



## **Appendix 1: Option Appraisal for Proposed Introduction of ECO 3 (LA Flex)**

Continuation of the grant scheme known as ECO FLEX requires the council to publish a new statement of intent to unlock funding from ECO 3, following revocation of our ECO 2 statement.

A statement of intent requires the following content

- 1 - Governance details
- 2 - Background
- 3 - Eligibility criteria and methodology
- 4 - Signatory

Sections 1, 2 & 4 are standardised and require no general debate, however section 3 enables the authority to exercise a degree of flexibility regarding access to the scheme and the method by which that takes place. However, guidance issued by BEIS, on behalf of Ofgem, should be used to inform the authority's decision.

The proposed Powys ECO 3 statement of intent is an evolution of the former, refined to address views of local members and contractors. (However some of these views shall be addressed via controls imposed in a tender rather than this document)

## **Eligibility Criteria and Methodology**

This section must roughly adhere to the guidance which states that in order to be considered eligible, a client must:

**A** - be on a “low income” defined by the council (informed by guidance)

And also

**B** - live in a “hard to heat home” defined by the council (informed by guidance)

Under our original statement, **Part A** requirements were met by having a tick box confirming clients spent more than 10% of their income on fuel. This method has not been used by many authorities in England. However, Welsh authorities have adopted this approach, conforming to Welsh Governments definition of fuel poverty and acknowledged in guidance.

- This attracted criticism locally for being too lax and open to abuse.

**Part B** was met by requiring households to possess an inefficient energy performance certificate (E, F or G rated) or alternatively, perform well on a scoring matrix, taking into account size, build type and heating if they had no EPC. This is a very common method used by many authorities.

- This attracted criticism locally for working on large properties with no EPC that appear well maintained. (This is mainly due to companies working on more lucrative properties which draw down the most funding, which is a side effect of the way in which BEIS designed the scheme.)

Our methodology has been to allow grant agents to directly recruit customers, survey/process applications, submit schemes for approval (for which the council receives a fee), then deliver improvements to those viable. This has been successful in terms of volume/efficiency but has a mixed impact on the local energy market, particularly regarding installation of oil boilers.

ECO 3 - Whilst retaining core designs enabling ECO Flex to successfully address thousands of legitimately qualifying clients in Powys, we propose the following options to improve the scheme and mitigate these issues. This is in addition to maintaining a sustainable income stream for the Private Sector Housing Team.

## Proposed Improvements:

Low income criteria could be set as follows;

(Eligibility only possible in conjunction with Option B)

### Option A 1

We retain the 10% of net income spent on fuel rule but in addition we require the client to self-declare their net household income and fuel spend which must be countersigned.

The 10% can then be verified. This will make abuse of this criterion more difficult and easier to verify if necessary.

Proof will not be required for to prevent door step fraud and for GDPR reasons.

- **This method may be criticised for allowing higher income households to access grant if their fuel bill is also high**

### Option A 2

We abolish the 10% rule and replace it with income thresholds.

Any person living in a property type as identified below shall be eligible unless they earn in excess of the corresponding gross value.

	On Gas	Off Gas
1-3 bed	£25k	£27.5k
3+ bed	£30k	£35k

- **This mirrors schemes in other authorities such as St. Helens or Spelthorne**
- **This method may not be favourable for persons earning a respectable amount but face high cost of living e.g. family with many children, or very inefficient home. (Who may qualify on Option 1 but not Option 2)**

### Option A 3

The adoption of Option 1 and 2 concurrently

- **This would be significantly & unnecessarily restrictive - Reducing numbers of applications considerably**

***Private Sector Housing Team favours Option 1.***

The hard to heat criteria could be set as follows;

(Eligibility only possible in conjunction with Option A)

### **Option B 1**

For the purposes of an application we would require any property capable of having an EPC to undergo an assessment. We would then only consider applications from properties with an E, F or G EPC rating. (We would also permit exceptions for listed buildings etc. which would still use the matrix)

*(A qualifying vulnerability would be needed in addition to an E certificate)*

This would ensure all properties receiving grant were inefficient (identified by a trained assessor) adding greater robustness and improving due diligence for the council

This method would make applications more burdensome for agents, properties without an EPC would need to be assessed at cost prior to application. Surveys could only be undertaken by certified EPC assessors

However this could occur as part of the deemed scoring exercise

- **This would address criticism that apparently well maintained properties appear to be in receipt of grant assistance, requiring all properties to be assessed for efficiency. This would be more restrictive and costly than the matrix method.**

### **Option B 2**

We maintain the criteria as is.

We would accept properties with an E, F or G EPC rating. If the property happened to have no EPC, we would permit it to be assessed via the matrix instead requiring a high score.

*(A qualifying vulnerability would be needed in addition to an E certificate or low matrix score)*

- **This will mirror schemes in most other authorities**
- **Criticism of well maintained properties receiving works would be addressed through better control of option A**

***Private Sector Housing Team favours Option 2.***

## Methodology:

Delivery options are as follows:

### Option M 1

#### Self-managing

Households individually petition the council with an application form and request sign off, using an agent of their choice for the install.

This minimises council liability but offers no income generation while presenting a high administrative burden. Members of the public would be ill informed regarding process/procedure and likely be confused. It would also be difficult for non tech savvy households and therefore be inequitable.

- **For these reasons - Proposed method is highly unfavourable**

### Option M 2

#### In-house Management

The council would have to take on the role of grant agent. We would actively advertise and canvas for customers, commission property surveys and sell job-ready leads to installers in batches.

This would require a dedicated ECO Flex team of multiple staff members and require significant cash flow. The council would also inherit liability for works. It would mean local contractors who were not able to self-finance were excluded from delivering installs (unless the council also took responsibility for installations, requiring further staff and cash flow nearing millions).

- **For these reasons - Proposed method is unviable**

### Option M 3

#### Maintain Existing Methodology

We permit a tendered list of agents to receive and canvas new client applications. Agents require council approval of applications and manage installations. Agents deliver ECO Flex installations at their own expense, covering any abortive costs and pay the council an approval fee.

We have the ability to impose almost any criteria as part of this tender e.g. use of local contractors, cold calling restrictions etc.

This is the least labour intensive making it easy to deliver. It can handle very high throughput however, it poses GDPR issues which can be overcome.

- **For these reasons - Preferred Option**

### Option M 4

#### Use of an Intermediary Social Agency

All enquiries would be made via a single organisation who vet applications and appoint a contractor to deliver works, amounting to almost full delegation.

An agency would require significant fees to provide this service, reducing local authority income and possibly costing the council to actually deliver the scheme. An agency would have restricted capacity and therefore limited throughput. They may also aspire to help those most in need, which rarely aligns with the deemed score selection criteria of ECO, meaning a shortfall in funding and aborted schemes.

- **For these reasons - significantly more scoping and finance would be needed to make this option viable**

***Private Sector Housing Team favours Option 3.***

## **Methodology Continued:**

The authority aims to take advantage of the introduction of ECO 3, building criteria into the scheme that will:

- Ensure greater use of local contractors - bolstering the local Powys economy
- Provide greater regulation of cold callers - protecting vulnerable residents
- Better restrict the scheme - to residents most in need

The above important delivery criteria may be achieved via relatively minor rule changes. Criteria may either be added to the statement of intent or included as part of the tender process.

**Private Sector Housing Team favour - criteria added to tender document, making it easier to enforce and/or modify over time.**

## **Further Criticism Associated with ECO Flex**

There has also been criticism of the underlying grant calculations associated with funding delivered by ECO Flex. Primarily, these relate to deemed score surveys which dictate grant values, calculated via lifetime carbon savings for the property. Savings are based on room sizes, number of bedrooms, build and heating type etc. An inevitable consequence, larger properties attract more grant funding and smaller properties cannot attract sufficient funds to make installations financially viable. This results in a fundamental underlying element of inequity within the scheme.

- **Unfortunately, this is set by BEIS and is incapable of being modified by the council**

Criticism has also been levied around funding limited to a first come first served basis and varying in rate. Effectively, two neighbouring properties may experience a different service if applying at different times or through different grant agents. Levels of funding and criteria differs with each energy provider, something individual householders find difficult to accept.

- **Again, this is something over which the authority has no control. However, as ECO 3 has longer funding contracts, there should be more stability in funding levels.**

Should an agreed compromise not be possible via consultation with the Powys Plumbing Group, the Private Sector Housing Team propose ECO 3 LA flex still be adopted but Oil, Gas and LPG boilers be excluded from the list of grant funded measures. This would ensure;

- Residents at risk of fuel poverty still receive the full range of insulation measures available under the scheme
- It would restrict delivery of boilers to minimise any detrimental economic impact on the local plumbing industry in Powys.