

Members' Library Service Request Form

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Document Title	East Lothian Council Statement of Intent - Energy Company Obligation (ECO3)

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REPORT TO: Members' Library Service

MEETING DATE:

BY: Head of Service (Development)

SUBJECT: East Lothian Council Statement of Intent - Energy Company Obligation (ECO3).

1 PURPOSE

- 1.1 To note the requirements under the new flexible eligibility powers for Energy Company Obligation (ECO3) Affordable Warmth Grant Funding as a means to help address the issue of fuel poverty.
- 1.2 To note that the Council is required to publish a Statement of Intent outlining its approach to maximising ECO 3 funding across the region for those in fuel poverty, on low incomes and those vulnerable households that may otherwise not qualify for domestic energy improvements.

2 RECOMMENDATIONS

- 2.1 Members are asked to note the Council's Statement of Intent and the requirement to publish this on the Council's website.

3 BACKGROUND

- 3.1 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. It is a levy which aims to ensure energy supplies meet their carbon reduction targets set by the Office of Gas and Electricity Markets (OFGEM).
- 3.2 The Home Energy Efficiency Programme for Scotland: Area Based Scheme (HEEPS: ABS) had previously accessed ECO funding to allow home owners to receive external wall insulation in East Lothian. Under this ECO scheme, all households were eligible for ECO funding however, under the ECO3 changes, it will only be those households who meet the eligibility criteria who will qualify.
- 3.3 The Scottish Government is committed to tackling fuel poverty and improving the energy efficiency of Scotland's buildings, including

housing. The Fuel Poverty Statement (2002) set November 2016 as the target date to eradicate fuel poverty as far as is reasonably practicable. Scottish Ministers announced in June 2016 that this target would not be met, although a commitment was restated to tackling fuel poverty as a key priority. As part of a long-term national fuel poverty strategy, the introduction of a Warm Homes Bill in 2018 will set a statutory fuel poverty target. This will ensure progress is made towards tackling fuel poverty and support is provided to vulnerable households who are most at risk of fuel poverty.

Once a household has paid for its housing, it is considered to be in fuel poverty if it needs more than 10% of its remaining income to pay for its energy needs, leaving the household in poverty¹.

3.3 There are four factors which influence both whether a household is fuel poor and levels of fuel poverty:

- **Low household income** - The costs of heating a property form a greater proportion of total income for those on low incomes.
- **Fuel costs** - Higher prices reduce the affordability of fuel. Prices of different types of fuels can vary considerably, as can the availability of different fuels in different areas, and of different types of heating systems. This affects the ability of consumers to exercise choice.
- **Energy efficiency** - The thermal quality of the building and the efficiency of the heating source determine the amount of energy that must be purchased
- **Behaviour** - The way people use energy in their homes can influence levels of fuel poverty²

3.4 East Lothian Council is committed to continually working to reduce instances of fuel poverty and therefore welcomes the introduction of ECO Flexible Eligibility. Within East Lothian approx. 31% of households are estimated to be in fuel poverty compared to 34% nationally (2013-15), equating to approx. 13,500 homes, with approx. 3,000, 6% of these identified as being in extreme fuel poverty. This is lower than the national average which is 9% (2013-15) The Council's challenge is to identify and assist these households wherever possible.

¹ *The full definition is as follows: They need to spend more than 10% of their after housing cost (AHC) income on heating and electricity in order to attain a healthy indoor environment that is commensurate with their vulnerability status; and If these housing and fuel costs were deducted, they would have less than 90% of Scotland's Minimum Income Standard as their residual income from which to pay for all the other core necessities commensurate with a decent standard of living.*

² Until recently it was broadly accepted that there were 3 factors influencing fuel poverty levels, with household behaviour now recognised as a fourth factor.

- 3.5 ECO Flexible eligibility will support the Council's Local Housing Strategy 2018 - 2023, Priority Outcome 6: Fuel poverty is reduced and climate change targets exceeded. It will help to:
- Increase the number of energy efficient, safe, healthy and affordable homes to live in;
 - Reduce carbon emissions from the domestic sector;
 - Help to strengthen the local economy.
- 3.6 Under the new powers of ECO 3, obligated energy suppliers will be able to use the 'Flexible Eligibility' mechanism for up to 25% of their ECO3: 2018-2022 Affordable Warmth obligation, by installing energy saving measures in properties that have been declared eligible by local authorities.

Assistance will be available to private tenure households living either in fuel poverty or living on a low income and who are particularly vulnerable to the effects of living in the cold. In addition some non-fuel poor homes will also be considered for solid wall insulation projects, as long as a proportion of the households in the project are in fuel poverty or considered to be vulnerable.

- 3.7 There are two main categories of private tenure household that would be eligible through Flexible Eligibility:
1. 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
 2. Low income households that are vulnerable to the effects of living in a cold home.
- 3.8 The Statement of Intent outlines East Lothian Council's approach to maximising ECO 3 funding across the region for those in fuel poverty, on low incomes and vulnerable households that may otherwise not qualify for domestic energy improvements.

The Council intends to utilise:

- Household gross income levels as self-certified by the householder or estimated by a frontline Council employee being below a threshold; or
 - A member of the household receiving qualifying benefits; or
 - Significant and persistent debt problems including energy debt.
- 3.9 The council will consider eligibility in line with the Governments policy and guidance published by BEIS, "Energy Company Obligation – Flexible Eligibility" published April 2017. It should be noted that Eligibility does not guarantee funding.
- 3.10 Monitoring of households served by HEEPS; ABS will include checks on how flexible eligibility supported these households and whether criteria was successful.

4. POLICY IMPLICATIONS

- 4.1 There are no policy implications directly arising from this Statement of Intent .

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 The subject of this report has been through the Integrated Impact Assessment process.

6 RESOURCE IMPLICATIONS

- 6.1 None

7 BACKGROUND PAPERS

- 7.1 Energy Company Obligation – Flexible Eligibility Guidance for local authorities on engaging with energy suppliers to identify households that would benefit from energy efficiency measures.
- 7.2 Scotland’s Energy Efficiency Programme 2018/19 Guidance
- 7.3 Ofgem – Energy Company Obligation 2018-22 (ECO3) guidance

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