



How ECO3 funding can benefit local authorities

A simple guide to the Government's ECO scheme for energy saving home improvements



APSE Energy and YES Energy Solutions have produced this publication together to promote awareness of the latest ECO legislation and opportunities.



The Association for Public Service Excellence (APSE) is a not-for-profit membership based organisation dedicated to promoting excellence in the delivery of frontline services to local communities. We work with more than 300 local authorities across the UK.

APSE Energy is a division of APSE which involves a group of pioneering local authorities who are looking to work in collaboration to forward the following vision:

"To enable and facilitate the local municipalisation of energy services and increase the role of local authorities in the energy agenda within their communities. Local authorities working together in this way would have great influence and would be able to deliver economies of scale in green energy to promote economic growth and combat fuel poverty."

The goal of this collaboration is to deliver the local municipalisation of energy services and in doing so:

- Address social objectives and deliver community benefits, such as a reduction in fuel poverty and increases in jobs and skills.
- Save money and make money for local authorities to safeguard local services.



YES Energy Solutions is a multi-award winning energy efficiency company with a strong social purpose - to reduce CO₂ and alleviate fuel poverty.

We are a Community Interest Company, which means that our assets are locked and any profit generated is reinvested into our social objectives. With no shareholders to satisfy, we invest our money into initiatives to revitalise communities, boost local economies and support the energy efficiency needs of low income and vulnerable householders.

We specialise in working with local authorities to help them develop and deliver targeted carbon saving initiatives that fight fuel poverty and tackle climate change.

As a leading managing agent, we have secured ECO funding delivery contracts with a number of major energy companies and are currently funding a network of SME installers.

We won Funding Provider of the Year at the 2018 and 2017 National Energy Efficiency Awards. The only organisation to win the accolade twice in a row.

If you represent a local authority that is keen to save energy and reduce fuel poverty, then get in touch to find out how we can help establish an effective ECO scheme in your area.



How ECO3 funding can benefit local authorities

A simple guide to the Government's ECO scheme for energy saving home improvements

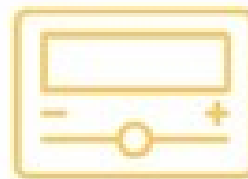
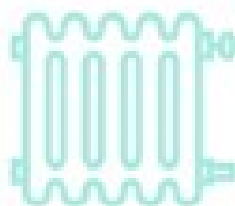
Contents

1.	10 things local authorities should be doing now with regard to ECO3	4
2.	Foreword	5
3.	What is ECO?	6
4.	ECO targets	6
5.	How is ECO funding distributed?	8
6.	How can local authorities access ECO funding?	9
7.	Who is eligible for ECO funding?	9
8.	Main ECO measures	15
9.	ECO funding allocations	18
10.	Which companies are involved in ECO?	24
11.	PAS2030:2017	25
12.	The ECO customer journey	25
13.	Technical monitoring and audits	26
14.	What happened to the Green Deal?	26
15.	Why local authorities should get involved in ECO	27
16.	ECO case studies	29
17.	Contact details	30
18.	Jargon buster	32



1. 10 things local authorities should be doing now with regard to ECO3

1. Read this ECO guide, as things have changed from ECO2 and ECO2T;
2. Revisit energy efficiency as a topic – it is vital in terms of meeting heat related targets nationally and should be vital locally too;
3. Consider how ECO funding can support your fuel poverty and environmental strategy especially if your Council is one of those that has declared a 'climate emergency';
4. Form working relationships with managing agents and accredited installers with access to ECO funding and consider other match funding routes that can work in conjunction with ECO;
5. Create or update a Statement of Intent, setting out your Council's own eligibility criteria so that a larger proportion of vulnerable residents can benefit from ECO funded measures;
6. Build partnerships with a range of stakeholders including health professionals and community groups, to help you target qualifying residents in the least efficient housing;
7. Examine all available housing data in your area to help focus your approach and identify opportunities for the roll out of energy efficiency schemes;
8. Connect to housing associations and private sector landlords and encourage them to support your fuel poverty drive, whilst highlighting ECO opportunities and the latest changes in legislation;
9. Speak to neighbouring Councils and consider consolidating your approach to energy efficiency whilst adding value through economies of scale;
10. Contact APSE Energy and YES Energy Solutions to talk about how you can start the next stage of ECO work to make your residents' homes cosy and more comfortable.



2. Foreword

APSE Energy and YES Energy Services have been partners for a number of years in order to promote the importance of energy efficiency and in this case, ensure local authorities are aware of how to access funding and resources for their communities.

APSE Energy can help local authorities put in place a comprehensive strategy to take the energy agenda forward in your locality and YES Energy Services, working through APSE Energy, can provide the energy efficiency element of that strategy.

The next phase of the Government's ECO scheme is here (ECO3). A three and a half year energy efficiency programme designed to help the most vulnerable residents keep warm for less.

Whatever your view is on energy efficiency policy, ECO is still the main funding stream for insulation and heating measures in domestic properties. With England being the only home nation without a Government funded energy efficiency programme, it is often seen as the only funding source available. Without taking an active role in the deployment of ECO, local authorities run the risk of failing to close the fuel poverty gap and prevent the current 'heat or eat' crisis which effects so many householders across Great Britain.

Due to changes in ECO policy, local authorities can now play a much larger role in ECO - defining their own eligibility criteria to ensure the funding goes to the people that need it the most. In fact, participating energy companies can now use up to 25% of their ECO obligation to fund installations via the local authority Flexible Eligibility route.

However, the main barrier for many Councils seems to be the complexity of the ECO programme, coupled with negative PR surrounding rogue installers and myths of fully funded schemes.

To help inspire local authorities to consider ECO as a viable part of their fuel poverty strategies, APSE Energy has teamed up with YES Energy Solutions yet again to produce a revised ECO guide, covering all of the new rules in a clear and concise format.

By reading this publication, you will gain a good understanding of how ECO works and how it could be used to improve domestic energy efficiency standards across your district. But more importantly, how you as a local authority can utilise ECO to support the most vulnerable residents who continue to struggle to keep on top of their fuel bills, year after year.



Phil Brennan
Head of APSE Energy



Duncan McCombie
CEO of YES Energy Solutions

3. What is ECO?

The Government launched the **Energy Company Obligation (ECO)** programme in April 2013 - a national scheme designed to reduce fuel poverty and improve the energy efficiency on domestic properties in England, Scotland and Wales.

ECO is a legal requirement for major energy companies (those with more than 200,000 customer accounts). They are obligated to provide funding for the installation of energy saving measures in eligible households throughout Great Britain.

From April 2020, smaller energy companies with 150,000+ customer accounts will also be obligated under ECO.

The funding provided covers or contributes towards the cost of installing domestic insulation and heating upgrades, helping vulnerable residents reduce their fuel bills.

4. ECO Targets

4.1 HHCRO

Under the current phase of ECO, energy companies are required to meet just one delivery target. This target is the 'Home Heating Cost Reduction Obligation' (HHCRO), referred to by many as 'Affordable Warmth.'

HHCRO is measured by how much money residents are likely to save on their fuel bills over the lifetime of the energy saving measures being installed. It is predominately aimed at vulnerable homeowners or private renting tenants that are struggling to keep on top of their energy costs. However, it does also support some social housing.

ECO Delivery Target	About	How is it measured?
HHCRO	Supports vulnerable householders by helping them access measures that reduce their fuel bills.	Lifetime Bill Savings (LBS)* <i>*Estimated fuel bill savings over the predicted lifespan of a measure.</i>

Each energy company is set a HHCRO delivery target based on their size and capacity (e.g. larger energy companies with more customers will have larger HHCRO targets).

If energy companies fail to meet their targets within the defined time frame, they will be fined by Ofgem, the energy industry regulator.

4.2 What happened to CERO?

The Carbon Emission Reduction Obligation (CERO) was another ECO delivery target, but it was axed from the programme in October 2018 when ECO3 was introduced.

CERO was aimed at everyone who lived in a home that required an insulation improvement (homeowners, private renting tenants and social housing). There was no personal qualifying criteria, so if a property was technically suitable for the work, it would qualify for funding.

However, the Government decided to modify the ECO scheme so that more emphasis was put on supporting vulnerable residents at risk of fuel poverty. Therefore the CERO target has since been disbanded.

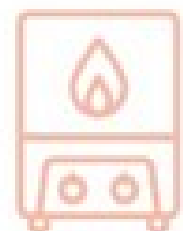
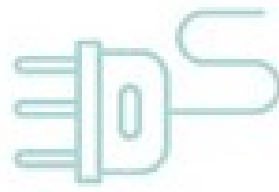
4.3 Phases of ECO

ECO was originally a two year scheme, but during this time it went through a number of changes including updates to rules, guidelines and delivery targets. It was later extended. The phases were: ECO1, ECO1.2 and ECO2.

In April 2017 a new 18 month phase, branded 'ECO2T' was introduced. The 'T' stood for 'Transition' – a transitional period from the old ECO2 scheme to the current phase of ECO. It helped bridge the gap and enabled the Government to design and implement the new scheme.

ECO3 – the current scheme, was launched in October 2018 and will run for three and a half years.

ECO Phase	Time frame
ECO1	April 2013 – March 2014
ECO1.2	April 2014 – March 2015
ECO2	April 2015 – March 2017
ECO2T	April 2017 – Sept 2018
ECO3	Oct 2018 – March 2022



5. How is ECO funding distributed?

Some energy companies choose to meet their HHCRO targets by using their own in-house installers. However, the majority of ECO funding is distributed to managing agents (such as YES Energy Solutions) as ECO funding delivery contracts.

The managing agent will bid for a portion of the energy company's target at a set amount. They will then have a strict timescale to complete the contract.

Once awarded, the managing agent distributes the funds through smaller contracts to their chosen installer partners, or uses the funding to support area based schemes in partnership with local authorities and housing associations.

Through various marketing activity, eligible customers are sourced and energy saving measures installed. The estimated fuel bill savings for the installations are then submitted back to the energy company to count towards their HHCRO target. Ofgem check a sample of submissions to ensure the work was carried out to the scheme's requirements.

Offering ECO funding delivery contracts is common in the industry, as the main risk lies with the managing agent rather than the energy company. There are heavy penalties for late delivery. Energy companies are likely to work with multiple managing agents to achieve their targets. Some may even work directly with installers. They are also able to vary the amount of funding they distribute depending on their relationship.

If an energy company is near to meeting their delivery target, they are likely to turn the funding tap off. It is not in their interest to fund more than they are obligated to deliver.

5.1 ECO Brokerage

Some energy companies choose to use ECO Brokerage to distribute funding. Brokerage is a fortnightly online auction where managing agents or installer submit 'lots' of estimated savings that they feel they can achieve in a given period. The managing agent or installer sets an asking price and the energy companies then enter into a blind auction where the lots are awarded to the highest bidder.



6. How can local authorities access ECO funding?

Local authorities tend not to access ECO funding directly from energy companies because they would need to go through an onerous accreditation process which is both costly and time consuming.

Most local authorities will either team up with an energy company that has its own installer network, or more commonly, work with a managing agent (such as YES Energy Solutions) that have ECO funding delivery contracts in place.

Local authorities can then refer customers to the managing agent who will then deal with the funding submission and clarify the support that can be claimed for different properties and energy saving measures. Most managing agents will have their own installer networks or even bring on board new installers that Councils wish to work with, providing they have the right accreditations.



Most managing agents have established strong working relationships with obligated energy companies, whereas local authorities have a trusted brand and a good understanding of their area. By working together, effective ECO schemes can be developed that target the right communities.

7. Who is eligible for ECO funding?

ECO is designed to support householders that are deemed to be vulnerable and at risk of fuel poverty.

Homeowners	Private Renters	Social Housing
Owner occupiers that either receive certain state benefits or qualify via the criteria set out by a local authority.	Tenants in privately owned accommodation that either receive certain state benefits or qualify via the criteria set out by a local authority. Certain restrictions apply – see section 15.3.	Properties with an EPC in band E, F or G. Only certain measures can receive funding – see section 7.1.

7.1 ECO qualifying criteria

To qualify for funding under the HHCR0 strand, householders must meet the following eligibility criteria relevant to their tenure:

Homeowners & Private Renting Tenants* - eligibility criteria																
HHCR0 Benefits 1	<p>Must receive one or more of the following benefits:</p> <ul style="list-style-type: none"> Pension Guarantee Credit Income Based Job Seekers Allowance Income Support Income Related Employment & Support Allowance Working Tax Credit Child Tax Credit Universal Credit Disability Living Allowance Personal Independence Payment Attendance Allowance Carer's Allowance Severe Disablement Allowance Industrial Injuries Disablement Benefit War Pensions Mobility Supplement Constant Attendance Allowance 															
OR																
HHCR0 Benefits 2	<p>Must receive Child Benefit with a household income below the relevant threshold:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Number of children</th> <th style="text-align: center;">Single claimant</th> <th style="text-align: center;">Member of a couple</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">£18,500</td> <td style="text-align: center;">£25,500</td> </tr> <tr> <td style="text-align: center;">2</td> <td style="text-align: center;">£23,000</td> <td style="text-align: center;">£30,000</td> </tr> <tr> <td style="text-align: center;">3</td> <td style="text-align: center;">£27,500</td> <td style="text-align: center;">£34,500</td> </tr> <tr> <td style="text-align: center;">4+</td> <td style="text-align: center;">£32,000</td> <td style="text-align: center;">£39,000</td> </tr> </tbody> </table> <p>A signed self-declaration form must be provided to prove the resident has the correct household income.</p>	Number of children	Single claimant	Member of a couple	1	£18,500	£25,500	2	£23,000	£30,000	3	£27,500	£34,500	4+	£32,000	£39,000
Number of children	Single claimant	Member of a couple														
1	£18,500	£25,500														
2	£23,000	£30,000														
3	£27,500	£34,500														
4+	£32,000	£39,000														
OR																
LA Flex	<p>Must meet the criteria specified in a published Statement of Intent (SoI) provided by their local authority. The local authority must provide a signed declaration form showing that the criteria has been met.</p> <p>Please see section 7.2 for more information.</p>															

*There are additional restrictions for private renting tenants: the property must have an EPC of E or above to

receive funding for the majority of measures (excluding solid wall insulation and renewable heating which have no EPC restriction). Private renting tenants are also excluded from accessing funding for broken boilers, but can get funding for boiler upgrades providing an insulation measure (excluding loft insulation) is also installed in the property. Please see section 15.3 for more information.

Social Housing – eligibility criteria	
Measure Restriction	<p>Social housing can only get ECO funding for the following measures:</p> <p>Insulation (all insulation measure types) First time central heating First time district heating connections</p>
AND	
EPC Restriction	<p>Must have an EPC in band E, F or G.</p> <p><i>For first time central heating – if the property has electric storage heaters they must all be broken down or deemed inefficient.</i></p> <p><i>Some measures installed in social housing with an EPC in band D can receive ECO funding when processed through the new 'Innovation' strand. Please see section 7.5 for more information.</i></p>



Sometimes it can be difficult to collect evidence to prove that a resident is eligible for HHCR0 funding. The Energy Saving Trust operate a data match service on behalf of the Department for Work and Pensions (DWP) which confirms if a resident claims one or more of the qualifying benefits. There is a small charge per validation.

Energy companies are happy to receive submissions that have a positive data match declaration without the need to collect any other documentation.

YES Energy Solutions currently has access to this data match service and can help local authorities verify which residents meet HHCR0 criteria.

7.2 LA Flex

Flexible Eligibility (or LA Flex) is a new process where local authorities define their own criteria to determine eligibility for HHCRO funding.

If a resident did not meet the standard HHCRO criteria (e.g. didn't claim qualifying benefits) then they could still receive HHCRO funding for energy saving measures providing they meet their Council's own Flexible Eligibility rules.

This approach can only be used for homeowners or private renting tenants. It cannot be used to qualify social housing. It also provides the opportunity to look at area based schemes, reducing costs and supporting communities.

Councils using Flexible Eligibility must define a criteria that proves residents are:

- Living in fuel poverty
- Or
- Are on a low income and are vulnerable to the effects of living in a cold home.

Local authorities will need to publish a 'Statement of Intent' detailing the criteria they intend to use to identify eligible residents. This will need to be published on the Council's website.

Flexible Eligibility widens the net of eligible residents and helps more vulnerable people access support through ECO.

Energy companies are allowed to meet up to 25% of their HHCRO delivery target through Flexible Eligibility.

7.2.1 Processing LA Flex

For every customer, local authorities will need to sign a declaration form to confirm a resident's eligibility which includes their name, address and a unique reference number. The signed declaration will then be submitted to the relevant energy company prior to any work going ahead.

Only local authorities are able to confirm who qualifies for Flexible Eligibility. This means that managing agents or any other Council partners will not be able to sign declaration forms on behalf of local authorities.



Guidance on how local authorities can create a Statement of Intent and declaration form is available from the Government's website. There is also a list of local authorities that have published a Statement of Intent with links to the criteria:

<https://www.gov.uk/government/publications/energy-company-obligation-eco-help-to-heat-scheme-flexible-eligibility>

Many local authorities are including criteria from the National Institute for Health and Care Excellence (NICE) guidance in their Statements of Intent. The NICE guidance defines the types of health conditions and personal situations that may cause someone to be in a vulnerable living situation.

7.3 In-fill schemes

To support the roll out of solid wall insulation and district heating schemes, the Government have included an in-fill eligibility option within ECO3.

If 66% of households in the same building, adjacent buildings or the same terrace qualify under HHCRO criteria, then adjacent households that don't meet HHCRO criteria (34%) can also receive funding for the same measures.

What's more, the rules are even more relaxed for projects using LA Flex to qualify householders. Only 50% of households need to meet the criteria set out in the Council's Statement of Intent, after which the other non-qualifying properties (the other 50%) can also receive funded installations.



Within the current phase of ECO, energy companies must fund a proportion of solid wall insulation measures within their HHCRO delivery targets. This is referred to as the 'Solid Wall Minimum Requirement'.

17,000 solid wall measures must be funded per year across all obligated energy companies.

The amount of solid wall measures each energy company is required to fund is determined by the size of their HHCRO target (e.g. larger energy companies will have larger targets so will have a larger proportion to fund).

This minimum requirement could potentially benefit local authorities who are keen to implement solid wall insulation schemes.

7.4 Social housing opportunities

Selected energy saving measures can be installed in social housing through HHCRO, providing a defined criteria is met.

Insulation measures and first time central heating systems (including district heating connections and renewable heating) can now be installed in properties owned by a local authority or housing association, providing the properties have an energy efficiency rating of E, F or G on a valid Energy Performance Certificate (EPC).

What's more, to enable funding to be claimed for first time central heating, any existing electric storage heaters in the property must be deemed broken down or inefficient (e.g. a responsive rating of 0.2 or below). This would be confirmed during a technical survey.

The residents do not need to be in receipt of benefits, so providing the properties meet this criteria and are technically suitable for the work, they will qualify for HHCRO funding.

The social landlord must sign a declaration to confirm that the property is in fact social housing and that no changes were made after the EPC was issued and before any new measures are installed.

The EPC must be valid and dated within 10 years of it being lodged.

7.5 Innovation

7.5.1 Innovation measures

10% of an energy company's obligation can be used to fund 'innovation' measures – a measure or installation technique that is new to the market and has not been widely rolled out.

There are two types of innovation measures:

1. **Demonstration Actions** – measures that have been tested in a laboratory and are now ready to be tested at scale in a live environment, or have already been rolled out on a small scale and need additional support to gather momentum.
2. **Innovation Score Uplifts** – measures offering improvements to traditional installations, such as an improved insulation material or technique that aids performance or application. These measures will benefit from a 25% uplift in funding value (please see section 9.5).

Please note that the use of innovation is optional and energy companies can choose whether or not they participate.

Ahead of installation, each innovation measure will need to go through a robust application to assess safety standards and be officially approved by Government and Ofgem.

7.5.2 In-situ performance measures

There are also options for energy companies to fund measures at a higher rate when monitoring equipment is also installed to test performance. Should monitoring results show that the measures are performing better than their estimated savings, they will receive an uplift (please see section 9.5).

Energy companies can use up to 10% of their obligation to fund these 'in-situ performance measures,' although it is an optional requirement.

7.6 Rural sub-obligation

Within the current phase of ECO, energy companies must deliver 15% of their HHCR0 target in rural communities. Any insulation measures installed will also receive a funding uplift, meaning more funding will be available to support installation costs (see section 9.5).

Energy companies are keen to bank the savings against their rural target and are likely to provide a higher funding rate. This is because there are less opportunities available in rural areas and finding eligible residents can be tricky (e.g. residents in rural areas tend to be more affluent, whereas areas of deprivation are easier to identify in urban communities).

Ofgem have developed a tool to confirm if a property is classed as being in a rural area:
<https://ecolocationcentre.co.uk/>

8. Main ECO measures

The main energy efficiency measures that can be funded under ECO3 are listed below, including the qualifying criteria relevant for different tenures.

Measure	Homeowner	Private Renter	Social Housing
Loft insulation	Occupier must meet HHCRO benefits or LA Flex criteria.	The property must have an EPC of E or above. Tenant must meet HHCRO benefits or LA Flex criteria.	The property must have an EPC of E, F or G.
Room in roof insulation	Occupier must meet HHCRO benefits or LA Flex criteria.	The property must have an EPC of E or above. Tenant must meet HHCRO benefits or LA Flex criteria.	The property must have an EPC of E, F or G.
Cavity wall insulation	Occupier must meet HHCRO benefits or LA Flex criteria.	The property must have an EPC of E or above. Tenant must meet HHCRO benefits or LA Flex criteria.	The property must have an EPC of E, F or G.
External wall insulation	Occupier must meet HHCRO benefits or LA Flex criteria.	The property must have an EPC of G or above. Tenant must meet HHCRO benefits or LA Flex criteria.	The property must have an EPC of E, F or G.
Underfloor insulation	Occupier must meet HHCRO benefits or LA Flex criteria.	The property must have an EPC of E or above. Tenant must meet HHCRO benefits or LA Flex criteria.	The property must have an EPC of E, F or G.
Broken gas or oil boiler replacement	The boiler must be broken or uneconomical to repair. Occupier must meet HHCRO benefits or LA Flex criteria.	No funding available.	No funding available.

Broken electric storage heater replacement	100% of storage heaters must be broken and uneconomical to repair. Occupier must meet HHCRO benefits or LA Flex criteria.	No funding available.	No funding available.
Non broken boiler replacement (gas or oil)	The install must be coupled with an insulation measure (excluding loft insulation). Occupier must meet HHCRO benefits or LA Flex criteria.	The install must be coupled with an insulation measure (excluding loft insulation). The property must have an EPC of E or above. Tenant must meet HHCRO benefits or LA Flex criteria.	No funding available.
Non broken electric storage heater replacement	100% of storage heaters must be deemed inefficient with a responsiveness rating of 0.2 or less. The install must be coupled with an insulation measure (excluding loft insulation). Occupier must meet HHCRO benefits or LA Flex criteria.	100% of storage heaters must be deemed inefficient with a responsiveness rating of 0.2 or less. The install must be coupled with an insulation measure (excluding loft insulation). The property must have an EPC of E or above. Tenant must meet HHCRO benefits or LA Flex criteria.	No funding available.
First time central heating	No evidence of radiators in the property and any electric storage heaters must be broken / inefficient (responsiveness rating of 0.2 or less) and uneconomical to repair. Occupier must meet HHCRO benefits or LA Flex criteria.	No evidence of radiators in the property and any electric storage heaters must be broken / inefficient (responsiveness rating of 0.2 or less) and uneconomical to repair. The property must have an EPC of E or above. Tenant must meet HHCRO benefits or LA Flex criteria.	No evidence of radiators in the property and any electric storage heaters must be broken / inefficient (responsiveness rating of 0.2 or less) and uneconomical to repair. The property must have an EPC of E, F or G.

8.1 Boiler funding

Qualifying homeowners with a broken down boiler or heating system can access ECO funding for a full replacement, although funding is limited through a heating cap (see section 8.2). The boiler or heating system must be either broken down or uneconomical to repair. Broken boiler / heating system funding is only available to homeowners.

Boilers and heating systems that are not broken but deemed inefficient can still get funding for an upgrade, but an insulation measure (excluding loft insulation) must also be installed in the property, known as a dual measure. Both homeowners and private renters can benefit from the dual measure option.

8.2 Broken heating system

Over the years, the vast majority of installations under the HHCRO strand of ECO have been gas boiler replacements.

In April 2017, the Government introduced a 'cap' to limit the amount of boilers being upgraded through the scheme as a way to prioritise other off gas heating measures and insulation improvements. This cap has been reintroduced under the current ECO3 scheme.

Under the cap, only 35,000 replacement heating systems can be funded across all obligated energy companies each year. This includes the upgrade of broken boilers and other heating systems such as electric storage heaters. The cap will restrict the amount of funding available in the market.

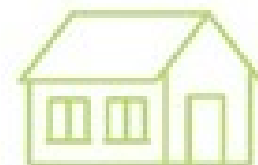
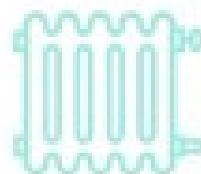
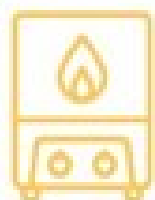
8.3 First time central heating

First time central heating is a new measure type introduced in the current phase of ECO. Any property without radiators can qualify, providing residents meet the relevant eligibility criteria.

Properties with existing electric storage heaters can also receive funding for a central heating revamp, providing that 100% of the heaters are broken down or deemed inefficient

8.4 Park Home insulation

Park Homes can also benefit from ECO and receive funding for wall, loft and floor insulation. In fact, Park Home insulation has been given its own measure category in ECO3. There are different funding allocations for single or double Park Home units.



9. ECO funding allocations

The amount of funding allocated to an energy saving measure is determined by a calculation of the following:

- The deemed score for the property
- The funding rate

9.1 Deemed scores

Every energy saving measure that can be funded under ECO has been assigned a deemed score.

Deemed scores estimate the value of the total Lifetime Bill Savings (LBS) that can be achieved when a measure is fitted. The score changes depending on the following factors:

- The measure that is being installed
- Property type
- Property construction
- Number of bedrooms
- Current heating system

For example, to fit standard mineral wool cavity wall insulation to a three bedroom semi-detached property with gas central heating, the deemed score is 5341. To fit standard mineral wool cavity wall insulation to a four bedroom detached property with an oil boiler, the deemed score is 10050.

Deemed scores have a higher value when the measure being installed has a greater impact on savings for the property type. For example, properties off the mains gas network have higher fuel costs, so any upgrade to energy efficiency will have a greater impact on bill savings, hence higher deemed scores.

You can download the full spreadsheet of deemed scores from the Ofgem website:

<https://www.ofgem.gov.uk/publications-and-updates/eco3-deemed-scores>

Deemed scores were introduced in April 2017. Prior to this, scores were determined through a bespoke home assessment which included generating an Energy Performance Certificate (EPC). By using deemed scores the system is standardised and funding allocations can often be determined before a survey even takes place.

9.2 Funding rate

The funding rate is the amount of money the energy company is prepared to pay for each Lifetime Bill Saving.

- £ per LBS

There are no set funding rates available, as these will change depending on the contracts that energy companies issue to their supply chain.

Managing agents will bid for funding delivery contracts at a set funding rate for a given period (e.g. a contract to deliver measures that achieve savings of £10 million over 6 months at £0.17 per LBS).

9.3 Calculating ECO funding

Once you have determined what the deemed score is for the property, based on what measure is required, you can then simply multiply the funding rate by the deemed score value.

$$\text{Funding rate} \times \text{deemed score} = \text{available funding}$$

There will be a funding shortfall if the available funding does not fully cover the cost of the installation. Any shortfall will need to be picked up by the resident or by someone else (e.g. the local authority).

9.4 ECO funding examples

The table below provides some examples of typical funding allocations based on average funding rates across the market. Please note that funding rates will differ between energy companies and managing agents.

Three bedroom semi-detached property with gas central heating

Measure	Deemed score	Funding rate	Funding allocation
Cavity wall insulation (mineral wool)	5341	£0.17	£907.97
Loft insulation (less than 100mm existing insulation)	1981	£0.17	£336.77
External wall insulation (on system built home)	9244	£0.17	£1,571.48
Inefficient/broken gas boiler to new gas boiler (house has cavity walls and pre-existing heating controls)	13439	£0.08	£1,075.12

9.5 Uplifts

In ECO3, some energy efficiency measures have been given an uplift in the value of their deemed score when installed in certain situations. These uplifts have been provided to incentivise both customers and installers to drive certain measures through the scheme.

Rural uplift - insulation measures installed in properties with no gas connection will receive an uplift.

LA Flex uplift – any measure installed in a property with an EPC in band F or G that is qualified through the LA Flex eligibility route will receive an uplift.

Innovation uplift – measures funded through the innovation route will receive an uplift (see section 7.5)

Please note that only one uplift can be assigned to a measure. So if a measure qualifies for multiple uplifts, only the one with the highest value can be processed.

9.6 Why are some measures fully funded and others aren't?

Whether or not a measure is fully funded is based on how much it costs to install and how much funding is available based on the funding rate secured and the deemed score for the property.

If the deemed score is low, then it is very unlikely that the funding will cover the full cost of fitting the measure.

Properties with non-gas heating systems (e.g. oil, LPG, electric storage heaters) tend to have higher deemed scores, as they are considered to be less energy efficient. Therefore the funding allocated is likely to be higher and could cover all or most of the cost of a measure (depending on what it is).



Local authorities can help residents to understand why funding allocations vary by setting realistic customer expectations. It is important that marketing literature is not misleading, particularly on funding allocations, as they change depending on the makeup of the property.

Trust can be gained by not making impossible promises and by getting a clear understanding of what funding rate your chosen managing agent can secure for particular measures.

If you are upfront and honest, residents can make an informed decision, knowing straight away if they are required to make a financial contribution.

9.7 Why do some properties get more funding than others?

Larger homes with more bedrooms are more expensive to heat, so will have larger deemed scores. Homes with less efficient heating systems will also achieve higher savings when energy saving measures are installed.

Variation Example

Here is an example of how the funding allocation varies for different property types with different heating systems. This example is based on external wall insulation.

Please note that actual costs will vary depending on which managing agent and installers you choose to work with.

Measure	Variation	Typical install cost	Deemed score	Funding rate	Funding allocation	Customer contribution required
External wall insulation	3 bedroom semi-detached house with a gas boiler.	£7,500	9244	£0.17	£1,571.48	£5,928.52
	3 bedroom semi-detached house with electric storage heaters.	£7,500	23242	£0.17	£3,951.14	£3,548.86
	5 bedroom detached house with an oil boiler.	£9,500	22163	£0.17	£3,767.71	£5,732.29
	1 bedroom flat with three external walls with electric room heaters.	£4,000	15946	£0.17	£2,710.82	£1,289.18

9.8 What happens if there is funding left over?

If the total funding available covers the cost of the measure, then there will be a funding excess. It is unlikely that a funding allocation will exactly match the cost of the install.

This surplus funding is usually retained by the managing agent. However, some managing agents use the surplus creatively to support projects.

For example, a scheme with a defined number of properties is likely to result in a variety of different funding allocations. But if most of the measures can be fully funded and result in a funding excess, the managing agent may choose to use the excess as a top up fund to support the measures that fall short on their funding allocation. This way they can provide a consistent funding offer for everyone in the project.



If you ever see marketing literature promising residents FREE installations, then it is likely that the managing agent behind the scheme has worked out how they can use excess funding to support a broader number of households. They will need to install enough measures that provide an excess to be able to use it against measures that don't.

It's always worth checking the small print on FREE offers as there is usually a caveat explaining which properties qualify. They will never push measures with low funding allocations if they don't have excess funding available to make up the shortfall.

9.9 Why are some measures prioritised over others by funders?

Energy companies are always looking for the quickest and cheapest way of achieving their targets. The measures that have the biggest impact on their targets for the lowest cost will always be prioritised.

For example, cavity wall insulation is likely to have the same impact on energy bills as external solid wall insulation for a similar sized property, therefore the deemed score is similar. External solid wall insulation can cost up to seven times more than cavity wall insulation, meaning a significant customer contribution would be required. To enable the measure to progress, the energy company would need to provide a higher funding rate. From the energy companies' point of view, they would prefer to fund the cheaper measure (e.g. cavity wall insulation) as they will achieve the same contribution towards their target at a lower cost.

9.10 Why have funding allocations changed so much over the years?

When the ECO scheme launched, funding rates were high because the scheme was new. There were only a few authorised companies involved, so competition was relatively low. Energy companies were keen to get on top of their delivery targets so issued more favourable funding rates to managing agents. This meant that installations were more likely to be fully funded.

As the scheme has developed, more authorised organisations have entered the market. Energy companies have used this to their advantage as they have more room to manoeuvre with their funding rates. They have more opportunities to sell off chunks of their targets at a lower price, therefore the funding rates they provide are generally lower than in previous years.

This means that energy efficiency measures in today's market are less likely to be fully funded in most instances.



When ECO funding rates are low, multi local authority approaches could be the best way forward. By teaming up with neighbouring Councils and running regional ECO schemes, installation costs can be minimised, which in turn helps reduce the level of customer contributions. Larger schemes are more attractive to installers and they are likely to reduce supply and fit costs to win more work.

9.11 Project preference

Energy companies are likely to offer favourable funding rates for a defined project with an attractive forecast.

Project proposals that show actual property numbers and likely savings could be rewarded with better funding rates over standard ECO delivery contracts. This is because energy companies will have a better understanding of when work will be carried out, so they can bank the project against their targets.

It also helps them build positive brand awareness by being associated with energy saving success stories.



Local authorities can take advantage of the 'project trend' and model up specific schemes with their partners to attract the best funding rates.

10. Which companies are involved in ECO?

Only authorised companies can work on the ECO programme, whether it's to distribute funding or to install measures.

Any company wishing to join the ECO supply chain must register their details with the Green Deal Oversight and Registration Body (GD Orb). The GD Orb has a full list of ECO participants, showing which companies have been officially certified.

YES Energy Solutions is a registered company.

The register is available on the GD Orb website and can be used to locate authorised companies from different postcode areas: <http://gdorb.decc.gov.uk/green-deal-participant-register>

There are various roles for different companies to enable ECO funding to be distributed. Some companies may be authorised to take on multiple roles, whereas others may only perform one role within the supply chain.

10.1 Roles in ECO

The Government - BEIS

The Department of Business, Energy & Industrial Strategy (BEIS) is responsible for the design and implementation of the ECO programme. They set the rules and dictate any future policy changes.

Ofgem

Ofgem is the industry regulator for gas and electricity markets. They manage the ECO scheme on behalf of the Government. Every measure installed under ECO is submitted to Ofgem for approval to ensure quality standards are met. Ofgem will determine if a measure is 'eligible' and can count towards an energy company's ECO targets.

Energy companies

All major UK energy companies are obligated under the ECO scheme and must meet the legally binding targets set by Government. They either fund their own install teams, or distribute funding to managing agents or directly to installers.

Managing agents

Managing agents are companies that have secured an ECO funding delivery contract from an energy company. To be able to access ECO funding, the managing agent must be authorised through the GD Orb. Many managing agents are also accredited installers, or work with a network of authorised contractors.

PAS2030:2017 accredited installers

All the energy saving measures funded through the ECO programme must be installed by PAS2030:2017 accredited installers. The accreditation is tailored to the measure. For example, if an installer wants to fit external wall insulation, they must be PAS2030:2017 accredited in external wall insulation to be included in the supply chain.

Accredited installers tend to enter short term delivery contracts with managing agents to access their ECO funding facilities. They may work with multiple managing agents or work directly with energy companies.

Local authorities

Councils can front and develop their own ECO schemes in partnership with managing agents, installers and energy companies. Where possible they can bring in additional funding to work in conjunction with ECO to improve communities, cut carbon emissions and reduce fuel poverty.

11. PAS2030:2017

Every installer wishing to carry out ECO funded installations must be PAS2030:2017 accredited for the measures they plan to install.

PAS2030:2017 (Publicly Available Specification) is published by the British Standards Institute and is a quality requirement for the installation of energy saving measures in existing buildings.

To achieve PAS2030:2017 accreditation, installers must register with an accreditation body who will then monitor the quality of their installations and their overall Quality Management System. There are over 20 accreditation bodies in the UK that specialise in different energy saving measures.

PAS2030:2017 is split into different categories depending on which measure is being applied for. Companies wanting to be accredited for multiple measures will need to be PAS2030:2017 accredited for each relevant category.

Once an installer has passed their audit, their accreditation details will be sent to the GD Orb who will then give them authorisation to work on ECO.

12. The ECO customer journey

There are six steps to the ECO customer journey from initial enquiry through to installation:

1. Customer query

A householder responds to a piece of marketing (e.g. from a local authority scheme) and enquires about getting energy saving measures installed in their home. They speak to an authorised organisation (e.g. managing agent) to discuss their requirements. The authorised organisation then checks that the customer meets HHCRO eligibility criteria and collects the relevant evidence.

2. Assessment

A survey appointment is arranged and an assessor visits the property to determine what work can be installed. They will complete a series of forms and take pictures of the property and the existing heating system (if applicable).

3. Funding authorisation

The information collected in the assessment is then examined by the managing agent to determine the level of ECO funding available as per their delivery contract. The ECO funding allocated will depend on what

funding rate the managing agent has agreed with an energy company.

4. Quote

A quote will be created based on the technical survey. The quote will detail the cost of the work and the amount of ECO funding that can be secured and deducted from the price.

5. Installation

If the householder is happy to proceed they must sign the necessary paperwork (if the property is rented the landlord is required to do this). An installation appointment is then confirmed and the work is carried out by an authorised installer.

6. Submission

Once the installation has taken place, the installer will complete the necessary completion paper work and submit it to the managing agent who will verify the information. This will then be forwarded on to the energy company to count towards their target. Ofgem will audit a number of submissions to ensure they are compliant.

13. Technical monitoring and audits

Every installation that is carried out under ECO is submitted to Ofgem for approval. Energy companies must prove that they have undergone technical monitoring on at least 5% of the installations they have funded.

This requirement is passed down the supply chain and is typically carried out by managing agents. It is common for energy companies to build technical monitoring requirements into the ECO funding delivery contracts they issue.

In some cases, energy companies ask for technical monitoring to be carried out by third party agencies to ensure impartiality.

Technical monitoring is typically carried out a few weeks after an installation has been completed and the funding application processed. For some measures (e.g. solid wall insulation) technical monitoring can also be carried out during the installation.

14. What happened to the Green Deal?

The Green Deal was a Government backed programme which was launched at the same time as ECO in 2013. Householders were offered a 'pay as you save' loan to cover the cost of energy saving measures, where repayments were linked to energy bill savings.

However, due to a lack of public demand and complicated guidelines, the Government and other backers withdrew support for the programme in July 2015.

The public company that was originally set up to manage the scheme has now been sold to private investors who have since relaunched the programme on a smaller scale.

15. Why local authorities should get involved in ECO

ECO is currently the only Government backed initiative tailored to support domestic energy efficiency in Great Britain.

So without getting involved and communicating the benefits to residents, local authorities could miss out on a massive opportunity to not only help people save energy, but boost the local economy in the process.

By using ECO creatively, you can help some of the most vulnerable householders in your area improve their quality of life whilst building a local supply chain, creating jobs and investing in the local housing stock in the process.

You can also use it to support any in-house energy efficiency funds that you may have in place.

Local authorities know their areas better than anyone. They understand the make-up of their housing stock and the people living in local communities.

With the right support and collaborations, local authorities can target the most appropriate areas, making sure the benefits of ECO are felt by the people that need it the most.

Local authorities represent some of the most powerful and trusted brands in the country. Residents take notice, as it is a brand they recognise and connect with regularly. Councils can use their brand to their advantage and effectively market ECO in a positive light whilst driving referrals for energy saving measures.

There are many organisations trying to achieve the same objectives. By working pro-actively with partners from all sectors and honing knowledge and expertise, local authorities will be able to fashion effective schemes that cut carbon and reduce fuel poverty.



The Government has now given access to the full EPC database in England and Wales. This means that you can now export the data collected on registered properties at a postcode or local authority level. Councils can use this data to get a good understanding of which properties in their area require specific energy saving measures. This will help when modelling schemes, so you are not wasting resources on homes that have already had measures installed.

To use the EPC register you will need to create a free account: <https://epc.opendatacommunities.org/login>

In Scotland the provision of EPC data is slightly different. You can still check and export individual EPCs but you will need to contact the Energy Saving Trust to download larger data sets: <https://www.scottishepcregister.org.uk/>

15.1 Blended funding

In the ever fluctuating world of energy efficiency policy, it is getting increasingly unlikely that Government backed schemes will fully fund installations. Therefore, local authorities need to consider alternative funding avenues that can work in collaboration with ECO.

It's time to think outside the box and tap into other resources to help improve the uptake of energy efficiency measures. Local authorities can model projects that use a whole range of funding streams including combining their own capital funds with ECO.

There are opportunities to work with credit unions to access low cost finance, create pool funds out of project profits or even work with large businesses who may support installations through their own Corporate Social Responsibility (CSR) agendas.

There may also be inroads with other agencies that share similar objectives, such as community groups and local divisions of the NHS. For example, some Clinical Commissioning Groups have rolled out a Boilers on Prescription model whereby vulnerable residents are referred for energy saving improvements via health professionals.

From time to time, energy companies and gas and electricity distributors hold pots of funding which can be blended with ECO. For example, National Grid's Warm Homes Fund has been utilised to support a broad range of Council backed central heating schemes throughout the country.

15.2 Multi local authority approaches

In the current economic climate, going it alone can be difficult. But by honing resources and collaborating with neighbouring Councils, whole regions can benefit.

Many city regions have created their own environmental programmes using ECO and other funding avenues. By working together you can reduce costs through economies of scale. A project covering thousands of properties in multiple local authority areas is more attractive to managing agents and installers, as they are likely to reduce their installation costs to secure the full contract.

15.3 Working with landlords

It's a fact that the private renting sector has the most poorly insulated properties in the UK. This is a major contribution to the national fuel poverty crisis.

In April 2018, the Minimum Energy Efficiency Scheme (MEES) was introduced, a programme to enforce landlords to invest in energy saving measures if the properties they rent have an EPC rating below band E. The law restricts them from letting properties out until improvements have been made.

However, in light of MEES, the Government modified the ECO scheme to prevent private sector landlords from using the funding to meet their legal requirements. There is now a restriction in place for certain measures (e.g. ECO funding is only available for low cost insulation measures and heating installs in private rented accommodation for properties in band E or above). Should landlords want to access ECO, they will need to meet their MEES requirements first.

16. ECO case studies

As a managing agent, YES Energy Solutions has supported and delivered a diverse range of local authority schemes using ECO funding. These have helped reduce fuel poverty, revitalise communities and improve social attainment.

16.1 Hertfordshire County Council - Warmer Homes scheme

A great example of an energy efficiency project which blends ECO with Council capital is the Hertfordshire Warmer Homes scheme.

Led by Hertfordshire County Council's Public Health team, the scheme spans across 10 local authority areas and interlinks with the innovative 'Herts Help' service – a single point of contact into a triage of organisations, committed to improving health and well-being across the county.

The 10 partner authorities refer vulnerable residents into Herts Help to find out what support is available. This not only includes energy efficiency, but advice on income maximisation, debt and tariff switching. Residents that require energy saving measures are channelled into the Warmer Homes scheme.

With a strong focus on alleviating fuel poverty, the scheme combines different funding streams to make up the shortfall from a sole reliance on ECO. Each of the district and borough Councils set an annual budget to compliment ECO. Through this blended approach, installations tend to be fully funded in most cases.

YES Energy Solutions became the appointed project manager in 2018 and have since processed over 100 customer referrals across the county. Overseeing the full customer journey, they not only manage funding applications, but coordinate surveys and installations through a network of local SME contractors.

From taking part in the Hertfordshire Warmer Homes scheme, eligible residents are benefiting from reduced fuel bills and enhanced thermal comfort through energy saving home improvements that they would not have otherwise been able to afford.

16.2 North Lincolnshire Council and North East Lincolnshire Council - SHEEP

The South Humber Energy Efficiency Partnership (SHEEP) helps vulnerable people across northern Lincolnshire save energy and money through access to a framework of accredited contractors.

North Lincolnshire Council and North East Lincolnshire Council are working together to help reduce fuel poverty across the area, helping eligible householders take full advantage of ECO funding.

YES Energy Solutions joined the framework in 2017 and has since helped a multitude of residents' access funding for insulation and heating improvements. In situations where ECO funding falls short of installation costs, the Councils' have a number of match funding options including grants and low cost loans.

The partnership also secured additional match funding in 2017 having been awarded over £300,000 through

National Grid's Warm Homes Fund programme. This funding is now being blended with ECO to support the installation of 145 first time gas-powered central heating systems.

North and North East Lincolnshire were amongst the early adopters to publish a Statement of Intent to enable residents to benefit from the LA Flex strand of ECO funding. By defining their own eligibility criteria, many vulnerable residents in fuel poverty, who would not have qualified via the standard benefit entitlement route, have gone on to receive funding support.

The SHEEP scheme has had a positive impact, helping hundreds of residents access funding for insulation upgrades, boiler replacements and gas connections. The Councils are now considering broadening their partnership with other local authorities across the wider Lincolnshire area, implementing a collective approach to taking fuel poverty.

16.3 Teignbridge District Council – Park Homes Insulation scheme

The award winning Teignbridge Park Home Insulation scheme utilised the LA Flex route of ECO.

Park Homes are one of the least efficient property types in Great Britain. Many are off the mains gas network relying on old and expensive heating systems and their thin walls offer little resistance to escaping heat. By installing external wall insulation, residents not only retain heat but improve the whole visual approach of their properties.

The scheme was delivered through Teignbridge Council's ECO flexible eligibility criteria, which enabled YES Energy Solutions to secure ECO funding with preferential rates from EDF Energy. Additional capital was implemented by the Council to provide residents with fully funded installations, helping improve the look and feel of a whole community.

Park Home resident, Mr Basham explained:

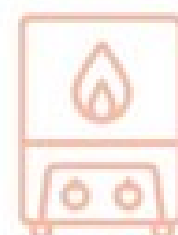
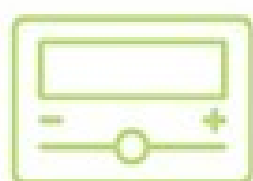
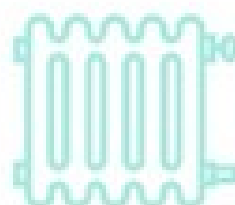
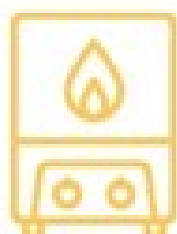
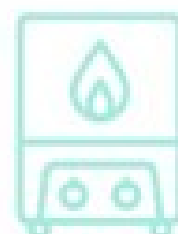
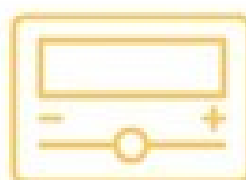
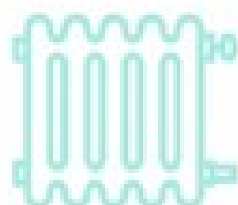
"Before I applied for the scheme, the park home got cold very quickly due to its construction of thin wood. I have lived in this home for 6 years with no insulation, and I can definitely feel the benefits now that the insulation works have been completed."

Through the Teignbridge scheme, 12 residents had their Park Homes renovated, many of whom would have otherwise been unable to afford the measures without funding.

The scheme was recognised at the South West Energy Efficiency Awards winning Small Scale Project of the Year. Teignbridge Council is now in discussions with YES Energy Solutions and other partners to consider implementing a larger Park Homes scheme using ECO3 funding.

17. Contact details

APSE Energy is able to support you with all of your energy management requirements. To find out more about ECO please contact Phil Brennan, Head of APSE Energy at pbrennan@apse.org.uk or on 0161 772 1810, or Charlotte Banks, Energy Research and Project Officer at cbanks@apse.org.uk.



18. Jargon buster

BEIS – Department of Business, Energy and Industrial Strategy.

The Government department responsible for ECO.

CERO - Carbon Emissions Reduction Obligation.

The recently discontinued ECO strand that supported insulation improvements in all households.

CCG – Clinical Commissioning Group.

Clinical Commissioning Groups (CCGs) were created following the Health and Social Care Act in 2012. They are clinically-led statutory NHS bodies responsible for the planning and commissioning of health care services for their local area.

DEA – Domestic Energy Advisor.

An individual that assesses properties for the application of energy saving measures.

ECO - Energy Company Obligation.

The Government backed energy efficiency scheme offering subsidised energy saving measures to eligible residents.

EPC – Energy Performance Certificate.

A document which details the current energy efficiency rating in a property as well as recommendations to improve it.

Flexible Eligibility – LA Flex.

A system in the current ECO phase that allows local authorities to define their own eligibility criteria for HHCRO funding.

GDI – Green Deal Installer.

An organisation or individual that is officially accredited to install energy saving measures under ECO.

GD ORB - Green Deal Oversight and Registration Body.

The organisation that manages the authorisation process for all ECO participants.

GDP – Green Deal Provider.

A managing agent that has secured an ECO funding delivery contract on behalf of an energy company.

Green Deal

A finance package for energy saving measures that is recovered through energy bill repayments.

Green Deal Quality Mark

An accreditation logo showing a participant's role within the ECO programme (i.e. assessor, installer or provider).

HHCRO – Home Heating Cost Reduction Obligation.

The ECO strand devoted to helping low income and vulnerable householders to reduce their heating bills.

Ofgem – Office of Gas and Electricity Markets.

The industry regulator for all energy efficiency measures submitted through ECO.

PAS2030 – Publicly Available Specification 2030.

The industry qualification required for installing energy saving measures in existing buildings. All installers must be PAS2030:2017 accredited to work on the ECO programme.

SOI – Statement of Intent.

A guidance document that sets out a Council's own eligibility criteria for qualifying residents for funding under the Flexible Eligibility route of the ECO scheme. The Statement of Intent will need to be signed and published on the relevant Council's website.



NEW MUNICIPALISM

Delivering for local people and local economies

Association for Public Service Excellence

3rd Floor, Trafford House
Chester Road, Old Trafford
Manchester M32 0RS

Telephone: 0161 772 1810
Email: enquiries@apse.org.uk
www.apse.org.uk