel capacity, or financial resources available, to administer the Scheme within Housing Services therefore **Delivery Option 1** is not the preferred option.
- 4.11 Following discussions with the Council's Procurement Team it is proposed to engage the services of a Managing Agent through a Zero Value Contract Award. Soft market testing has identified at least two Managing Agents interested in participating in the Local Authority area.
- 4.12 Under the ECO4 Flex programme, the Managing Agent collaborates with the participating Local Authority and certified installers to address fuel poverty by providing eligible households with energy efficiency measures.

- 4.13 Households will make an enquiry directly to one of the selected installers who have already been procured by the Managing Agent. The Installer will deal with all aspects of the survey, advise what energy efficiency measures they can offer, ensure that the applicant is eligible under the ECO4 Flex criteria and gather supporting evidence, present this to the Managing Agent and deal directly with any post-completion queries. The benefits of using a Managing Agent are outlined in **Appendix 2**.
- 4.14 No costs will be incurred by the Council. Administration fees will be charged by the Managing Agent to the Installer in accordance with the Ofgem guidelines.

5.0 CONCLUSION

- 5.1 This report provides the detail which supports the recommendations that the Council engages a Managing Agent to deliver ECO4 Flex across the Local Authority area which will enable the Council to sign off ECO4 Flex declarations thus benefitting qualifying households across Argyll and Bute. This has the potential to help address the fuel poverty issue across Argyll and Bute at no cost to the council.

6.0 IMPLICATIONS

- 6.1 Policy – positive implications for Climate Change, Net Zero, Decarbonisation, Child and Fuel Poverty
- 6.2 Financial - none.
- 6.3 Legal – procurement of Managing Agent services, Data Protection Act 2018 and the UK GDPR when processing personal data.
- 6.4 HR – none.
- 6.5 Fairer Scotland Duty: none.
- 6.5.1 Equalities - protected characteristics – none. The Scheme will benefit vulnerable households across the Local Authority area.
- 6.5.2 Socio-economic Duty – likely to help generate employment opportunities across Argyll and Bute and improve people’s living standards
- 6.5.3 Islands – positive given potential investment in fuel poverty households.
- 6.6. Climate Change – positive implications for Decarbonisation, Net Zero and Climate Change.
- 6.7 Risk – that local people may miss out on financial assistance with energy saving measures if the council decides not to appoint a managing agent.
- 6.8 Customer Service – none.

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APPENDICES

Appendix 1 - Ofgem Prescribed Routes To Funding Under ECO4 Flex

Appendix 2 – Benefits of using the Services of a managing agent

APPENDIX 1: OFGEM PRESCRIBED ROUTES TO FUNDING UNDER ECO4 FLEX

Route 1

Household combined income: Pre-project SAP bands D-G owner occupied households and private rented sector E-G households, with a combined gross income from all sources under £31,000. (LA route only). This is the combined whole household income, including every person 18+ years living at that address, such as lodgers and elderly relatives etc.

Route 2 Proxy Targeting

Pre-project SAP bands E-G for owner occupied households and private rented sector households and meeting a combination of two proxies outlined in the table below. Suppliers are also able to refer ECO4 Flex households under this route using either a combination of supplier and LA data or by solely using their own data. (LAs and supplier route).

ECO4 Flex Route 2 Proxy criteria

- | |
|--|
| 1) a) Homes in England in Lower Super Output Area (LSOA) 1-3 areas ³⁶ or,
b) Homes in Welsh provision Lower-layer Super Output Area in the first, second or third decile on the Welsh Index of Multiple Deprivation 2019 published in November 2019 by the Welsh Government ³⁷ or,
c) For premises located in Scotland, a data zone which is identified as being in the first, second or third decile on the Index of Multiple Deprivation for 2020 published by the Scottish Government ³⁸ * |
| 2) Householders receiving a Council Tax reduction (reductions based on low income only). |
| 3) Householders vulnerable to living in a cold home as identified in the National Institute for Health and Care Excellence (NICE) Guidance [6]: Recommendation 2. ⁴⁷ Only one from the list can be used, excludes the proxy 'low income'.* |
| 4) A householder receiving free school meals due to low-income. |
| 5) A householder referred under a LA run scheme which aims to support low income and vulnerable households for the purposes of NICE Guideline. |
| 6) A household referred to the LA for support by their energy supplier or Citizens Advice because they have been identified as struggling to pay their gas and electricity bills (LAs only).* |
| 7) a) Non-Pre-Payment meter households will be eligible if in debt for more than 13 weeks, ending with the day on which the declaration is made, and in a debt repayment plan with their energy supplier or repaying their fuel debt through 3 rd party deductions (Suppliers only).*
b) Pre-Payment meter households, have to have been either self-disconnected or received supplier Discretionary / Friendly credit within the last 13 weeks, ending with the day on which the declaration is made; or in a debt repayment plan with their energy supplier; or repaying their fuel debt through 3 rd party deductions. (Suppliers only).* |

*Proxies 1 and 3, 5 and 6, and 6 and 7 cannot be used in combination with one another.

Route 3 NHS referrals

Pre-project SAP bands D-G owner-occupied households and private rented sector E-G households and identified by either a General Practitioner, a Health Board in Scotland, a Health Board in Wales, an NHS Foundation Trust, or by an NHS Trust as suffering from a severe and /or long-term health condition that could be severely impacted by living in a cold home. (LA route only). These health conditions fall under one of the umbrella conditions:

- A cardiovascular condition,
- A respiratory disease,

- *Limited mobility, or*
- *Immunosuppression.*

Route 4 Bespoke targeting

Suppliers and LAs can submit a proposal via an application form to the Department for Energy Security and Net Zero (DESNZ) where they have identified new methods to identify low income and vulnerable households. The application must be approved by or on behalf of the Secretary of State for DESNZ.

The Council's Invitation to Tender will ensure that the successful Managing Agent will cover ***all areas of Argyll and Bute.***

APPENDIX 2: BENEFITS OF USING THE SERVICES OF A MANAGING AGENT:

Benefits of using the services of a Managing Agent:

- The Council do not need to deal with cold calling from ECO Installers.
- Managing Agent reviews all installers on an annual basis for matters of quality of workmanship, any customer concerns/complaints and adherence to scheme guidance.
- Installers are obligated to take on works. They can pass on a job but if the Managing Agent has a pool of 7 installers for the Local Authority area then if the first 6 decline the job the 7th is obliged to take it. Jobs are placed on an automated referral system.
- The Managing Agent will take all responsibility for Contractors (complaints, communications with Ofgem etc.).
- The Managing Agent will present a weekly request to Argyll and Bute Council of ECO4 Flex declarations for signature, all preparation work will be done by the Managing Agent e.g. income/benefit checks, land registry etc. and will be sent via secure data transfer. The Council can audit the information at any time via the secure data portal and can reject a request if unhappy with any aspect.
- The Managing Agent will report fortnightly on the amount of spend; Number of measures carried out, measures per property and estimated carbon savings.
- The contract for works will be between the customer and the installer. Any issues raised by the customer or the contractor will be dealt with by the Managing Agent if they are required to intervene.
- Monthly meetings will be held between Argyll and Bute Council and the Managing Agent.
- Although Argyll and Bute Council sign off the ECO4 Flex declarations it will not be advertised as a “Council” scheme and there will be no reference to the Council on any Installer marketing materials.
- There will be **no cost** to the Council as administration fees will be charged by the Managing Agent to the installers in accordance with Ofgem guidance.
- Customers have the reassurance that the Installers have been vetted by the Managing Agent and adhere to all regulatory requirements.

The Managing Agent holds a list of procured and trusted installers and applicants will be guided to contact them directly if they are interested in the Scheme. Argyll and Bute Council’s only involvement will be to sign a completed declaration supplied fully completed by the Managing Agent.

There will be no cost to the Council for the services of the Managing Agent as they are paid by way of an Ofgem determined levy directly by the Installer.

For all of the above reasons **Delivery Option 2** is therefore the preferred option.

The Managing Agent will deal directly with the installers, confirm the evidential supporting paperwork required to support a household’s claim is correct, deal with

any queries or concerns and once complete will present it to the Council to sign off a declaration.

Argyll and Bute Council proposes to invite tenders for the provision of ECO4 Flex within the Local Authority Geographical Area.

Argyll and Bute Council will undertake a tendering process with committed and experienced Managing Agents to work in partnership with the Council to provide Managing Agent Services for the delivery of ECO4 Flex across Argyll and Bute including all habitable islands.

The Ofgem ECO4 Flex scheme provides funding for privately owned and privately rented properties for the installation of energy efficiency measures, providing that Ofgem prescribed criteria is met. The successful Managing Agent would be required to manage the administration of the Scheme on behalf of Argyll and Bute Council, to include procuring, managing and instructing installers, gathering supporting evidential information to confirm eligibility to the Scheme, and providing the Council with that information in a coherent manner and through safe electronic means so that the Council can confidently sign-off the required Ofgem Declaration.

The Managing Agent will have their own pool of established Trustmark approved and certified Installers who will have been procured by them using recognised procurement guidelines and standards. The Managing Agent will ensure that these Installers install energy efficiency measures in accordance with the Ofgem and Trustmark guidelines and ensure that the Installers offer full aftercare following completion of works. Additionally, they will be an arbiter for any complaints following completion of works.

All Installers procured by the Managing Agent must be registered with Trustmark and be Trustmark approved and certified Installers.