

**CABINET MEETING: 15 OCTOBER 2020**

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**HOUSING RETROFIT - LOCAL AUTHORITY FLEXIBLE  
ELIGIBILITY FOR ECO**

**CLEAN STREETS, RECYCLING AND ENVIRONMENT  
(COUNCILLOR MICHAEL MICHAELS)**

**AGENDA ITEM: 3**

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**Reason for this Report**

1. To approve and publish a “Statement of Intent” for the Council to use the Government’s “Local Authority Flexible Eligibility for ECO”, so that fuel poor households from the Rent Smart Wales Warm Homes Fund project, and potential future projects of a similar nature, can benefit from additional private sector funding to improve their homes.

**Background**

Energy Company Obligation

2. The Energy Company Obligation (ECO) is a government energy efficiency scheme which aims to help deliver energy efficiency retrofit measures in domestic properties in the UK. It is funded through a tax payable by energy companies, which is in turn raised via customer bills.
3. The scheme aims to tackle fuel poverty and reduce carbon emissions.
4. ECO began in April 2013 and over time its various detailed terms and targets have been amended. The latest policy, ECO3, commenced in December 2018 and is due to run until March 2022.
5. A private sector household (owner occupied or private sector rental) qualifies for ECO funding if they are in receipt of qualifying benefits and where the household income is below a set cap. ECO funding is obtained from Energy Suppliers direct, or more often via an intermediary, who organises and oversees the retrofit of the property. The funding covers a proportion of the cost of the retrofit, which is dependant upon the measure installed and the energy efficiency of the property prior to retrofit. The surplus is paid by the property owner (owner occupier or private sector landlord).

6. Social housing with an Energy Performance Certificate (EPC) rating of E, F or G qualifies for ECO funding regardless of the tenants benefits eligibility. Local Authorities can become involved in this aspect of ECO if their housing stock qualifies for funding. Cardiff utilises this funding for its housing stock, where applicable, via the insulation contractor in place.

#### LA Flex

7. To encourage wider uptake of ECO funding the government has introduced a mechanism to allow local authorities to facilitate ECO works under a scheme called Local Authority Flexible Eligibility for ECO (LA Flex).
8. The benefits of local authority involvement in LA Flex include:
  - a. More widespread and targeted local marketing of the opportunity for grant funding to increase uptake;
  - b. The ability to set bespoke, area-specific qualifying criteria beyond the basics set out above, to cover more households in fuel poverty in the area; and
  - c. Developing an approved list of suppliers to achieve better quality control, both of the customer journey and works undertaken to potentially vulnerable households.
9. Households qualifying for LA Flex still need to be living in fuel poverty or a household living on a low income and vulnerable to the effects of living in a cold home.
10. LA Flex only applies to private sector households (owner occupied or private rental).
11. Participation in the LA Flex scheme would potentially assist Cardiff households in fuel poverty, and supports one of the key short term ambitions of the One Planet Cardiff Strategy which is to seek ways to upscale domestic energy retrofit in the city and stimulate the economic recovery.
12. The Council currently retrofits a few hundred homes a year but to fulfil the One Planet Cardiff Strategy ambition this needs to increase to be thousands; LA Flex could be one of the mechanisms to help achieve this upscaling of delivery. LA Flex is aimed at households on low incomes and living in the least energy efficient homes. In Cardiff approximately a third of households have an income of £20,000 and below, and approximately 45% of the city's housing stock is energy inefficient (Energy Performance Certificate (EPC) band D and below) with 15% being very energy inefficient properties (EPC band E and below). Extrapolated this could mean that between 25,000 to 50,000 households in Cardiff potentially qualify for LA Flex funding.

## Statement of Intent

13. To widen the criteria under LA Flex the local authority needs to approve and publish a Statement of Intent (SOI) detailing household qualifying criteria and how to access funding (ie detailing the Council's procured intermediaries / installers if this is the route taken). Local authorities participating under LA Flex are expected to follow the published BEIS guidance 'Energy Company Obligation: ECO3 2018-22 Flexible Eligibility Guidance'.

## How it Works

14. A local authority can change the SOI criteria as and when required but needs to approve and publish each version. A new version of the SOI supersedes all previous versions.
15. Once the SOI is published Energy Suppliers or their intermediaries (eg energy installers) can submit householder details to the local authority to request that a Declaration be issued if they qualify for potential funding.
16. The local authority Declaration is a statement in writing that a household is eligible for support under LA Flex. To issue the Declaration the local authority has to have seen evidence that demonstrates the household fulfils the qualifying criteria detailed in the SOI.
17. Only local authorities can sign and issue Declarations. The SOI must detail a named officer who will sign and issue these Declarations. The named officer is also responsible for reporting back to the Department for Business, Energy & Industrial Strategy on the number and details of Declarations issued.
18. Meeting the Council's LA Flex criteria and the issuing of a Declaration does not guarantee the installation of energy efficiency measures. The final decision will lie with the Energy Supplier that is providing the funding.

## **Issues**

### Resources and quality control

19. Cardiff has not issued a SOI to date due to resource issues and concern over the quality control of retrofit installations. Experience of other local authorities is that the issuing of the SOI entails a full time resource to manage the process correctly and effectively. Where schemes have been run without proper resource this has resulted in issues and complaints from residents, local installers and BEIS.
20. The SOI can be open to all Energy Suppliers and their intermediaries, which is likely to result in a high volume of applications for eligibility and resulting Declarations to be issued.

21. However, local authorities can add in an element of control by undertaking a procurement process to contract companies with ECO funding agreements in place who fulfil quality criteria around the customer journey and retrofit measures installed. Intermediaries procured via this exercise would then be listed on the Council website alongside the published SOI so that a clear route to funding is available to both residents and installers.
22. A more controlled approach is recommended, both to avoid overwhelming resources and to ensure quality of installers and resultant works. Additionally it would be prudent to undertake a pilot LA Flex project prior to committing to a fuller procurement exercise.
23. Therefore, it is proposed that the existing Rent Smart Wales Warm Homes Fund project is utilised as a pilot for LA Flex. This will enable us to evaluate the success and eventual resources required for a wider LA Flex scheme.

#### LA Flex pilot project

24. Rent Smart Wales are currently coordinating the Warm Homes Fund project for private sector housing across Wales. The project aims to install first time central heating to approx. 275 of the poorest energy performing private rental homes in Wales. The project will prioritise the most inefficient homes blending a number of funding sources including ECO, Warm Homes Funding and individual landlord contributions.
25. Rent Smart Wales have been through a procurement exercise to engage a project delivery partner, with the successful company being YES Energy Solutions. YES Energy Solutions have ECO3 funding contracts with 5 Energy Suppliers, enabling them to access ECO funding including the LA Flex element for local authority areas where there is a SOI in place. Utilising LA Flex for eligible properties could help stretch the project funding further and, for the purposes of the pilot, could rely on existing resources.
26. On this basis a SOI has been drafted for the specific and exclusive purposes of assisting the current Rent Smart Wales project. The qualifying criteria includes both fuel poverty and health issues (Appendix 1). This is based on the BEIS Guidance and has been agreed as suitable by BEIS. The SOI states that the following can submit applications for Declarations: 'YES Energy Solutions for the Rent Smart Wales Warm Homes Fund project and companies who have been procured by Cardiff Council for the purpose of enabling ECO funding for private sector households'.
27. This would enable LA Flex to be utilised on a pilot basis within the Rent Smart Wales Warm Homes Fund project for us to assess the likely resources that might be required to expand to other schemes in the future should the resource issues be identified. The Rent Smart Wales pilot is limited to only private rental properties and small numbers within Cardiff as the 275 first time central heating installs are to be spread

across Wales. However this pilot could be the springboard to something much larger; as noted previously if LA Flex is opened out to all private tenure households in Cardiff (owner occupied and private rental) then between 25,000 and 50,000 households in Cardiff could potentially qualify for Declarations.

28. It is proposed that authority be delegated to the Director for Planning, Transport & Environment to define and authorise future revisions to the SOI so that this can be a swift process that reacts to funding opportunities as they arise. The types of revisions anticipated include amending the household income thresholds annually in line with inflation, and changing the named officer that signs off the Declarations.
29. The Energy Company Obligation is due to run until 2029, although ECO3 ends in March 2022. Industry anticipates that LA Flex will continue into ECO4, although at this time Government have not confirmed this.

### **Reason for Recommendations**

30. To enable private sector fuel poor households and those on low incomes and vulnerable to the effects of a cold home to benefit from LA Flex funding.

### **Financial Implications**

31. By utilising the existing Rent Smart Wales Warm Homes project as the basis for a LA Flex pilot project financial implications can be contained within existing resources. Results from the pilot project will need to be reviewed to identify if there would be any further resources requirements, and how these could be funded, from a scaling-up of the Council's facilitator role for this initiative.

### **Legal Implications**

32. If any procurement is undertaken, such procurement will need to be in accordance with the council's contract procedure rules and applicable procurement regulations. With reference to the contract in the report, legal services are instructed that the contract allows the project referred to.

### **Equalities Duties.**

33. In considering this matter the decision maker must have regard to the Council's duties under the Equality Act 2010. Pursuant to these legal duties Councils must, in making decisions, have due regard to the need to (1) eliminate unlawful discrimination, (2) advance equality of opportunity and (3) foster good relations on the basis of protected characteristics. Protected characteristics are: (a) Age, (b) Gender reassignment, (c) Sex (d) Race – including ethnic or national origin, colour or nationality, (e) Disability, (f) Pregnancy and maternity, (g) Marriage and civil partnership, (h) Sexual orientation (i) Religion or belief – including lack of belief.

## **Well Being of Future Generations (Wales) Act 2015**

34. The Well-Being of Future Generations (Wales) Act 2015 ('the Act') places a 'well-being duty' on public bodies aimed at achieving 7 national well-being goals for Wales - a Wales that is prosperous, resilient, healthier, more equal, has cohesive communities, a vibrant culture and thriving Welsh language, and is globally responsible.
35. In discharging its duties under the Act, the Council has set and published well being objectives designed to maximise its contribution to achieving the national well being goals. The well being objectives are set out in Cardiff's Corporate Plan 2019-22. When exercising its functions, the Council is required to take all reasonable steps to meet its well being objectives. This means that the decision makers should consider how the proposed decision will contribute towards meeting the well being objectives and must be satisfied that all reasonable steps have been taken to meet those objectives.
36. The well being duty also requires the Council to act in accordance with a 'sustainable development principle'. This principle requires the Council to act in a way which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs. Put simply, this means that Council decision makers must take account of the impact of their decisions on people living their lives in Wales in the future. In doing so, the Council must:
- Look to the long term
  - Focus on prevention by understanding the root causes of problems
  - Deliver an integrated approach to achieving the 7 national well-being goals
  - Work in collaboration with others to find shared sustainable solutions
  - Involve people from all sections of the community in the decisions which affect them
37. The decision maker must be satisfied that the proposed decision accords with the principles above; and due regard must be given to the Statutory Guidance issued by the Welsh Ministers, which is accessible using the link below: <http://gov.wales/topics/people-and-communities/people/future-generations-act/statutory-guidance/?lang=en>

### General

38. The decision maker should be satisfied that the decision is in accordance within the financial and budgetary policy.
39. The decision maker should also have regard to, when making its decision, to the Council's wider obligations under the Welsh Language (Wales) Measure 2011 and the Welsh Language Standards.

### **HR Implications**

40. There are no HR Implications for this report.

## **Property Implications**

41. There are no immediate property implications resulting from this report. Any future transactions affecting the Council's property estate should be undertaken adherence to the established asset management process.

## **RECOMMENDATIONS**

Cabinet is recommended to

1. approve the Cardiff Council Flexible Eligibility for ECO Statement of Intent, and
2. delegate authority to the Director for Planning, Transport & Environment to
  - a) make arrangements for discharging the functions under the Statement of Intent and authorising officers to sign Declarations and
  - b) in consultation with the Cabinet Member for Clean Streets, Recycling and Environment, make changes to the Statement of Intent as necessary and to carry out the process for implementing such changes.

<b>SENIOR RESPONSIBLE OFFICER</b>	<b>ANDREW GREGORY</b> <b>Director of Planning, Transport &amp; Environment</b>
	9 October 2020

*The following appendix is attached:*

Appendix 1 - Cardiff Council Flexible Eligibility for ECO Statement of Intent

*The following background paper has been taken into account*

Department for Business, Energy & Industrial Strategy - Energy Company  
Obligation: ECO3 2018-22 Flexible Eligibility Guidance