

Meeting of:	Cabinet
Date of Meeting:	21 NOVEMBER 2023
Report Title:	Energy Company Obligation (ECO) 4 and Local Authority (LA) Flex Joint Statement of Intent and Memorandum of Understanding
Report Owner / Corporate Director:	Corporate Director Communities
Responsible Officer:	Group Manager Economy, Natural Resources and Sustainability
Policy Framework and Procedure Rules:	There is no effect upon the Council's policy framework or procedure rules as a result of this report.
Executive Summary:	<p>The purpose of this report is to update Cabinet on the current position of Energy Company Obligation 4 (ECO4) and Local Authority FLEX (LA Flex) and to propose that Bridgend County Borough Council adopt a Joint Statement of Intent and enter into a Memorandum of Understanding in order to participate in the ECO4 Flex Scheme.</p> <p>The report proposes that Cabinet:</p> <ul style="list-style-type: none"> o Agree to Bridgend County Borough Council becoming a member of ECO4 Flex and that the Corporate Director Communities shall be the dedicated responsible person for the ECO4 Flex Scheme. o Delegate authority to the Corporate Director Communities in consultation with the Chief Officer – Legal and Regulatory Services, HR and Corporate Policy and Chief Officer – Finance, Performance and Change, to make any required amendments and to agree final versions of the draft Memorandum of Understanding and Joint Statement of Intent. o Delegate authority to the Corporate Director – Communities to sign the final approved Memorandum of Understanding and sign and to publish the final approved Joint Statement of Intent, and thereafter update these documents with any factual updates as appropriate. o Delegate authority to the Corporate Director Communities to accept a funding offer of £16,000 from Welsh Government to support the delivery of ECO4 Flex in line with the financial information contained within section 8.

1. Purpose of Report

- 1.1 The purpose of this report is to update Cabinet on the current position of Energy Company Obligation 4 (ECO4) and Local Authority FLEX (LA Flex) and to propose that Bridgend County Borough Council adopt a Joint Statement of Intent and enter into a Memorandum of Understanding in order to participate in the ECO4 Flex Scheme.

2. Background

- 2.1 The Energy Company Obligation (ECO) is a UK government scheme that places legal obligations on all energy suppliers to deliver energy efficiency measures to domestic premises which are designed to tackle fuel poverty and help reduce carbon emissions. The scheme is administered by the Office of Gas and Electricity Markets (Ofgem) on behalf of the Department for Business, Energy and Industrial Strategy (BEIS).
- 2.2 The Electricity and Gas (Energy Company Obligation) Order 2022 for the latest iteration of ECO (known as ECO4), came into force on 27 July 2022.
- 2.3 ECO4 places a legal obligation on energy suppliers to reduce heating costs for low income and vulnerable households by delivering energy efficiency and heating measures.
- 2.4 ECO4 focusses on improving the least energy efficient homes as only properties in Standard Assessment Procedure (SAP) band D-G can be treated. It also requires a more complete upgrade of those homes, shifting to a multi-measure 'whole-house' retrofit approach to achieve an upgrade of a property's energy efficiency rating by 2 SAP bands. Examples of qualifying retrofit measures include solid wall, cavity, floor and loft insulation, and/or the repair and replacement of broken heating systems and the installation of renewable heating systems such as air source heat pumps and solar panels.
- 2.5 Under the Ofgem guidance the 'Flexible Eligibility' element to ECO4 (known as ECO4 Flex) allows local authorities to set their own criteria for identifying and targeting households that meet the eligibility requirements.
- 2.6 ECO4 Flex is therefore a household referral mechanism within the wider ECO4 scheme which enables local authorities to collaborate with an obligated energy supplier and third parties such as Citizen's Advice and NHS professional healthcare workers to tailor energy efficiency schemes to their respective geographic area.
- 2.7 ECO4 applies to measures installed up to 31st March 2026. ECO4 Flex is available only to owner-occupied households and private rented sector households that meet the eligibility requirements.
- 2.8 Eligible residents of Bridgend County Borough are currently able access ECO4 through any energy supplier or agent working on their behalf. Bridgend County Borough Council is currently not a participant in the Flexible Eligibility element of the ECO4 Scheme. Participation in ECO4 LA Flex requires the statement of intent to be published and coordinated in order to potentially broaden the range of households eligible for support.

2.9 In relation to ECO and any participation in LA Flex the obligated energy company must ensure that the quality and competency of their supply chain and subsequent works to homes comply with Trustmark (PAS 2035) standards and any other standards set out in the Ofgem guidance. PAS 2035 is a recognisable quality standard for the retrofit and energy efficiency sector for housing.

3. Current situation / proposal

3.1 The Cardiff Capital Region Cabinet have agreed that Local Authorities in the region should aim to work together where possible to develop a Joint Statement of Intent, consider the most appropriate delivery models for ECO4 Flex and 'market test' to select relevant energy company partners.

3.2 BCBC officers have been participating in a regional working group which supported the CCR approach to develop a draft Joint Statement of Intent (**Appendix 1**) and a draft Memorandum of Understanding (**Appendix 2**). The MoU covers the relationship with the energy supplier and incorporates all routes outlined in the Statement of Intent.

3.3 The Joint Statement of Intent is appended in its current draft form at **Appendix 1** and sets out the routes by which households may be considered as eligible through ECO4 Flex:

Route 1 (Low-Income):

SAP bands D-G owner-occupied households and private rented sector E-G households with an income less than £31,000. This cap applies irrespective of the property size, composition, or region.

Route 2 (Combined Proxy Eligibility):

SAP bands E-G for owner-occupied households and private rented sector households that meet a combination of two of the following proxies:

Proxy 1*)	Homes in Lower Super Output Area (LSOA) decile 1-3 on the Welsh Index of Multiple Deprivation.
Proxy 2)	Householders receiving a Council Tax reduction (reduction based on low income only, excluding single person reduction).
Proxy 3*)	Householders vulnerable to the effects of 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'.
Proxy 4)	A householder receiving free school meals due to low-income.
Proxy 5)	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 the NICE Guideline.
Proxy 6)	A household referred to the LA for support by their energy supplier or Citizen's Advice because they have been identified as struggling to pay their electricity and gas bills.

(*Note that proxies 1 and 3 cannot be used together*)

Route 3 (NHS Referral):

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.

Route 4 (Bespoke Targeting)

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 existing routes.

- 3.4 The Memorandum of Understanding is appended in its current draft form at **Appendix 2** and gives a broad understanding of the key objectives of the scheme, the principles of collaboration, and the respective roles and responsibilities the parties, should they agree it, will have during the lifespan of the scheme.
 - 3.5 A selection process has been undertaken by CCR officers, which resulted in E.ON being selected as the proposed energy supply partner for the Vale of Glamorgan, Bridgend, Cardiff, Rhondda Cynon Taff and Merthyr Tydfil local authorities. Subject to Bridgend County Borough Council's participation in the ECO4 Flex scheme, a draft Memorandum of Understanding (**Appendix 2**) has been prepared by CCR officers which sets out how CCR, E.ON and the proposed relevant local authorities will work together to maximise the delivery of ECO4 Flex. Section 5 of **Appendix 2** sets out broad responsibilities.
 - 3.6 To become a member of ECO4 Flex it is proposed that Bridgend County Borough Council agrees to publish an agreed Joint Statement of Intent with the other members of the CCR and to enter into a Memorandum of Understanding with the other members of the CCR and the selected energy supplier.
 - 3.7 To satisfy Ofgem guidance it is proposed that the Corporate Director Communities is the dedicated responsible person for the ECO4 Flex Scheme and, in consultation with the Chief Officer – Legal and Regulatory Services, HR and Corporate Policy and Chief Officer – Finance, Performance and Change, is delegated authority to make any required alterations to **Appendix 1** and **Appendix 2** and to sign a final Memorandum of Understanding and sign and then publish a final Joint Statement of Intent, and thereafter update with any factual updates as appropriate.
 - 3.8 Welsh Government have agreed to provide a grant of £16,000 to each Local Authority that participates in ECO4 Flex.
 - 3.9 Not participating has been discounted as it would prevent residents that may be otherwise considered as eligible in relation to the draft proposals set out in Appendix 1 from accessing energy efficiency improvement measures.
- 4. Equality implications (including Socio-economic Duty and Welsh Language)**

- 4.1 An initial Equality Impact Assessment (EIA) screening has identified that there would be no negative impact on those with one or more of the protected characteristics, on socio-economic disadvantage or the use of the Welsh Language. It is therefore not necessary to carry out a full EIA on this proposal.

5. Well-being of Future Generations implications and connection to Corporate Well-being Objectives

- 5.1 The Wellbeing of Future Generations (Wales) Act 2015 provides the basis for driving a different kind of public service in Wales, with five ways of working to guide how the Authority should work to deliver wellbeing outcomes for people. The following is a summary to show how the five ways of working to achieve the well-being goals have been considered in this report.

- Long Term – a fabric first approach by ECO balances the short-term improvements to the longer term impact of energy efficiency, financial savings and reducing carbon impact on the environment.
- Prevention – any improvements to domestic housing stock on energy efficiency measures helps mitigate future climate damage.
- Integration – signing up with ECO integrates with Bridgend County Borough Council's declaration of a climate emergency.
- Collaboration – **Appendix 2** sets out the partners involved and the ways in which the collaboration will work
- Involvement – future involvement with residents will need to happen to ensure that the scheme is well utilised to maximise take up.

6. Climate Change Implications

- 6.1 ECO4 and LA Flex is primarily about improving the energy efficiency of homes within our communities and therefore linked to the Bridgend County Borough Council Net Zero 2030 Strategy and Bridgend Local Area Energy Plan (LAEP).

7. Safeguarding and Corporate Parent Implications

- 7.1 There are no safeguarding issues as a result of this report.

8. Financial Implications

- 8.1 It is proposed that ECO4 Flex be taken forward by the Economy, Natural Resources and Sustainability Service Area using existing staff resources.

- 8.2 To support this, Welsh Government have agreed to provide a grant of £16,000 to each Local Authority that participates in ECO4 Flex to support it to create and deliver against a Statement of Intent.

- 8.2 In addition, it is proposed, as has been adopted in other Local Authorities participating in ECO4 Flex, that a £300 registration fee payable by the energy company be put in place for each application. The registration fee is charged by the LA to the energy company/companies. The registration fee will contribute toward the costs incurred in administering the scheme by the LA.

8.2 It is not considered at this time that additional resources are required by BCBC to take forward ECO4 Flex.

9. Recommendation(s)

9.1 It is proposed that Cabinet:

- Agree to Bridgend County Borough Council becoming a member of ECO4 Flex and that the Corporate Director Communities shall be the dedicated responsible person for the ECO4 Flex Scheme.
- Delegate authority to the Corporate Director Communities in consultation with the Chief Officer – Legal and Regulatory Services, HR and Corporate Policy and Chief Officer – Finance, Performance and Change, to make any required amendments and to agree final versions of the draft Memorandum of Understanding and Joint Statement of Intent.
- Delegate authority to the Corporate Director – Communities to sign the final approved Memorandum of Understanding and sign and to publish the final approved Joint Statement of Intent, and thereafter update these documents with any factual updates as appropriate.
- Delegate authority to the Corporate Director Communities to accept a funding offer of £16,000 from Welsh Government to support the delivery of ECO4 Flex in line with the financial information contained within section 8.

Background documents

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