

CABINET MEETING – 10 NOVEMBER 2022

EXECUTIVE SUMMARY SHEET – PART I

Title of Report:

Energy Company Obligation 4 Flexible Energy (ECO 4 Flex) Scheme: Statement of Intent

Author(s):

Executive Director of City Development

Purpose of Report:

To seek approval to the proposed ECO 4 Flex Criteria (as detailed in the Statement of Intent) and to agree to the appointment of approved energy suppliers to take forward delivery of the scheme within Sunderland.

Description of Decision:

Cabinet is recommended to:

- i) approve the draft Statement of Intent (SOI) for delivery of ECO 4 Flex in Sunderland, and its publication;
- ii) authorise the Executive Director of City Development, in consultation with the Leader and Deputy Leader, to appoint approved energy suppliers to take forward delivery of the scheme; and
- iii) authorise the Executive Director of City Development, in consultation with the Leader and Deputy Leader, to make changes to the SOI such as those that may be required by the Office of Gas and Electricity Markets (Ofgem), including as a result of changes to government policy or guidance.

Is the decision consistent with the Budget/Policy Framework? **Yes**

If not, Council approval is required to change the Budget/Policy Framework

Suggested reason(s) for Decision:

Publication of an agreed local ECO 4 Flex SOI is required to enable a significant number of Sunderland residents to benefit from energy saving measures, which will be funded in most cases by the main energy suppliers. These measures will lower carbon emissions and reduce household fuel bills. It is expected to have a positive impact on residents living in deprived areas, on low incomes, facing high and potentially unaffordable fuel costs, or with a heightened vulnerability to cold.

A procurement exercise will be undertaken to appoint approved energy suppliers to take forward delivery within the city through direct contracts between the energy suppliers and their appointed contractors and individual households. It is intended that through the procurement exercise energy suppliers will be asked to draw on local or regional contractors for delivery within the city wherever possible.

Changes to the SOI are expected to be required when changes to national ECO Guidance and secondary legislation are made. The SOI and any future amendments to the SOI must be lodged with Ofgem. Delegating such changes will enable the scheme to continue to be delivered within the city uninterrupted and is consistent with the requirement for approval of the SOI at Director level as a minimum to meet BEIS and Ofgem requirements.

Alternative options to be considered and recommended to be rejected:

The alternative option would be not to approve a local ECO 4 Flex Scheme and associated SOI. However, this would prevent local households being able to receive this financial assistance towards energy efficiency measures. It would also make it more difficult for the Council to enable delivery against the ambition to be a carbon neutral city by 2040, in accordance with the Sunderland Low Carbon Framework.

Impacts analysed:

Equality	/	Privacy	x	Sustainability	x	Crime and Disorder	N/A
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Is the Decision consistent with the Council's co-operative values?	Yes
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Is this a "Key Decision" as defined in the Constitution?	Yes
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Is it included in the 28 day Notice of Decisions?	Yes
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**ENERGY COMPANY OBLIGATION 4 FLEXIBLE ENERGY (ECO 4 FLEX) SCHEME:
SUNDERLAND CITY COUNCIL STATEMENT OF INTENT**

REPORT OF THE EXECUTIVE DIRECTOR OF CITY DEVELOPMENT

1.0 Purpose of the Report

- 1.1 To seek approval to the proposed ECO 4 Flex Criteria (as detailed in the Statement of Intent) and to agree to the appointment of approved energy suppliers to take forward delivery of the scheme within Sunderland.

2.0 Description of Decision

- 2.1 Cabinet is recommended to:

- i) approve the draft Statement of Intent (SOI) for delivery of ECO 4 Flex in Sunderland, and its publication;
- ii) authorise the Executive Director of City Development, in consultation with the Leader and Deputy Leader, to appoint approved energy suppliers to take forward delivery of the scheme; and
- iii) authorise the Executive Director of City Development, in consultation with the Leader and Deputy Leader, to make changes to the SOI such as those that may be required by the Office of Gas and Electricity Markets (Ofgem) including as a result of changes to government policy or guidance.

3.0 Background

- 3.1 The Energy Company Obligation (ECO) is a government energy efficiency scheme in Great Britain to help reduce carbon emissions and tackle fuel poverty.
- 3.2 ECO has been subject to review and improvement since its launch in January 2013 and the latest update is ECO4. This will continue until March 2026 to a total value of £4bn (delivered as a phased scheme of £1bn annually). The majority of energy efficiency measures are paid for by the energy suppliers themselves through the Energy Company Obligation.
- 3.3 Although being paid for by the energy suppliers, ECO 4 Flex allows these companies to meet up to 50% of their obligations by using criteria determined by the local authority (based on Ofgem and BEIS guidance) where a local SOI is in place.
- 3.4 BEIS and Ofgem has also published guidance aimed at obligated suppliers, manufacturers and installers who may wish to participate in innovation under the ECO4 scheme. Any such Innovation Measures are considered by Ofgem and BEIS prior to being deployed.

4.0 Current Position

- 4.1 The Council is committed to reducing carbon emissions within the city and has endorsed the Sunderland Low Carbon Framework which aims for the city to become carbon neutral by 2040. This is underpinned by the Council's Low Carbon Action Plan which aims for the Council to become carbon neutral by 2030.
- 4.2 Strategic Priority 3 of the Framework and Action Plan, which focuses on the Built Environment, seeks to improve energy efficiency of existing homes. Delivery of an ECO 4 Flex scheme within the city is identified as one of the actions within the Council's recently refreshed Low Carbon Action Plan.
- 4.3 The Council has previously been enabling the delivery of improvements to properties within the city under the ECO 3 Flex scheme, however funding for ECO 3 Flex came to an end in September 2022. This has now been replaced by ECO4 Flex.
- 4.4 In order to be able to access ECO 4 Flexible support the council is required to publish an on-line SOI, which is lodged with Ofgem and defines its local criteria for those households that are eligible for ECO Flex support. The criteria are in addition to the arrangements the energy suppliers and their own contractors can provide directly under the existing ECO requirements.
- 4.5 As this is a new scheme, the Council does not currently have an ECO 4 Flex SOI in place, which means that local households are not currently eligible for this additional flexible support and the energy efficiency measures that they may be able to access. It is therefore important for the Council to publish an SOI to allow the ECO 4 Flex scheme to be delivered within the city.

5.0 Eco 4 Flex

- 5.1 In order to meet the requirements of ECO 4 Flex funding, an SOI has been prepared (Appendix 1). This sets out the proposed local ECO Flex 4 criteria and approval of the SOI for publication will allow eligible households within the city to access fully funded improvements to their property through ECO 4 Flex.
- 5.2 The SOI criteria set out are consistent with those used by other councils and take account of the ECO 4 Flex Guidance. They provide for both the most deprived quartile of households to be within scope of support, which will enable more effective targeting, and allow households with income above basic benefit levels to be in scope of support.
- 5.3 The Council will not incur any additional direct financial costs itself for enabling these ECO 4 Flex Energy measures, with support to be provided by the Low Carbon Team.
- 5.4 The Council proposes to undertake a procurement exercise to appoint approved ECO4 obligated energy suppliers to take forward delivery within Sunderland.

6.0 Reason for Decision

- 6.1 Publication of an agreed local ECO 4 Flex SOI is required to enable a significant number of Sunderland residents to benefit from energy saving measures, which will be fully funded by the energy suppliers who have an obligation to deliver ECO4. These measures will lower carbon emissions and reduce household fuel bills. It is expected to have a positive impact on residents living in deprived areas, on low incomes, facing high and potentially unaffordable fuel costs, or with a heightened vulnerability to cold.
- 6.2 A procurement exercise will be undertaken to appoint approved energy suppliers to take forward delivery within the city through direct contracts between the energy suppliers and their approved contractors and individual households. It is intended that through the procurement exercise energy suppliers will be asked to draw on local or regional contractors for delivery within the city wherever possible.
- 6.3 Changes to the SOI are expected to be required when changes to national ECO Guidance and secondary legislation are made. The SOI and any future amendments to the SOI must be lodged with Ofgem. Delegating such changes will enable the scheme to continue to be delivered within the city uninterrupted and is consistent with the requirement for approval of the SOI at Director level as a minimum to meet BEIS and Ofgem requirements.

7.0 Alternative Options

- 7.1 The alternative option would be not to approve a local ECO 4 Flex Scheme and associated SOI. However, this would prevent local households being able to receive this financial assistance towards energy efficiency measures. It would also make it more difficult for the Council to enable delivery against the ambition to be a carbon neutral city by 2040, in accordance with the Sunderland Low Carbon Framework.

8.0 Relevant Considerations

- 8.1 **Financial Implications** – There are no additional direct financial implications associated with approving the draft SOI or the selection of energy suppliers.
- 8.2 **Legal Implications** – There are no direct legal implications associated with approving the draft SOI. The procurement exercise to select approved ECO4 obligated energy suppliers to deliver the project within the city will follow standard procurement processes.
- 8.3 **Equalities Analysis** – The proposed Council ECO 4 Flex Scheme is projected to be of most benefit to low income, elderly and disabled households (that are in fuel poverty or vulnerable to the cold). The local scheme is based on underpinning Ofgem and BEIS guidance and subject to its limitations. An EIA is attached as Appendix 2

- 8.4 **Privacy Impact Assessment** - All interactions between the council, the appointed provider, their supply chains, and the households in scope of support will require informed customer consent. As part of scheme implementation, a Privacy Notice will be developed together with information in all customer literature and templates. These will be based on the Ofgem and BEIS guidance templates.
- 8.4 **Health Outcomes and Health Inequalities** – The proposed Council ECO 4 Flex Scheme is projected to be of most benefit to low income, elderly and disabled households (that are in fuel poverty or vulnerable to the cold). The proposals will have significant benefits by reducing the number of poorly heated properties within the city and associated health outcomes resulting from cold and damp living conditions.
- 8.5 **Sustainability** – The proposed ECO 4 Flex Scheme will help reduce the carbon emissions from the built environment and contribute towards the commitments set out within the Sunderland Low Carbon Framework. It will also enable households to reduce their fuel bills.
- 8.6 **Co-operative Values** – At Annual Council in May 2015, it was resolved that the following statement be included in the Constitution to reflect the values of the “Co-operative Council”. “Sunderland City Council is a co-operative council and in being so will act ethically in all its actions while adhering to and actively promoting its co-operative values of self-help, self-responsibility, democracy, equality, equity and solidarity. These values will underpin its decision making and actions.”
- 8.7 **Policy Implications** – The report sets out the Council’s SOI to allow eligible residents to access the ECO 4 Flex scheme. It is not considered that this would have wider policy implications.
- 8.8 **The Public/External Bodies** – The report sets out the Council’s SOI to allow eligible residents to access the ECO 4 Flex scheme.
- 9.0 **Background Papers**

Appendix 1 – Sunderland Eco Flex 4 Statement of Intent (Sol)

Appendix 2 – Equalities Impact Assessment

[Energy Company Obligation 2022-2026: innovation guidance - GOV.UK](https://www.gov.uk/government/publications/energy-company-obligation-2022-2026-innovation-guidance)
(www.gov.uk)