
Subject:	ENERGY COMPANY OBLIGATION 4 (ECO4)
Meeting and Date:	Cabinet – 5 September 2022
Report of:	Roger Walton, Strategic Director (Operations and Commercial)
Portfolio Holder:	Councillor Chris Vinson, Portfolio Holder for Finance, Governance, Digital and Climate Change
Decision Type:	Executive Key Decision
Classification:	Unrestricted

Purpose of the report: To seek agreement to a direct call-off from the FUSION 21 framework enabling Council Officers to continue to refer low income, vulnerable, fuel-poor households to a contractor that holds energy suppliers' ECO funding for energy efficiency/heating measures.

Recommendation: To appoint a contractor through the FUSION 21 framework to ensure that residents can be referred for energy efficiency measures that will cut energy requirements and improve comfort levels in their homes.

1. Summary

Energy companies are obliged to provide funding (the Energy Company Obligation or ECO) to be used to improve insulation and energy performance for low income, vulnerable and fuel poor households living in the least energy efficient homes. Companies on the FUSION 21 procurement framework have access to/ hold such funding. The Council's role is to identify suitable families (through means testing and other eligibility criteria set out in Ofgem guidance) living in the lowest Energy Performance Certificate (EPC) rated homes (D, E, F, G) and direct them to the approved companies so that the improvement works can be provided, fully funded, for their homes. The cost to DDC is for an additional 1.0 FTE to manage the scheme.

2. Introduction and Background

The Energy Company Obligation has been one of the key domestic energy efficiency policies since 2013 and is not dependent on bid applications. It is a requirement for the largest energy suppliers to help households reduce the costs of their home heating by installing energy-saving measures. The focus of the scheme is on low income, vulnerable and fuel poor households.

Energy Suppliers decide the level of funding and which installers they work with. Therefore, not all insulation/heating contractors have access to ECO funding.

- 2.1 ECO4 is a 4-year funding stream that passed into law on 19 July 2022 and is worth £4 billion over the lifetime of the scheme.
- 2.2 ECO4 will be a valuable long-term source of funding to help improve the energy performance of thermally inefficient owner occupied and private rented properties (landlord contribution and permission required).
- 2.3 Since ECO launched in 2013 the Council has used the Kent & Medway Sustainable Energy Partnership (formerly Kent & Medway Green Deal Partnership) framework developed by KCC as the procurement route for a contractor. The framework ended in December 2021, leaving only those households already 'in the process' able to receive ECO measures.

- 2.4 There has been a gap between ECO3 ending Spring 2022, and ECO4 passing into law. The Council has been able to continue referring residents for energy efficiency measures as a partner of the Local Authority Delivery scheme (LADS) led by Dartford Borough Council. However, the Local Authority Delivery 1b and 2 schemes are due to end in August 2022 and September 2022 respectively.
- 2.5 Promotion and targeting activity by the contractor delivering LADS, together with concerns over rising energy prices has resulted in demand outstripping funding limits and timescales resulting in a waiting list of suitable properties and qualifying households.
- 2.6 Direct award through the FUSION 21 framework would enable continual seamless delivery to households already in the pipeline and certainty that households in the district will be able to access funding for energy efficiency measures in the foreseeable future.

3. Identification of Options

- 3.1 Option 1: DDC use the FUSION 21 framework to direct award an ECO4 contract to enable continual provision of energy efficiency measures to the worst performing properties in the district and residents deemed to be in fuel poverty, or with a vulnerability (age/ poor health) to living in a cold home. It would result in a seamless customer journey for those district households already identified and the ability for new and future households to be signposted to a contractor who has proven delivery capacity and has a funding commitment from large energy contractors
- 3.2 Option 2: not supporting the above option could involve lengthy procurement processes with the knock-on effect of delays to accessing much needed funding to retrofit the worst energy efficiency properties in the district, and much needed funding to help reduce energy costs for residents deemed to be fuel poor, or on a low income with a vulnerability to living in a cold home. The forthcoming energy price cap rise will add pressure to these residents' already stretched finances.

4. Evaluation of Options

- 4.1 Option 1 This is the preferred option as it enables seamless delivery from a customer's point of view and ensures that existing funding streams can be blended to ensure the maximum number of measures can be installed in the property at the same time. It also gives contractor confidence that the Council considers retrofitting housing in the district and assisting fuel poor households to achieve affordable warmth important. This in turn supports a supply chain that has been severely reduced due to the stop start nature funding schemes over many years and could encourage much needed investment in skills/employment in this area.
- 4.2 Option 2. Is not recommended as this would add delays in accessing funding. It would also risk district residents not being able to access funding already committed. It would add difficulty to already complex delivery mechanisms, possibly resulting in measures funded through different streams being carried out by different contractors (especially for those households already being processed) in the same household which would not be resource or cost effective and be very disruptive for the household It could also mean the district misses an opportunity to use its influence to cut carbon emissions from the worst performing homes (owner occupied and a limited number of privately rented properties) - approximately one third of district emissions are from the domestic sector.

5. Resource Implications

- 5.1 There will be an additional administrative resource as the Council is required to obtain and retain evidence of low income/ health vulnerabilities and there are additional

reporting requirements to the scheme regulator, the Office of Gas and Electricity Markets (OFGEM) It is difficult at this stage to be precise about the level of resource required as that depends to a large degree on the uptake rate from the public but there is about one and half hour's worth of administrative work per transaction and anticipated levels of activity are 5 transactions per day. That equates to approximately 1.0 FTE. The resource required cannot be met from within the current climate change team. Given the uncertainty about activity levels and the increasing pressures on revenue budgets it is proposed that initially a suitably skilled member of staff is temporarily seconded to the Climate Change team or an alternative resource found, at the discretion of the Head of Paid service, The role of the Council essentially is one of collating information, much of which is already held by the Council, assessing eligibility requirements and communicating this information to the relevant parties. Within the secondment period one stream of work will be identify actions to streamline and automate the process with a view to minimising the level of human resource required, whilst not adversely affecting the customer experience.

6. **Climate Change and Environmental Implications**

Improving the thermal efficiency of fuel poor homes in our district helps the resident to heat their homes at a lower cost, reduces the health inequalities and impacts of living in a cold/ damp home and reduces the carbon emissions as heating requirement from fossil fuels is reduced. ECO4 is part of an ongoing government scheme to support low-income households and to create more energy efficient homes. Therefore, maximising the opportunity this funding brings will have positive human, economic and environmental benefits. The Council has a Statutory Duty under HECA 1995 Act to report on action taken to reduce fuel poverty, the Energy and Low Emission Strategy (supported by the Council) includes the need for action to reduce fuel poverty and this funding reflects commitment in the Council's own Climate Change Strategy and Corporate Plan to support the district to become carbon neutral by 2050.

7. **Corporate Implications**

- 7.1 Comment from the Director of Finance (linked to the MTFP): Inflation and other finance pressures indicate an expected General Fund revenue budget deficit for 2022/23 of £800k+. The MTFP previously forecast a deficit of £900k for 2023/24, so that may now be in the region of £1.7m.
- 7.2 Members are therefore reminded that the proposal to dedicate 1.0 FTE to this initiative takes place against an overall requirement to make significant savings. (MD)
- 7.3 Comment from the Solicitor to the Council: The Solicitor to the Council has been consulted in the preparation of this report and has no further comments to make.
- 7.4 Comment from the Equalities Officer: 'The preferred option could potentially have a positive impact on those with relevant protected characteristics. In discharging their duties, Members are required to comply with the public sector equality duty as set out in Section 149 of the Equality Act 2010 <http://www.legislation.gov.uk/ukpga/2010/15/section/149>' KM(4/8/22)
- 7.5 Other Officers (as appropriate):

8. **Appendices**

None.

9. **Background Papers**

[Draft Energy Company Obligation \(ECO4\) Guidance: Delivery VO.1](#)

The Electricity and Gas (Energy Company Obligation) Order 2022
Sustainable Warmth: protecting vulnerable households in England

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