

DATA LABEL: PUBLIC



COUNCIL EXECUTIVE

UPDATE TO ENERGY COMPANY OBLIGATION (ECO4) STATEMENT OF INTENT AND FLEXIBLE ELIGIBILITY SCHEME CRITERIA

REPORT BY INTERIM HEAD OF HOUSING, CUSTOMER AND BUILDING SERVICES

A. PURPOSE OF REPORT

The purpose of this report is to seek approval from the Council Executive on the updated Statement of Intent for West Lothian Council for the Energy Company Obligation (ECO) fifth iteration (ECO4) and updated Flexible Eligibility scheme criteria.

B. RECOMMENDATION

It is recommended that the Council Executive:

1. Notes that the UK Government has updated the Energy Company Obligation (ECO) Scheme with the new iteration known as ECO4 and ECO-Flex;
2. Notes that the qualifying criteria for ECO-Flex is no longer defined by Local Authorities, and guidance is set by OFGEM but still must be published in a Statement of Intent document;
3. Notes that ECO-Flex will still apply to owner occupier and private rented households;
4. Notes that publishing a Statement of Intent will allow for increased numbers of households to benefit from ECO support to improve the energy efficiency of their home and subsequently help tackle levels of fuel poverty in West Lothian;
5. Notes that the proposed Statement of Intent was presented to Housing Services Policy Development and Scrutiny Panel on 28 March 2023 and;
6. Approves the publishing of the Statement of Intent on the council's website.

C. SUMMARY OF IMPLICATIONS

I	Council Values	Focusing on our customers' needs; being honest, open and accountable; providing equality of opportunities; making best use of our resources; working in partnership
II	Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)	No policy or legal risks have been identified.
III	Implications for Scheme of Delegations to Officers	None

IV	Impact on performance and performance Indicators	Will assist in improving the energy efficiency of the general housing stock and reduce the number of households living in Fuel Poverty
V	Relevance to Single Outcome Agreement	Will help to reduce households living in Fuel Poverty
VI	Resources - (Financial, Staffing and Property)	Publishing a Statement of Intent will not require additional resources.
VII	Consideration at PDSP	The report was considered by Housing Services PDSP on 28 March 2023
VIII	Other consultations	West Lothian Advice Shop

D. TERMS OF REPORT

D.1 BACKGROUND

The Energy Company Obligation (ECO) was introduced by the UK Government in 2013 to fund energy efficiency measures throughout the UK. The Energy Company Obligation is a levy which works by placing a Home Heating Cost Reduction Obligation (HHCRO) on the medium and large-scale energy suppliers which is now deemed to be those with over 150,000 customers.

The funds generated by this levy are used by those companies to meet carbon reduction targets set by the Office of Gas and Electricity Markets (OFGEM). These companies achieve these targets by providing funding towards domestic energy efficiency improvement projects. In addition to the carbon targets these companies are also set targets to ensure that funding is targeted towards low income households to help reduce fuel poverty.

The scheme has been through four previous iterations ECO, ECO1, ECO2 and ECO3. This new iteration, ECO4, will run through to 31/03/2026.

D.2 ECO-Flex

The previous iteration of ECO, introduced the ECO-Flex scheme which enabled private households to access funding for energy efficiency measures if they met Local Authority set eligibility criteria.

Under the new ECO4 regulations ECO-Flex eligibility criteria are now set by OFGEM regulations which cover all Local Authorities. There are four routes through which funding can be accessed. The new regulations also allow for other organisations to refer households in fuel poverty or provide a declaration. Local Authorities and Suppliers will now also have to collect and retain evidence of eligibility and compliance requirements for the ECO-Flex scheme which can be audited by OFGEM.

The Home Energy Efficiency Programme: Area Based Schemes (HEEPS:ABS) has in the past accessed ECO funding to help reduce cost of works for owner occupiers. This will still be possible however the blending of ECO funding with other government funding is no longer permitted. Funding for individual measures which meet the criteria can be used or a whole house approach within the Area Based Scheme replacing ABS funding for that property.

D.3 STATEMENT OF INTENT

The Statement of Intent is included in appendix 1 of this report. In this document the council sets out the eligibility criteria for the ECO4 scheme

The ECO4 eligibility criteria which has been provided by OFGEM has been broken down into 4 routes with Route 2 requiring two proxies along with the required SAP rating as indicated in the table below.

Proxy is the term used by Ofgem to defining the qualifying criteria under Route 2 to be met along with the required SAP rating as indicated in the table below.

The Routes to eligibility are set out on the table below:

Route	Explanation
Route 1: Household Income	Households living in private tenure SAP band D, E, F or G homes and with a gross annual income less than £31,000. This cap applies irrespective of the property size, composition or region and is from all sources of income, including both non-means tested and means tested benefits.
Route 2: Proxy Targeting	SAP bands E-G households that meet a combination of two of the following proxies: Proxy 1) Homes in Scotland in “data zone” 1-3 on the Scottish Index of Multiple Deprivation 2020 ¹ Proxy 2) Household receiving a Council Tax rebate (rebates based on low income only, excludes single person rebates). Proxy 3) Household vulnerable to 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 household receiving free school meals due to low income. Proxy 5) A household 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 NICE Guideline. Proxy 6) A household referred to the LA for support by their energy supplier or Citizen's Advice or Citizen's Advice Scotland, because they have been identified as struggling to pay their electricity and gas bills. Proxy 7) Households identified through supplier debt data. This route enables obligated suppliers to use their own debt data to identify

¹ [Scottish Index of Multiple Deprivation 2020 - gov.scot \(www.gov.scot\)](https://www.gov.scot)

	<p>either Non-Pre-Payment meter households (non-PPM), or Pre-Payment meter households (PPM).</p> <p>Non-PPM customers: These are customers who have been in debt for more than 13 weeks ending with the day on which the declaration is made, and are in a debt repayment plan with their energy supplier or repaying their fuel debt through 3rd party deductions.</p> <p>PPM customers: Suppliers may also identify PPM households who: have 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 are in a debt repayment plan with their energy supplier; or repaying their fuel debt through 3rd party deductions.</p> <p>* Note: proxies 1 & 3 and proxies 6 & 7 cannot be used in combination with each.</p>
Route 3: NHS Referral	<p>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.</p> <p>This is because the Council has identified a positive correlation between households who suffer from long-term health conditions and living off a low-income, with living in poorly insulated homes.</p>
Route 4: Bespoke Targeting	<p>SAP band D-G owner-occupied households and private rented sector E-G households that are referred under Route 4: Bespoke Targeting.</p> <p>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 exiting routes.</p>

E CONCLUSION

The council continues to support and successfully deliver projects and measures to reduce levels of fuel poverty through improved energy efficiency for private households. The publishing of an updated Statement of Intent based on the new ECO4 criteria will allow the council to continue to do this by better targeting the available funds at those in the most need.

F BACKGROUND REFERENCES

Housing Services March 2023 Energy Company Obligations (ECO4) Flexible Eligibility Statement of Intent

Council Executive October 2018 Energy Company Obligations (ECO) Scheme Flexible Eligibility Statement of Intent

Services for the Community PDSP September 2018 – Energy Company Obligation
(ECO) Flexible Eligibility Statement of Intent

Appendices/Attachments: One

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robert.smith@westlothian.gov.uk

Julie Whitelaw

Interim Head of Housing, Customer and Building Services

25 April 2023

APPENDIX 1

ENERGY COMPANY OBLIGATION – FLEXIBILITY ELIGIBILITY

STATEMENT OF INTENT

Local Authority	West Lothian
Date of Publication	23/04/2023
Publication on Website	23/04/2023
Version	S12000040/00002

This statement sets out West Lothian Council's flexible eligibility criteria for the Energy Company Obligation (ECO4) scheme from April 2023 – March 2026.

The ECO4 scheme will focus on supporting low income and vulnerable households. The scheme will improve the least energy efficient homes helping to meet the Government's fuel poverty and net zero commitments.

The flexible approach for Local Authorities (LAs) to identifying fuel poor and vulnerable households who may benefit from heating and energy saving measures is referred to as "ECO4 Flex".

1. Introduction

1.1. West Lothian Council is committed to tackling Fuel Poverty across the region through various means, as detailed in the Local Housing Strategy (LHS), Strategic Housing Investment Plan (SHIP) and Anti-Poverty Strategy. Adopting the Flexible ECO Eligibility Policy will allow ECO support for energy efficiency improvement measures to be made available to more residents living in private sector housing. This Statement of Intent will help to target those households in the highest level of need by targeting households living in fuel poverty or who are living on a low income and are vulnerable to the effects of living in a cold home. Flexible ECO is only available to support residents living in private sector housing.

1.2. A household is described as living in fuel poverty, in Scotland, if in order to maintain a satisfactory heating regime; it would be required to spend more than 10% of its income on all household fuel use. If over 20% of income is required, then this is termed as being in extreme fuel poverty.

Fuel poverty for ECO4 will however be measured using the Low Income Low Energy Efficiency (LILEE) indicator. Under this indicator a household is considered to be fuel poor if:

- They are living in a property with a fuel poverty energy efficiency rating of band D or below **and**;
- When they spend the required amount to heat their home, they are left with a residual income below the official poverty line.

There are therefore three important elements in determining whether a household is fuel poor under this indicator:

- Household income
- Household energy requirements
- Fuel prices

1.3. This statement is not a guarantee that households will access ECO-Flex since this decision rests with the ECO provider(s). In addition to the discretion of the ECO providers all installations will be subject to appropriate surveys by the ECO providers or their agents to confirm that;

- Properties are suitable for specified measures
- Proposed measures fit within the ECO4 scheme regulations
- ECO providers have funding available

1.4. The level of funding made available by the ECO providers varies and there is no guaranteed minimum funding level. Ultimately West Lothian Council may only facilitate and support households. The final agreement and contract is between the house owner and the ECO provider or their agents.

2. West Lothian Council Area

2.1. West Lothian Council was established in 1996 and as of June 2021, serves a community of approximately 185,580 citizens in central Scotland*, which is 3.2% of the Scottish population. There are 82,591 homes* in West Lothian of which about 14,000 are owned by West Lothian Council; of these 82,591 homes there are approximately 19% of households in fuel poverty across West Lothian and of those 9% are in extreme fuel poverty.

(*National Records of Scotland figures [West Lothian Council Area Profile \(nrscotland.gov.uk\)](https://www.nrscotland.gov.uk/publications/west-lothian-council-area-profile))

The Council welcomes the introduction of the ECO4 Flex eligibility routes as it helps the Council achieve its plans to improve the homes of those in fuel poverty or vulnerable to the cold.

3. ECO4 Flex Referral Routes

3.1. The Council is publishing this Statement of Intent (Sol), on the **23/04/2023** to confirm that each of the households declared will adhere to at least one of the four available routes outlined below:

Route 1:

Households living in private tenure SAP band D, E, F or G homes and with a gross annual income less than £31,000. This cap applies irrespective of the property size, composition or region and is from all sources of income, including both non-means tested and means tested benefits.

Route 2: SAP bands E-G households that meet a combination of two of the following proxies:

Proxy 1) Homes in Scotland in “data zone” 1-3 on the Scottish Index of Multiple Deprivation 2020 ²
Proxy 2) Householders receiving a Council Tax rebate (rebates based on low income only, excludes single person rebates).
Proxy 3) Householders vulnerable to 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 NICE Guideline.
Proxy 6) A household referred to the LA for support by their energy supplier or Citizen's Advice or Citizen's Advice Scotland, because they have been identified as struggling to pay their electricity and gas bills.
Proxy 7) Households identified through supplier debt data. This route enables obligated suppliers to use their own debt data to identify either Non Pre-Payment meter households (non-PPM), or Pre-Payment meter households (PPM)
<p>a) Non-PPM customers: These are customers who have been in debt for more than 13 weeks ending with the day on which the declaration is made, and are in a debt repayment plan with their energy supplier or repaying their fuel debt through 3rd party deductions.</p> <p>b) PPM customers: Suppliers may also identify PPM households who: • have 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 • are in a debt repayment plan with their energy supplier; or • repaying their fuel debt through 3rd party deductions.</p>

* Note: proxies 1 & 3 and proxies 6 & 7 cannot be used in combination with each other.

Route 3: 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.

This is because the Council has identified a positive correlation between households who suffer from long-term health conditions and living off a low-income, with living in poorly insulated homes.

Route 4: SAP band D-G owner-occupied households and private rented sector E-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 exiting routes.

West Lothian Council will decide which routes it will apply and with which partners.

All four routes to ECO4 flex will require the necessary evidence to be provided to prove any claims. This evidence will be held by the Local authority to provide for any future audits.

² [Scottish Index of Multiple Deprivation 2020 - gov.scot \(www.gov.scot\)](http://www.gov.scot)

4. Home Energy Efficiency Programme Scotland: Area Based Schemes (HEEPS: ABS) and ECO funding

ECO 4 funding may not be blended with Scottish Government and other funding. ECO financing however may be leveraged in three main ways:

1. ECO funding alongside HEEPS: ABS for separate measures in the same properties
2. ECO finance replaces HEEPS: ABS or other public funding (whole property).
3. ECO finance as part of a separate local ECO Flex scheme running in parallel with HEEPS: ABS. ECO4 funding could therefore be used within the HEEPS: ABS scheme to fund the works on eligible houses allowing for more houses to receive the energy efficiency upgrades.

ECO finance is now primarily aimed at domestic owner occupiers and at properties with a SAP banding of D and below. There is a requirement to improve these properties to minimum requirement EPC ratings, with an EPC F and G properties expected to reach a band D, and band D and E properties to reach a minimum of a band C.

4. Referrals

4.1. Referrals for Flexible ECO funding will be accepted from both Home Energy Scotland (HES) and via the council's own advocacy service The West Lothian Advice Shop, Citizens Advice Bureau and a Healthcare provided such as General Practitioner or Health Board/ NHS Trust.

All Referrals for Flexible ECO funding must be evidenced with the documents outlined in the regulations.

West Lothian Council will sign declarations in relation to council-initiated area-based schemes such as the HEEPS: ABS programme which are carried out by recognised trademark contractors. In addition, declarations for ECO-Flex will be signed using route 2 proxy 7 to try to target the funding to those most in need.

4.2. The delivery of the HEEPS: ABS programme is managed by the council and all HEEPS: ABS enquiries are directed initially to the West Lothian Advice Shop, who maintain an active referral relationship with HES. Referrals for Flexible ECO funding will also be accepted from contractors appointed to deliver energy efficiency measures as part of the EES: ABS programme.

West Lothian Advice Shop Telephone: 01506 283000

West Lothian Advice Shop Website: <https://www.westlothian.gov.uk/advice-shop>

Home Energy Scotland Telephone: 0800 808 2282

Home Energy Scotland Website: <https://www.energysavingtrust.org.uk/scotland/home-energy-scotland>

The definition of who can make health referrals is contained within the ECO4 regulations.

4.3. All referral information will be handled in accordance with the Data Protection Act and General Data Protection Regulations (GDPR) and retained for the purposes of evidence, monitoring and reporting.

5. Evaluation, Evidence and Reporting

5.1. To facilitate internal monitoring and reporting the council will be required to evidence records to support household eligibility and information received from suppliers or installers on measures installed.

The council will be required to forward information on to OFGEM providing the regulator with:

- The Local Authorities UPRN (Unique Reference Number).
- Whether the referral was made on behalf of another Local Authority.
- The ECOFlex referral routes used.
- The ECOFlex referral proxy's used.
- The date the household became eligible.
- The date of the Sol publication, and
- A link to the Sol.

5.2. The eligibility of the application must be evidenced by one of the following:

- **Route 1 Low Income:** Tax return from the last 3 months payslips from the last 3 months, bank statements from the last 3 months proving income payments.
- **Route 2 Proxy Targeting:** Screen shot confirming that the property is in a SMID area
A signed letter from a Doctor / GP identifying that someone has a medical condition, such as heart disease; a disability that, for instance, stops people moving around to keep warm, or makes them more likely to develop chest infections, following NICE guidance.

Signed letter from local coordinator / local authority that proves the household was eligible for a LA-run scheme.

Eligibility Checking Service (ECS), documentation showing eligibility for free school meals due to low-income provided by the Department for Education or from the school.
A signed letter accompanied by proof of gas and electricity debt from the energy supplier or Citizen's Advice, showing that the household has been referred to the LA for utility bill support or supplier provided Pre-payment meter data.

- **Route 3 NHS Referral:** Official letter signed by either an NHS Trust, NHS Trust Board or NHS Primary Care provider. This letter will need to state that the official signing the letter considers someone in the household to be suffering from one of the four health conditions listed
 - A cardiovascular condition,
 - A respiratory disease,
 - Limited mobility or,
 - Immunosuppression

6. Review

6.1. The scheme will be reviewed annually or at any point there is a significant change to the scheme or the funding available.

6.2. On the review of the scheme the council has the option to withdraw this statement where the scheme is no longer valid or provides no advantages to the communities of West Lothian.

DECLARATION AND EVIDENCE CHECK CONFIRMATION

All potentially eligible households should apply through West Lothian Council or one of their approved ECO installers to ensure that they can either benefit from the scheme or be assessed for eligibility under any other relevant programme.

The officer below will be responsible for checking and verifying declarations and associated evidence submitted on behalf of the local authority:

Name: Gordon Dunsmuir

Job Title: Housing Investment Officer

Telephone: 01506280000

Email: ecoflex@westlothian.gov.uk

CEO OR DEDICATED RESPONSIBLE PERSON MANDATORY SIGNATURE

The West Lothian Council will administer the scheme according to BEIS' ECO4 Order and will identify eligible households via Ofgem's application process. The CEO (or designated Chief Officer) of the Council will oversee the process of identifying eligible households under ECO4 Flex.

The eligibility information will be stored securely in line with the Council's data protection policy, Information Commissioner's Office Data Sharing Code, and BEIS guidance.

Signature: XXXXXX

Name: Julie Whitelaw

Job Title: Head of Housing, Customer and Building Services

Date of signature: 23/04/2023

For any general enquires relating to this Statement of Intent, please contact:

EcoFlex@westlothian.gov.uk