

CYNGOR SIR POWYS COUNTY COUNCIL

CABINET EXECUTIVE

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Regeneration

REPORT TITLE: Revision of the Statement of Intent to improve delivery of
ECO-3 LA Flex in Powys

REPORT FOR: Decision

1. Purpose

- 1.1 ECO-3 is the United Kingdom-wide Energy Company Obligation (ECO) programme that started in Autumn 2018 and will run until March 2022. The programme delivers energy efficiency and heating measures to homes in Great Britain.
- 1.2 The ECO-3 programme embraces a range of different schemes, including Home Heating Cost Reduction Obligation (HHCRO)¹ and ECO-3 LA Flex. ECO-3 LA Flex allows a local authority to establish its own eligibility criteria. There is no obligation on a Council to establish an ECO-3 LA Flex scheme. However, doing so expands the range of households who can benefit from help to improve energy efficiency and reduce fuel costs.
- 1.3 Powys has opted to support the availability of the ECO-3 LA Flex scheme in the county as it complements not only HHCRO but also the Welsh Government's Warm Homes initiative, which includes the Arbed am Byth² and Nest³ schemes, together with the Warm Homes Fund⁴. ECO-3 LA Flex compared to other schemes includes within its eligibility some non-means tested benefits not included in other schemes. This allows action to reduce fuel poverty, raise energy efficiency and

¹ The Home Heating Cost Reduction Obligation (HHCRO) scheme, also known as 'Affordable Warmth', provides funding to help eligible people reduce the cost of heating their home through the installation of energy efficient measures. Available across Britain, it is targeted at households with the lowest of incomes.

² Arbed am Byth is the agency been appointed by the Welsh Government to arrange the installation of energy efficiency measures, like central heating or insulation in homes across Wales as part of the Welsh Government Warm Homes scheme.

³ Every household in Wales is eligible for Nest advice and support. Homeowners who own or privately rent their home, are in receipt of a means-tested benefit or living with specific health conditions and living in the most energy inefficient properties may also be eligible for Nest funded home energy efficiency improvements.

⁴ Warm Homes Fund specifically targets F & G EPC rated homes within the private rented sector, in collaboration with Rent Smart Wales.

increase environmental sustainability to be enjoyed by more households and communities.

- 1.4 In Powys ECO-3 LA Flex is delivered by Warm Wales, a not-for-profit Community Interest Company specialising in tackling fuel poverty.
- 1.5 Since the scheme's adoption in Powys in September 2020, Warm Wales has processed 37 applications, which generated the delivery of 2 installations of energy efficiency measures. This is far below expectations. Continued delivery at this rate is unlikely to adequately improve the energy efficiency and lower fuel costs of households at risk of fuel poverty.
- 1.6 This report recommends a change in the Powys eligibility criteria, informed by the latest guidance from the Department of Business, Energy and Industrial Strategy (BEIS) and OFGEM, to embrace a wider client group and increase take-up of the scheme.

2. Background

- 2.1 ECO-3 LA Flex is considered a key driver in assisting local authorities in their aim of reducing fuel poverty, whilst simultaneously reducing carbon emissions from domestic housing stock, owned or occupied by those unable to pay for improvements themselves.
- 2.2 Under current BEIS guidance, for a council to partake in ECO-3 a Statement of Intent (Sol) must be published by said council. The Sol sets eligibility criteria for the fuel poor and vulnerable applicants, as well as details for how the scheme will operate and be governed.
- 2.3 The current approach to eligibility adopted by Powys references household incomes included within BEIS guidance to determine homes most at risk of fuel poverty. However, following adoption of the Powys scheme in September 2020, the Government issued updated ECO-3 guidance via OFGEM⁵.
- 2.4 The new guidance increases eligible income levels in line with higher child benefit thresholds. This means income threshold levels for ECO-3 LA Flex in Powys, set out in the current Sol, no longer reflect the latest national guidance. ECO-3 LA Flex in its current form is therefore unattractive to Powys households and unviable for Warm Wales to deliver.
- 2.5 A review by Warm Wales (attached to this report as Appendix A) indicates that the low take-up of the scheme in Powys is the result of restrictive eligibility criteria. The low-income threshold (above which households are considered ineligible for help), is considered too low.

⁵ The revised ECO-3 guidance can be found at:
https://www.ofgem.gov.uk/system/files/docs/2020/09/energy_company_obligation_2018-22_eco3_guidance_delivery_v1.5.pdf

2.6 There is no guaranteed share of ECO-3 LA Flex funding for any one local authority area. Other Welsh councils such as Rhonda Cynon Taff, Neath Port Talbot, Ceredigion, Gwynedd, Pembrokeshire and Anglesey all have more generous eligibility criteria when compared with Powys. This has resulted in an increase in their take-up of ECO-3 LA Flex, making Powys much less attractive for investment by ECO funders and delivery partners. Consequently, Powys households may be losing out on investment.

3. Advice

3.1 Following a thorough review by Warm Wales and Housing Services of both BEIS and OFGEM guidance, together with Sol's adopted by other Welsh authorities, it is proposed that the Powys Sol be amended to increase the take-up rate of ECO-3 LA Flex. The recommended changes will allow for wider eligibility criteria, expanding from dealing with acute fuel poverty and helping those with lower incomes to embrace strategic targeting of the elderly and vulnerable. This will help bring the rate of applications back in line with the levels initially predicted at the launch of ECO-3 LA Flex in Powys.

3.2 The main changes recommended to the Powys Sol are:

- A means tested income cap of £34,500 for vulnerable applicants will be applied, which will make sure that the scheme targets a wider range of low-income households. The current cap is dependent on household size and does not differentiate by reference to vulnerability.
- Income thresholds for adults without vulnerabilities are increased from £9,300 (net) to £14,000 (gross)⁵. This will be comparable to other Welsh authorities operating ECO-3 LA Flex and should avoid disadvantaging Powys residents compared to those living in other parts of Wales.
- Remove vulnerability requirement for occupiers of properties with an 'E' rated Energy Performance Certificate.

3.3 A revised Sol, which includes the changes set out above, is attached to this report as Appendix B.

3.4 Options Appraisal

3.4.1 Option One: Discontinue the scheme.

- The scheme in its current format is financially unviable for continued delivery by Warm Wales. Discontinuation will remove ECO-3 LA Flex investment in the energy efficiency of homes, detrimentally

⁵ When the ECO-3 LA Flex scheme was launched in Powys, net incomes after taxes, national insurance, utility bills and mortgage costs were used to determine eligibility. Moving to gross incomes, based on gross salary, pension or social security payments, will simplify the process of both applying and administering the scheme. In addition, it will reduce the risk of fraud from people who may exaggerate outgoings to achieve a low net income.

effecting the well-being and health of low-income and vulnerable households.

- It will also remove the ability for Powys to access both Welsh Government Arbed am Byth and Warm Homes Scheme, severely restricting future strategic investment in energy efficiency projects.

3.4.2 Option Two: Approve the revised Sol.

- Adoption of the recommended changes included in the revised Sol, will increase take-up of ECO-3 LA Flex in Powys, reduce carbon emissions from domestic housing and deliver reduced energy bills for many households as a result of living in more energy efficient homes.

4. **Resource Implications**

4.1 There are no additional resource implications for the authority, as ECO-3 LA Flex is fully funded by the participating energy companies. Warm Wales will continue to deliver the scheme at zero cost to the Council.

4.2 The Head of Finance (Section 151 Officer) notes the content of the report and that a change of eligibility criteria should increase the take up of this scheme, with no implications on the authority's budget.

5. **Legal implications**

5.1 The Councils Legal Services team have commented: The recommendation can be supported from a legal point of view.

5.2 **The Head of Legal and Democratic Services (Monitoring Officer) has commented as follows:**

6. **Data Protection**

6.1 The declaration of a revised 'Statement of Intent' for the continued delivery of ECO-3 LA Flex in Powys involves the processing of personal data. Delivery will be contracted out to the Community Interest Company, Warm Wales, which will be the data controller. Accordingly, Warm Wales are required to deliver the scheme and comply with data protection legislation, under existing service level agreement with the Council.

6.2 Any personal data being processed by Powys County Council as the data controller, in relation to the declaration, will be managed in line with data protection legislation.

7. **Comment from local member(s)**

7.1 ECO-3 LA Flex is a county wide initiative affecting all local Members.

8. **Integrated Impact Assessment**

8.1 An impact assessment was undertaken prior to adoption of the original ECO-3 LA Flex proposal. Amendment of the Sol will ensure delivery of the scheme in accordance with the original Impact Assessment.

9. Recommendation

9.1 Cabinet is recommended to:

9.1.1 Adopt the revised Statement of Intent for the delivery of ECO-3 LA Flex by Warm Wales.

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