

Energy Company Obligation (ECO4) Scheme – Publication of Statement of Intent

Report of the Housing and Environmental Health Portfolio Holder

Recommended:

- 1. That Cabinet note the change to Energy Company Obligation funding and that local authorities are required to publish an updated Statement of Intent to enable residents to access funding as appropriate for energy efficiency measures.**
- 2. That the recommended Option 1, set out in 5.2 of the report, be approved and the Statement of Intent at the Annex to the report be adopted.**
- 3. That the Head of Housing and Environmental Health be given delegated authority, in consultation with the Portfolio Holder for Housing and Environmental Health, to make minor amendments to the Statement of Intent and/or publish future standardised versions of the Statement of Intent to reflect updated requirements from the Department of Business, Energy and Industrial Strategy (BEIS) and Ofgem.**

SUMMARY:

- The Energy Company Obligation (ECO), first introduced in 2013, is an energy efficiency scheme introduced by the government as part of its Sustainable Warmth Strategy, which places legal obligations on large energy suppliers to deliver energy efficiency measures to domestic premises. It focuses on insulation and heating measures, and is intended to assist in reducing fuel poverty, reducing carbon emissions, and helping the country to achieve its goal of net zero by 2050.
- The ECO4 scheme replaces ECO3. The scheme commenced in July 2022 and will run until March 2026, and will mainly focus on low income and vulnerable households, helping to meet the government's fuel poverty commitments.
- This report seeks approval to declare and publish a Test Valley ECO4 Statement of Intent (see Annex), enabling qualifying residents living in private sector homes in Test Valley to access funding under the ECO4 scheme. This funding provides energy efficiency improvements delivered by energy companies and their agents.
- The Statement of Intent has been produced by Ofgem as a standard template for use across all local authorities. It aims to support low income households living in Test Valley who are most likely to experience fuel poverty, and those who are vulnerable to the effects of a cold home. The scheme will be subject to available funding and may close at any time. The scheme will be fully funded via energy suppliers obligated under the Energy Company Obligation (ECO4).

1 Introduction

- 1.1 Energy prices have risen dramatically in recent months, and are projected to increase further over the coming months, with the likelihood that a greater number of residents in Test Valley will be in fuel poverty. Fuel poverty can cause low income and vulnerable households to have to make some difficult choices around heating their home, or living in cold conditions, and can impact on health, as well as pushing households into significant debt. In Test Valley, in 2020 there were an estimated 51,726 households in total, of which 3,753 were considered to be in fuel poverty. This is likely to increase significantly over the coming months.
- 1.2 The ECO4 scheme is an obligation on energy suppliers aimed at helping households to cut their energy bills and reduce carbon emissions by installing energy efficiency measures. Local authorities can only access this funding if a Statement of Intent has been published, detailing the eligibility criteria for qualifying households. The Statement must be published on the Council's website.
- 1.3 Under previous ECO schemes the Statement of Intent could be tailored individually by each local authority. Under the ECO4 scheme the Statement of Intent is a standardised template produced by Ofgem, who administer the scheme on behalf of BEIS, with the eligibility criteria already determined.
- 1.4 The Statement of Intent requires the local authority to make a declaration for each installation prior to the work being undertaken. This declaration demonstrates that the Council has been consulted on the proposed works, and considers that the customer is eligible in accordance with the criteria set out in the SOI. It is proposed that the Principal Environmental Health Officer (Housing), the Housing Development & Standards Manager, and the Head of Housing & Environmental Health will make these declarations on the Council's behalf.
- 1.5 The final decision on whether a household receives assistance under the ECO4 scheme is made by the obligated energy suppliers or their agents/contractors. The issuing of a declaration by the local authority to the supplier will not guarantee installation of measures, as the final decision will depend on:-
 - a) The survey carried out by the supplier's agent/contractor, and installation costs calculated;
 - b) The energy saving that can be achieved for a property;
 - c) Whether suppliers have achieved their targets or require further measures to meet their ECO4 targets.
- 1.6 Signed declarations under ECO4 will be valid for one year from the date of signature or until 31 March 2026, whichever is the earliest, providing there is a valid Statement of Intent in place.

2 Background

- 2.1 Since the introduction of the ECO scheme in 2013 it has resulted in improvements to the energy efficiency of over 2 million homes in the UK. ECO4 is the fourth stage of the government's Energy Company Obligation scheme, which will run until March 2026. The scheme aims to assist around 450,000 households to improve the energy efficiency of their home, and reduce fuel poverty.
- 2.2 Any gas and electricity companies that have over 150,000 customers are obligated to fit ECO measures.
- 2.3 The scheme enables qualifying households to receive grants via their energy company towards the cost of improving the energy efficiency of their homes. The ECO4 scheme takes a 'fabric first' approach, which means it focuses initially on improving the building itself before installing new heating systems. This means that the first step would be to add or improve insulation to lofts and cavity walls before improving any existing heating systems.
- 2.4 ECO4 also focuses on replacing old and inefficient boilers with greener alternatives, such as heat pumps and biomass boilers.
- 2.5 ECO4 will operate in much the same way as ECO3, the main difference being that under ECO4 the government will be aiming for the funding to reach more households, as well as enabling smaller energy companies to participate in the scheme.

3 Corporate Objectives and Priorities

- 3.1 The Council's Corporate Plan 2019-2023 includes four strategic aims for the Council. One of the four strategic priorities is "Growing the potential of people". Within that theme the Council sets out its priorities in addressing a range of housing needs.
- 3.2 The Council's Climate Emergency Action Plan includes a number of actions to improve housing conditions in the private sector, including actions to improve energy efficiency.

4 Consultations/Communications

- 4.1 Ofgem are recommending the publication of the standardised Statement of Intent which has been produced following consultation by BEIS with a range of stakeholders including large energy suppliers, trade associations, and individuals with an interest in energy efficiency and fuel poverty.

5 Options

- 5.1 The options available to the Council are:-
- 5.2 Option 1 – to make a declaration and publish a Statement of Intent as recommended by Ofgem to enable qualifying households to access funding through the ECO4 scheme to assist with improvements to the energy efficiency of their homes, with a view to reducing fuel poverty.

5.3 Option 2 – not to make a declaration or publish a Statement of Intent.

6 Option Appraisal

6.1 Option 1 is the recommended option. This will enable qualifying households to apply for funding to improve the energy efficiency of their homes, which will assist with the reduction in energy bills, lower the risk of fuel poverty, and contribute towards the country's net zero 2050 target. There are no direct financial implications for the Council in publishing this Statement of Intent.

6.2 Option 2 would prevent local residents from being able to access assistance under the ECO4 scheme.

7 Risk Management

7.1 A risk assessment has been completed in accordance with the Council's Risk Management Methodology. An evaluation of the risks indicate that the existing controls in place mean that no significant risks have been identified at this time.

8 Resource Implications

8.1 Funding for ECO4 is provided directly to the energy suppliers to instal energy efficiency measures for qualifying households. There is no additional funding being provided by the Council.

8.2 Officer time will be required to sign declarations and participate in annual reporting to BEIS. This is manageable within existing resources.

9 Legal Implications

9.1 The Statement of Intent has been provided as a standard template from Ofgem, in accordance with the requirements of BEIS.

9.2 There are no legal implications as the ECO4 funding is provided directly to the energy suppliers. In addition the energy suppliers are required to maintain records of all declarations received from the local authority to demonstrate eligibility under the scheme.

10 Equality Issues

10.1 Energy efficiency measures will be available to all qualifying households as set out in the Statement of Intent at the Annex. Qualifying criteria mainly centres around lower household incomes, health vulnerabilities, and risk of fuel poverty, with some additional flexibility for those who may not meet all of the existing criteria. The scheme is designed to reduce inequalities in terms of living standards, health and wellbeing.

11 Other Issues

11.1 Community Safety - None

- 11.2 Environmental Health Issues – improving the energy efficiency of homes in the borough will improve the overall condition of homes, and will increase the wellbeing of residents.
- 11.3 Sustainability and Addressing a Changing Climate – creating more energy efficient homes will reduce the demand for energy and contribute towards the net zero target for 2050.
- 11.4 Property Issues – the ECO4 scheme is predominantly aimed at private sector housing.
- 11.5 Wards/Communities Affected - All

12 Conclusion and reasons for recommendation

- 12.1 The publication of the Statement of Intent attached as an Annex enables the Council to support qualifying households to access funding for energy efficiency measures which will result in a reduction in energy bills and carbon emissions, and will improve the health and wellbeing of the occupants.
- 12.2 This approach poses no risk to the Council and has no significant resource implications other than officer time.

<u>Background Papers (Local Government Act 1972 Section 100D)</u>			
None			
<u>Confidentiality</u>			
It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.			
No of Annexes:	1	File Ref:	N/A
(Portfolio: Housing and Environmental Health) Councillor T Tasker			
Officer:	Helen Taylor	Ext:	8620
Report to:	Cabinet	Date:	26 October 2022