

REPORT TO	ON
CABINET	25 th October 2017



TITLE	PORTFOLIO	REPORT OF
<i>Statement of Intent for Energy Company Obligation (ECO) Flexibility Eligibility</i>	Strategic Planning and Housing	Director of Development, Enterprise & Communities

Is this report a KEY DECISION (i.e. more than £100,000 or impacting on more than 2 Borough wards?)	Yes No
Is this report on the Statutory Cabinet Forward Plan ?	Yes No
Is the request outside the policy and budgetary framework and therefore subject to confirmation at full Council?	Yes No
Is this report confidential?	Yes- No

1. PURPOSE OF THE REPORT

To inform Members of the options under the governments Energy Company Obligation Flexibility option which will assist some of the most vulnerable households in the Borough in energy efficiency and reducing energy bills.

The Cabinet are asked to approve either the Council's Statement of Intent (SOI) or the Cosy Homes in Lancashire Statement of Intent and authorise its publication on the Council's website and BEIS (Department for Business, Energy & Industrial Strategy).

2. PORTFOLIO RECOMMENDATIONS

2.1 - Agree Option Two be endorsed.

2.2 - Agree for South Ribble Borough Council to take part in the ECO flexible eligibility scheme

2.3 - Agree the Statement of Intent for South Ribble Borough Council

2.4 - Authorise the Director of Development, Communities and Enterprise in consultation with the Portfolio Holder, to put all necessary steps in place to implement the Statement of Intent.

2.5 - Agree that the council runs a promotion / awareness raising campaign with residents

The Report was deferred at the last cabinet meeting requesting additional information, this has now been completed, and a cost breakdown and impact assessment is provided.

3. CORPORATE PRIORITIES

The report relates to the following corporate priorities

Clean, green and safe	x	Strong and healthy communities	x
Strong South Ribble in the heart of prosperous Lancashire		Efficient, effective and exceptional council	

EXECUTIVE SUMMARY

In 2017 following a review of the governments Energy Company Obligation, a new revised scheme was launched in April 2017 which provides greater flexibility for local authorities to utilise funding from energy suppliers under the Energy Company Obligation.

This new initiative allows local authorities to set their own qualification criteria for assistance to address local need, under the new scheme energy suppliers have to allocate 10% of their energy company obligation budget to be used under the new Flexible eligibility criteria.

The funding can be accessed directly from the energy suppliers or through a 3rd party contractor and can be used to carry out energy saving measures to domestic properties.

Local authorities can only access this funding if a Statement of Intent (SOI) has been published on its website and BEIS (Department for Business, Energy and Industrial Strategy) have been notified of its publication.

Each installation that qualifies for funding under the new Flexible eligibility criteria will require a declaration to be signed by the council, which confirms that the council has been consulted in the measure being installed.

No measure will be able to be installed without this declaration from the council as this will be required by the energy supplier who will be funding the work and is a requirement by BEIS (Department for Business, Energy and Industrial Strategy).

The 2017 Fuel poverty figures indicates that there are a total of 4672 (9.9%) of households in the borough are in fuel poverty, these are identified across all 5 neighbourhoods. The criteria that will be used is same as other Lancashire authorities which will help the most vulnerable household's access funding to enable energy measures to be installed.

This report provides 3 options to be considered for the delivery of this new initiative, the options are:

1. Join the Cosy Homes in Lancashire (CHIL) scheme which is delivered by a 3rd party contractor.
2. The Council to deliver the scheme direct with its own statement of intent and agreements with utility providers.
3. The Council could opt not to publish a SOI

Once the agreed Statement of intent is signed, this will then be published and delivery of the scheme can resume through the selected route.

4. BACKGROUND TO THE REPORT

The Energy Company Obligation is an existing scheme which the residents have benefitted from over the last 3 years. The change which has resulted in this report is the need for councils to agree a new flexible eligibility criteria.

Over the last 14 years the Council has run winter warmth schemes. These have been targeted at some of our most vulnerable residents. The schemes have had a large take up but fuel poverty remains an issue for several reasons. The ageing demographics, more people on a pension, falling household incomes and fuel price all contribute to fuel poverty levels.

The Strategic Housing Framework 2017 - 2020 has one of its three priorities "Maintaining, and where possible improving, the quality of existing homes. " This initiative supports this priority.

5. PROPOSALS

The Energy Company Obligation (ECO) is an obligation on energy suppliers aimed at helping households cut their energy bills and reduce carbon emissions by installing energy saving measures which has been in place for the last 3 years and the residents have benefitted.

As of January 2017, it has delivered energy efficiency measures to over 1.6 million households in Great Britain, of which over 900,000 are low income and vulnerable households, or households in specified areas of low income.

The report brings forward options and makes recommendations on how we will assist some of our most vulnerable people in the Borough to be more energy efficient and reduce energy bills.

The new 'Flexible Eligibility Criteria' which is a new element within the Energy Company Obligation (ECO) sets out opportunities for local authorities to engage with energy suppliers on how suppliers meet their obligations to install energy efficiency measures in homes under the Energy Company Obligation. Local Authorities can refer households to suppliers for support, in particular households in fuel poverty or with occupants on low incomes and vulnerable to the effects of cold homes. The final decision on whether residents will receive assistance will be made by the energy suppliers.

The government's aim is to allow this new approach to work in a straightforward way, with a main focus on two documents from Local Authorities: a Statement of Intent that they are going to identify households as eligible, and the criteria they are going to use; and a declaration that the Local Authority has been consulted on the installation of measures in a home.

There are two main categories of private tenure household that Government intends to be eligible through flexible eligibility:

- (i) Fuel poor households, especially those that are not in receipt of ECO eligible benefits, and the estimated 20% of fuel poor households that are not in receipt of any benefits; and
- (ii) Low income households that are vulnerable to the effects of living in a cold home Government intends to test this new mechanism for targeting these households during the 18 month extension to ECO, with the possibility of expanding it in future if it is successful.

All authorities are not required to take advantage of this new funding, however no work can be funded by any energy supplier under the 'flexible Criteria' without a valid statement of intent being published on the council's website and notifying BEIS (Department for Business, Energy and Industrial Strategy)

Once the council has published its 'Statement of Intent' funding can then be utilised from providers to deliver benefits to residents meeting the criteria.

Statement of Intent

Local Authorities will have to publish on Statement of Intent (SOI) before they can issue declarations of eligibility under flexible eligibility. The Statement of Intent should be signed by the Chief Executive Officer, or other senior officer nominated on their behalf that is at least at Director Level

The Statement of Intent has one mandatory section which is where the Local Authority will state how it intend to target eligible households.

Local Authority Declaration

This is a statement in writing that a household is eligible for support. Only Local Authorities can issue declarations of eligibility.

As the flexible eligibility criteria requires that Local Authorities must be consulted on the installation of a measure by suppliers the declaration can be made before or after the installation of measures.

No direct funding for the measures will be required by the council as the work will be covered by the funding through any provider the councils utilises, depending on which option the council chooses to deliver this may have indirect costs such as staff time, marketing etc.

Market Analysis

All six energy providers have been contacted to determine their offer for the council, all with the exception of Eon have already fully committed their funding.

The ChIL (Cosy homes in Lancashire) scheme is delivered through a 3rd party contractor who has agreed funding through an agent who have contracts with the energy supplier, this may result in reduced funding being actually spent on measures for customers.

6. CONSULTATION CARRIED OUT AND OUTCOME OF CONSULTATION

Consultation has been carried out with all 14 Lancashire authorities through the Lancashire Energy officers group.

All have or in the process of accessing funding to deliver measures to their residents through the ECO Flexible eligibility funding.

All Authorities have opted for either one of the options below:-

- 1) Directly with the energy provider
- 2) Through a 3rd party contractor.

This report asks the cabinet to state the preferred option.

7. OTHER OPTIONS CONSIDERED

Three options to be considered –

Option 1

Join the Cosy Homes in Lancashire (CHIL) scheme, agree and sign the Lancashire statement of intent and deliver as a Lancashire wide scheme which uses a managing agent, this option will use a 3rd party contractor who will collate all referrals and refer them to installers / funders who they have contracts with themselves, there will be little or no control of who received assistance or the standard of the work carried out.

ICT Implications

The Council will need to sign and store the local authority declarations.

Financial/Resource Implications

- (a) Staff time to complete local authority declarations
- (b) Assisting with publicity and promotion
- (c) No referral income for the council as any income will be used by the contractor to deliver the service across Lancashire

Risk -

- (a) As the contract for funding will be between contractor and their funders the council has no control over the quality of measures installed.
- (b) If the referral fees received by the contractor cannot sustain their business they may withdraw all services which will leave the councils without any funding to deliver the service.
- (c) Where customers have a shortfall i.e where the cost of the work may not fully be covered by the funder the customer will be required to pay which may not be possible for some vulnerable customers.

Option 2

The Council to deliver the scheme direct with its own statement of intent and agreements with utility providers, Customers would not be disadvantaged as the criteria is the same as Cosy Homes in Lancashire (CHIL) which is being used across Lancashire. This options will provide the council greater control over the customer journey from initial contact through to completion.

ICT Implications

- (a) The Council will need to sign and store the local authority declarations.
- (b) The Council's Gateway to be the first point of contact for customers, existing Firmstep script will need to be revised to reflect the new scheme.
- (c) Referral to be electronically sent to the service provider on a spreadsheet.

Financial/Resource Implications (See background documents Campaign Details and Costs)

- (a) Staff time to complete local authority declarations
- (b) Assisting with publicity and promotion
- (c) Gateway costs to take customer enquires
- (d) Referral income for the council will be paid direct to the council from the funder which can be used to deliver the service.
- (e) The referral income can also be used to meet any customer shortfalls where a customer is in hardship.

Risk

The council may not be able to attract any funder directly as the funding is mainly provided by the big 6 utility providers, At the time of the original report on the 6th Sept 2017 there was only Eon who had funding still available and were in a position to fund this.

It is not possible to make an accurate forecast on the level of installations which would be carried out by this initiative and the income it may generate for the council as this is a brand new scheme nothing like any previous government initiatives, therefore an assumption has been made based on different levels of take up of installations with the lowest and the highest fees payable to determine the potential income.

Referral Income proposed by Eon

Measure	Fee	Measure	Fee
External Wall Insulation	£100.00	LPG Boiler	£40.00
		Oil Boiler	£150.00
Cavity wall insulation	£50.00	Park Home LPG Boiler	£100.00
Loft Insulation	£25.00		

Number of potential installations

Based on the latest fuel poverty data for the borough there are 4672 homes that are in fuel poverty, the neighbourhood fuel poverty levels are –

Central	1328	Penwortham	474
Leyland	892	Eastern	874
Western Parish	1104		

Lowest fee level

% Take up	Number of households	Income (Loft @ £25.00)
1	46.72	£1,168.00
5	233.60	£5,840.00
10	467.20	£11,680.00

Highest Fee Level

% Take up	Number of households	Income (Oil Boiler @ £150.00)
1	46.72	£7,008.00
5	233.60	£35,040.00
10	467.20	£70,080.00

Option 3

The Council could opt not to publish a SOI. However, this would provide residents of the borough no funding towards any measures under ECO and no investment would be made in the borough through the Energy Company Obligation. Other residents in Lancashire will benefit from measures which will not be available to residents of South Ribble., The 2017 national fuel poverty figures showed that the borough had a fuel poverty figure of 9.9%, this has increased from the previous figure of 7.9% therefore this option is not recommended.

8. FINANCIAL / PROCUREMENT IMPLICATIONS

FINANCIAL IMPLICATIONS

If this is approved then the service will be delivered using existing officers in Strategic Housing and Gateway. Additional budget may be required for publicity and promotion costs and, depending on take up, for any additional Gateway costs in relation to handling customer enquiries. Indicative campaign costs are set out the attached appendix 'Campaign Details and Costs'. These additional costs would be funded from referral income, which could also be used to meet any customer shortfalls where a customer is in hardship.

PROCUREMENT IMPLICATIONS

Having considered the matter carefully we do not consider that there are any procurement implications arising from these proposals.”

“Contract Procedure Rules state at para 1.2 :” The Rules apply to any contract that results in a payment being made by the Council as well as to some types of contracts where a service is being provided for the Council which results in some income being generated for the Council. “in this instance we do not consider that any service is being provided for the council – rather the service will be provided to individual home owners who chose to avail themselves of the benefit of the scheme. Individual contracts will be entered into between the individual property owner and the energy provider concerned. The council will not be a party to any such contracts. This situation is analogous to the situation with disabled facilities grants.”

The implications for the council are that potentially we will receive referral fees. A couple of comments to make with regard to that. Firstly potentially any of the energy providers could avail themselves of this scheme in the borough (albeit as we speak we understand that it is only EON with current funding available). Secondly in any event officers do not consider that it is in any way likely that the referral income for the pilot period will exceed £10,000.”

9. HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT IMPLICATIONS

The service will be delivered using existing officers in Strategic Housing and Gateway.

10. ICT/TECHNOLOGY IMPLICATIONS

There would be implications for ICT as the existing Firm step system would be utilised and will require minor changes to be made to an existing script.

11. PROPERTY AND ASSET MANAGEMENT IMPLICATIONS

No Implications.

12. RISK MANAGEMENT

The risk would be that the borough will not be able to attract any ECO Flex funding from any source to help households in fuel poverty with the Statement of Intent (SOI) being published.

13. EQUALITY AND DIVERSITY IMPACT

This would have direct and significant contribution to all households in fuel poverty in the borough and will help towards improving health and wellbeing across all communities.

14. RELEVANT DIRECTORS' RECOMMENDATIONS

The recommendations are to Agree Option Two be endorsed.
Agree for South Ribble Borough Council to take part in the ECO flexible eligibility scheme
Agree that the council runs a promotion / awareness raising campaign with residents
Agree the Statement of Intent for South Ribble Borough Council
Authorise the Director of Development, Communities and Enterprise in consultation with the Portfolio Holder, to put all necessary steps in place to implement the Statement of Intent.

15. COMMENTS OF THE STATUTORY FINANCE OFFICER

As set out in the report above, this is a brand new scheme and therefore the take-up in terms of the number and type of installations provided by the utility company and the potential level of referrals income generated is uncertain.

The referral income paid to the Council by the utility provider is to support the scheme's delivery and therefore any additional costs incurred on this scheme would be funded directly from the referral income. Therefore there are no budgetary implications arising from accepting the recommendations above.

16. COMMENTS OF THE MONITORING OFFICER

The Electricity and Gas (Energy Company Obligation) (Amendment) Order 2017 inserted Article 16A to the 2014 Order. This has meant that energy suppliers can install energy saving measures as part of their ECO targets, where a local authority has published a SOI and has been consulted on the installation of a heating qualifying action at the premises; and on or publication of its SOI, the local authority has made a statement in writing that, in the opinion of the local authority the premises are occupied by a household living on a low income and vulnerable to the effects of living in a cold home or that; the premises are occupied by a household living in fuel poverty;

The Council does not have a statutory duty to operate an ECO flexible eligibility scheme. However, the council may choose to use its discretionary power in doing so and if it chooses to use this power, then it must publish a SOI. Once a SOI is published, this provides the eligibility criteria that the council will use, which completes the compulsory requirements to allow it to issue a written declaration to energy suppliers that a household would benefit from an energy saving measure.

As the declaration will be shared with energy suppliers consent of the household must be obtained before any personal information is shared in accordance with the Data Protection Act 1998.

17. BACKGROUND DOCUMENTS

South Ribble Borough Council Declaration

South Ribble Borough Council's Statement of Intent

Lancashire Statement of Intent

Campaign Details and Costs.

Impact Analysis

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