

Questions & Statements Presented to Scrutiny Committee By the “Powys Plumbing Group”

Question 1

“The SWAP report into PCC's ECO2t scheme highlighted a number of major flaws in the way the council ran the scheme. One of the key reasons why widespread fraud occurred under that scheme was because there were no adequate vetting procedures in place. With this in mind, precisely what vetting procedures have been put in place by 'Warm Wales' to check each application under ECO3? Can council officials guarantee that EVERY application will be thoroughly vetted under the ECO3 scheme to ensure they comply with both the income AND EPC qualifying criteria?”

Council Response:

The new ECO 3 scheme has been designed to reflect the recommendations from the audit report. The recommendation is to use an external not-for-profit partner who will be able to provide more resource to assess applications. We have also improved the amount of detail required from applicants and changed the “10% of income fuel poverty definition” to a more restrictive income threshold value in line with guidance. Warm Wales will be contracted to undertake the assessments and the Council will be auditing a percentage of the assessments ensuring they are undertaken correctly.

Question 2

“Council officials have acknowledged that only a handful of the 300+ plumbing businesses based in Powys were prepared to work for the ECO Flex agents under ECO2t, and this was because of the very low, labour only rates they offer to do the work. With this in mind, and the fact that the same very low, labour only rates will be offered by the agents under ECO3, how many Powys based plumbing businesses have signed up, or even expressed an interest, in working for the ECO Flex agents under ECO3?”

Council Response:

The amount of money offered by an agent for ECO work is outside of the control of the council. On the previous scheme the rates available did attract attention from a small selection of contractors. It is expected however, that the proportion of works involving a wet central heating system will fall in ECO 3 in favour of insulation works. The rates paid to agents to do this work has fallen significantly for oil, this will mean Powys no longer has the attractiveness it held for ECO 2t. The consultation exercise with local plumbers has not yet begun as the scheme has not yet been approved, furthermore neither Warm Wales nor Powys Council will be commissioning works directly. If the scheme is approved, Warm Wales and the Council will be arranging meet the buyer events in order that local businesses can consider participating in the scheme. However, as a Government initiative with specific requirements, the Council cannot guarantee the volume of work to be delivered by local contractors.

Question 3

“As the council plan to charge a £90+VAT 'administration' fee for each installation undertaken under ECO3, what's the total income council officials expect PCC to earn from the scheme over the remaining 2 year life span that it's got to run?”

Council Response:

We are expecting the throughput on this scheme to be significantly below that of ECO 2t. Furthermore, if the fee charged becomes a prohibitive factor to works, the arrangement may be varied in time. We forecast a £40k annual revenue in a best-case scenario, as published in the impact assessment. The income will cover the Councils costs and the scheme is expected to be cost neutral.

Question 4

“Of the roughly 59,500 properties in Powys, approximately how many of them have an EPC rating of 'F' & 'G' AND are occupied by a householder living in fuel poverty, and so would be eligible to qualify for the ECO3 scheme?”

Council Response:

The data we have available cannot be accurately cross-matched in this manner. This statement is also not entirely accurate as properties without an EPC, of which there are many, may also qualify for the scheme adding to this number. In addition, there are further data matching issues as social housing is excluded from ECO Flex. Social housing has a better than average EPC score as they are subject to different regulations but are likely to have a higher proportion of low-income occupants. Furthermore, qualification of a property for ECO does not necessarily mean viability to deliver works under the scheme. The involvement of Warm Wales in assessing applicants will provide a robust data source in order to assess the impact of ECO3 in Powys.

Question 5

The regulator OFGEM state that each council is ultimately responsible for ensuring that ECO FLEX is run along national guidelines in their area. With this in mind, how confident are council officials that there won't be a repeat of the flawed processes that occurred under the ECO2t scheme that were so damaging to local businesses and the councils reputation?

Council Response:

The statement of intent used by Powys for ECO 3 will be compliant with the national guidelines. We have chosen to use an external not-for-profit partner who will be able to provide more resource to assess applications. We have also improved the amount of detail required from applicants and changed the “10% of income fuel poverty definition”. Further to this the choice of the council to work with a single management agent should help to reduce and hopefully eliminate the “aftermarket” for the buying and selling of leads. However, the council also need to maintain scheme viability without deterring agents from investing their grant funding in Powys.

“THE WAY THE ECO FLEX SCHEME WORKS IN POWYS”

PPG Statement: “Funding for the scheme is provided through national companies called ECO FLEX agents. These agents pay commission to lead generators who cold call householders offering them free measures such as oil or gas boilers etc.”

Council Response: The choice of the council to work with a single management agent should help to reduce and hopefully eliminate the “aftermarket” for the buying and selling of leads in this manner.

PPG Statement: “Leads are passed on to home assessors who visit the property, complete all the paperwork and forward the forms for approval — it's important to realise that assessors can earn up to £1000 per property if the application gets approved. It's why many of them chose to bend the rules under PCC's ECO2t scheme because they knew that there wasn't a vetting process in place to identify fraudulent applications.”

Council Response: The choice of the council to work with a single management agent should dismantle this business model as there will only be one “buyer” thereby devaluing leads.

PPG Statement: “PCC's own auditors found that under ECO2t up to 20% of installations didn't meet the EPC qualification criteria. No investigation has currently been carried out into the number of applications that didn't meet the fuel poverty qualification criteria under PCC's ECO2t scheme but circumstantial evidence would indicate that it was at least another 40%.”

Council Response: We acknowledge there is a need for better vetting to occur on the ECO 3 scheme and we would be commissioning the services of Warm Wales to help ensure this.

PPG Statement: “As the ECO FLEX agents purchase all the materials, and only pay a very low, flat rate for undertaking the installation work, only a handful of the 300+ plumbing businesses in Powys were prepared to work for them under ECO2t. The reality is that it simply isn't possible to do the work to an acceptable standard for the money being offered. “

Council Response: ECO has operated successfully throughout the UK since 2012, the council are not responsible for setting rates, or providing funding, all work undertaken on ECO would have been signed off by an appropriately accredited engineer.

PPG Statement: “Most local plumbing companies rely on their reputation to generate their work on an ongoing basis. Outside contractors don't have these concerns and consequently are prepared to 'throw' the systems in knowing they'll be long gone by the time any problems with their work come to light.”

Council Response: All ECO work is covered by warranty. The council maintain an ambition to see work delivered locally if possible.

PPG Statement: “Few, if any, other councils have chosen to try and make money from the ECO FLEX scheme. Which begs the question - if it's such a great idea why haven't other councils followed PCC's example, when they are all equally short of money?”

Council Response: Many councils in Wales charge for issuing declarations to help cover administrative costs.

PPG Statement: “Other councils, like Shropshire County Council, have shown that the key to running a successful ECO FLEX scheme, one that complies with OFGEM's national guidelines and where fraudulent applications are kept to a bare minimum, is to have a robust vetting process in place, one that checks EVERY application complies with the fuel poverty and EPC qualification criteria.”

Council Response: Robust vetting will occur under the new proposed scheme involving Warm Wales.

“ECO FLEX - National Qualification Criteria”

“The Energy Company Obligation (ECO) is a government energy efficiency scheme for Great Britain, administered by Ofgem.

PPG Statement: The key qualification criteria for households to have measures undertaken under the scheme are: -

1) The householder must qualify as living in fuel poverty, which is defined by the Welsh Assembly as any household that spend 10% or more of their income on their fuel bills.”

Council Comment: This was the definition Powys adopted for the ECO 2t scheme, a different definition is proposed for ECO3 to more closely match national guidance, this may reduce the reach of the scheme.

PPG Statement:

2) “The property must have the poorest energy efficiency rating, with an EPC rating of either 'F' or 'E' rated properties can also qualify but only if the occupant meets PCC's vulnerability criteria as set out in its Statement of Intent.

3) Maximum number of Powys householders who are likely to qualify for measures under PCC's ECO3 scheme:

Number of properties in Powys 59,138

(Ref: FCC 50 Facts About Powys 2017)

Approximate number of 'F' and 'G' rated properties in Powys $59,138 \times 6\% = 3,350$

(Ref: Welsh Government Statistical Bulletin)”

Council Comment: Properties without an EPC are also eligible; this increases the numbers.

PPG Statement: “Approximate number of households living in fuel poverty in 'F' and 'G' rated properties (Ref: Welsh Government Statistical Bulletin)”

$3,350 \times 43\% = 1,600$ (A)

Council Comment: As stated earlier, this data cannot be accurately cross-matched.

PPG Statement: “In addition, assuming that 25% of householders in ‘E’ rated properties will qualify under the vulnerability criteria, and using the same methodology as above

(Ref: Welsh Government Statistical bulletin)

$59,138 \times 14\% = 7,260$ $7,260 \times 18\% = 1,300$ $1,300 \times 25\% = 325$ (B)

Maximum number of households who are likely to qualify for measures under the ECO3 scheme in Powys is: TOTAL (A) + (13) at 1,825*

*Many of these properties have already had measures undertaken under the ECO2t scheme - in PCC's impact assessment statement for ECO3 they claim that a total of 1735 new boilers were installed under ECO2t in Powys. In addition many 'E', 'F' and 'G' rated properties in Powys would already have had measures undertaken under the Welsh Governments warm homes Nest scheme.”

Council Comment: As properties without an EPC can be added to this, there is a greater scope of properties able to be targeted. The Focus of ECO 2t was boilers in off-gas properties, for ECO 3 there will be more scope to target mains gas properties and insulation. We expect that this will result in different properties being targeted, that were not previously viable.

PPG Statement: “Both these facts would suggest that if the vetting process is functioning correctly then it's extremely unlikely that the number of measures approved under PCC's ECO3 scheme could exceed 500 to 1000. At £90+VAT per installation this would equate to a total income for the council of between £46,000 and £90,000 + VAT.”

Council Comment: We agree with this income estimation, the best-case income target we predicted was circa £40k per annum