

**Cyngor Sir Powys / Powys County Council**  
**Health, Care and Housing Scrutiny Committee**  
**23<sup>rd</sup> January, 2019**

**REPORT AUTHOR:** Head of Housing  
**SUBJECT:** **Proposition for the Adoption of ECO3**

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**1. Introduction**

- 1.1 The Housing Service seeks the views of the Health Care and Housing Scrutiny Committee on the proposed adoption of a revised Ecoflex Statement of Intent, prior to its consideration by the Cabinet. The report provides background about:
- the Energy Company Obligation (ECO) scheme
  - the operation of previous ECO schemes in Powys
  - the proposed Statement of Intent for the revised Ecoflex scheme in Powys and how the council will seek to control how the scheme is operated.

**2. Background – ECO and the Ecoflex scheme**

- 2.1 The Energy Company Obligation (or ECO) is a Government initiative aimed at reducing carbon emissions, forcing energy companies to deliver heating and insulation improvements for customers in fuel poverty. The scheme is not means tested. Funding is sourced directly by agents working on behalf of energy companies, rather than using council funds. Agents are only able to target clients deemed eligible by the local authority if that authority has formally adopted a scheme and issued a statement of intent. Agents may directly market the scheme but also make use of private canvassing firms to source eligible clients, which may take the form of cold calling, door knocking, letter drops and digital media campaigns.
- 2.2 The quantity and availability of ECO funding is dependent on:
- the size of the property receiving the measures
  - energy efficiency of individual properties
  - whether the client is considered to be in fuel poverty
  - financial viability of installation
- Following an application the Agent commissions a surveyor who looks at the property type, the structure, heating system, and the size of the property. The surveyor calculates the lifetime saving of carbon (LTS) which determines the amount of ECO funding that the individual applicant will receive.
- 2.3 Smaller properties tend to generate lower carbon savings and are therefore unlikely to receive enough funding to fully fund works. In this scenario clients can either pay a contribution or where appropriate, the Council will provide support to clients via an interest free loan administered via the Robert Owen Community Banking Fund (minimum loan value £1,000).

- 2.4 During 2018, the Council published a statement of intent allowing delivery of the Ecoflex scheme in Powys by a selected number of agents. The council's role was limited to vetting applications to ensure qualifying criteria were met.
- 2.5 Unfortunately, the majority of installations were undertaken by out of county contractors due to the fact there were no established local agents. This was primarily due to the fact that ECO agents are required to have;
- a direct link with an energy provider or broker
  - the ability to source clients and carry out home energy surveys
  - PAS 2030 and Green Deal accreditation per measure
  - robust compliance measures to access ECO funding
  - significant capacity and cash flow in order to deliver hundreds of high value measures, with payment on completion after 8-12 weeks
  - to accept very high financial risk associated with scheme delivery
- 2.6 The authority actively encouraged local contractors onto the scheme, provided they could comply with the necessary requirements listed above. Consequently, some local businesses worked as sub-contractors whilst others were not prepared to work for the rates offered by Agents.
- 2.7 As a consequence of the introduction of the Ecoflex scheme a number of local companies who did not participate in the scheme reported a fall in sales. Certain well established local contractors, notably those involved with the installation of oil boilers, have noticed a significant drop in trade, as a direct consequence of being unable to compete with the installation of 'free' or highly subsidised boilers under the scheme. Unfortunately, this is an unavoidable consequence of a grant scheme designed to address the most inefficient properties in Powys, where residents are likely to suffer from fuel poverty.
- 2.8 However, the impact of the scheme needs to be placed into context. Welsh Government statistics estimates that 24% of the 56,844 households in Powys, are in fuel poverty. Thousands of residents across Powys were targeted by the scheme, due to the rural nature of Powys, its high proportion of off-gas, thermally inefficient, older, solid walled properties. Primarily measures centred on replacement of inefficient oil boilers. The scheme resulted in the following beneficial outcomes for Powys residents and the council:
- the installation of over 2,000 energy efficiency improvements (at an approximate cost of £7.5 million) for residents in fuel poverty who would struggle to afford upgrades unaided
  - an average annual reduction in fuel bills for the average applicant of approximately £200
  - approximately £250,000 in additional fee income for the authority, which helped to mitigate budget savings.
- 2.9 Whilst it was recognised that the Ecoflex scheme brought significant benefits to the residents of Powys, reduced carbon emissions and reduced fuel

poverty, it was also recognised that the scheme brought challenges in terms of poor practice by contractors and challenges for the local supply chain. As the council was aware that ECO 3 was to launch in the autumn of 2018, it was decided to suspend the Ecoflex scheme and develop a new scheme under ECO 3 which addressed the concerns expressed locally.

### **3 The Future & Proposed Introduction of ECO 3**

3.1 ECO 3 has already been developed by the UK Government to address changing priorities. These include;

- An overall of procedure used to calculate grant amount
- Refocus of priorities away from oil boilers towards insulation
- Restrictions on rented properties
- Better inclusion of those on non-means tested benefits
- Reduction in funding available for off-gas properties

3.2 The problems experienced with the Ecoflex scheme in respect of installation of oil boilers should not be an issue with the roll out of ECO 3.

3.3 To coincide with this, Powys intends to issue a revised 'Statement of Intent' to introduce more robust eligibility criteria designed to better target assistance towards those most in need. Furthermore, we wish to introduce measures to better select agents who will offer the best community benefits as a consequence of being permitted access to the exclusive Powys market place. In an attempt to boost work given to local contractors it is also proposed this will be achieved via use of a bespoke concession agreement that will:

- limit the number of agents able to operate within Powys
- empower the council to better regulate ECO agents
- deliver better control over canvassing
- improve accountability should problems arise in the process
- maximise growth of the Powys economy via use of local contractors however, limitations will exist where installation cannot be delivered due to absence of local labour e.g. installation of cavity wall insulation

3.4 It is the intention of the council to improve the promotion of employment opportunities through local engagement events for Powys businesses as well as on line promotion via 'Sell to Wales' delivered via the commercial services team.

3.5 The council also seek to make the process more transparent and easier for members of the public to understand, in terms of operation of the scheme e.g. frequently asked questions guide on line.

3.6 The scheme is essential for the Council to achieve its objective of lowering carbon emissions and reducing fuel poverty. In addition, the scheme will secure significant additional income for the Housing Service which supports statutory services. These scheme will be delivered in a highly effective and efficient way, making use of an effective private sector partnership that requires little investment from the council.

3.7 It will be a requirement of the proposed scheme to deliver multiple measures to every ward within Powys at a sufficient volume to meet local need. In addition, it must cover delivery cost whilst remaining financially viable.

#### **4 Scrutiny Committee Comments and Observations**

4.1 The Housing Service will be taking a paper to Cabinet in February, proposing the adoption of an ECO3 Ecoflex Statement of Intent. The Housing Service seeks the Committees observations on the scheme.

4.2 Attached as appendices to this report are the following documents:

- Draft Cabinet Report
- ECO3 Option Appraisal
- Revised Statement of Intent
- Revised Application Form
- ECO Flex Impact Assessment
- Procurement Questions