

## CABINET – 15 FEBRUARY 2023

## Report by Depute Chief Executive Safer Communities

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**DEVELOPMENT OF A LOCAL AUTHORITY FLEX SCHEME UNDER  
ECO4**

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**PURPOSE OF REPORT**

1. To seek approval of an East Ayrshire Council Eligibility Statement of Intent and agreement of an appropriate delivery model for administration of a Local Authority FLEX Scheme under ECO4, which will open up financial assistance from OfGEM to some of our most vulnerable homeowners and private renting tenants, who are currently living in energy inefficient houses.

**RECOMMENDATIONS****2. It is recommended that Cabinet:-**

- (i) Note the outcome of the review undertaken by the Energy Agency to establish a Local Authority FLEX Scheme under ECO4 in East Ayrshire;
- (ii) Approve the Eligibility Statement of Intent for the Scheme, as detailed in Annex F of the enclosed Energy Agency Report and agree that this should be published on the Council's website;
- (iii) Agree to adopt option 3, the approved installer delivery model, as outlined within the Energy Agency's Report, to best protect the interests of those local residents participating in the Scheme and that the Energy Agency should be engaged on a self-financing referral fee basis to administer the Scheme at no cost to the Council;
- (iv) Note the content of the full set of procedures and mechanisms for the implementation of the Scheme as set out in the Energy Agency's report;
- (v) Agree that the initial referral fee, to be charged by the Energy Agency and paid by the contractor, should be set at £69 and that this fee should be reviewed at regular intervals based on uptake and demand; and
- (vi) Otherwise, to note the contents of the report.

## BACKGROUND

3. The Energy Company Obligation or 'ECO' is a UK Government programme overseen by the Department for Business, Energy and Industrial Strategy (BEIS) and administered by OfGEM. ECO is an energy efficiency programme that places a legal obligation on energy suppliers to install energy saving measures such as insulation and heating systems in eligible homes. ECO-4 is the latest iteration of the scheme and is designed to encourage the installation of insulation, renewable technologies and district heating connections, with a commitment to implement a whole-house retrofit policy subject to financial and technical constraints.
4. Under this scheme, Councils can use LA Flex to help homeowners and private renting tenants benefit from the installation of home energy efficiency measures to reduce carbon consumption and energy costs. Under the LA Flex ECO3 Scheme, we only utilised LA Flex on a limited basis as a top up to Scottish Government Area Based Schemes (ABS); and did not open up the scheme to accept individual LA Flex referrals. This prevented private households out with ABS from accessing ECO3 grants.
5. Recognising the impact of rising energy prices and the cost of living crisis, together with our net zero ambitions for the wider community, we are, now keen to implement ECO4 and to open up access to the financial support available to as many East Ayrshire residents as possible. The final guidance for the ECO4 Scheme has now been published and Members will recall that Cabinet on 23 November 2022, when considering progress made by the Council in responding to the climate emergency, agreed to progress a direct award to The Energy Agency to develop proposals for the implementation of an LA Flex Scheme under ECO4 guidance here in East Ayrshire.

## PROPOSALS FOR DEVELOPMENT AND DELIVERY OF AN LA FLEX SCHEME UNDER ECO4 IN EAST AYRSHIRE

6. The Energy Agency has now provided a report, a copy of which is enclosed at Appendix 1, which provides further details of the scheme and includes recommendations for the development of a Flexible Eligibility Scheme in line with ECO-4 guidance. It also sets out proposals for how this could be implemented and managed here in East Ayrshire.
7. **Potential Scope** – As the Energy Agency report highlights, due to the complex eligibility criteria set out in the ECO Order, in relation to household income and health, it is difficult to quantify the exact number of home owners in East Ayrshire who will be eligible for support under this scheme. Analysis of Home Analytics Scotland data is considered to be the most reliable and up to date dataset in Scotland and this indicates that:
  - Approximately 26,743 domestic dwellings meeting the requirements of ECO-4 in terms of property eligibility;
  - There are approximately 10,000 homes situated within the first three deciles of the Scottish Index of Multiple Deprivation indicating high prevalence of fuel poverty in these areas;
  - Approximately 2,500 of these are likely to be fuel poor or extremely fuel

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- poor;
  - Approximately 350 homes would fit the 'rural off-gas' classification.
8. The statistics used above do not, however, take in to account household eligibility and due to the complex criteria, in reality, the potential for ECO eligibility may be limited further.
  9. **What Level of Financial Support is Available to Eligible Applicants -** ECO4 has a scoring methodology which determines how much a measure (or package of measures) contributes towards each energy supplier's obligation. The supplier will determine how much a measure(s) is 'worth' to them and set funding rates accordingly. The funding is market driven and therefore each supplier will pay different rates. The level of funding available to applicants will depend upon where their supplier is on their 'journey' towards meeting their obligation. For example, a supplier that is easily meeting its obligation may lower its rates and a supplier struggling to meet its obligation may pay more. So over the course of the scheme (2022-2026) the rates will fluctuate.
  10. Most installers have indicated that the rates currently available to eligible applicants will be high enough to install a package of multiple measures (for example, wall/loft insulation, air source heat pump, solar PV) at no cost to the householder. However, if the funding rates start to drop, then customer contributions may start to creep in.
  11. **Eligibility Statement of Intent** – In order to open up access to the LA Flex Scheme under ECO4, the Council is required to approve an Eligibility Statement of Intent, a copy of which is included at Annex F of the Energy Agency's report and once approved, will require to be published on the Council's website.
  12. **Delivery Model** - The review undertaken by the Energy Agency considers several delivery models and assesses these against resource intensity, risk to the Council, and cost of implementation. Reflecting upon the outcome of this review, it is considered that the recommendation of the Energy Agency to develop a scheme in line with Model 3 should be accepted by the Council.
  13. This delivery model involves the development, implementation and management of an Approved Installer List by the Energy Agency, who will administer the scheme on behalf of the Council and will allow approved installers to gain access to LA Flex funding through the Council's membership of the scheme. The Energy Agency will closely monitor the approved installer list, to ensure that contractors deliver a high level of service. This will provide an additional level of assurance to applicants taking advantage of this scheme and ensure that elderly and other vulnerable client groups have an additional level of protection and confidence in the contractors that will be carrying out the improvements to their homes under this Scheme.'
  14. This approach removes the requirement for the Council to directly contract with an installer for a set value of works. It also minimises the financial and reputational risk to the Council, whilst encouraging energy efficiency and renewable installations under ECO-4 in the region.

15. The recommended delivery model has been designed to be self-funded without any annual management fee imposed on the Council. Given the complex nature of ECO-4, it is recommended that the Energy Agency should be engaged as a specialist managing agent to oversee the scheme. With the Energy Agency recuperating the costs of administration through a referral fee charged to the installer for each declaration signed at each address.
16. Included in the review, the Energy Agency has developed a full set of procedures and mechanisms for the implementation of the scheme and these are set out in their report.
17. Due to the uncertainty of volume of activity, it is recommended that this delivery model should be tested by the Energy Agency, without any cost to the Council for an initial trial period and that this self-funded delivery model should be financed by levying a referral of £69 to be paid by the contractor and funded by the scheme itself. This referral fee has been set based on an estimate of resource intensity plus overheads and will be reviewed at regular intervals based on uptake and demand.
18. **Lead Generation and Marketing** - Typically, ECO installers generate their own leads either through in-house engagement teams or via lead generating organisations. The proposed procedures developed by the Energy Agency should ensure that any installer generating leads does so in an appropriate manner avoiding 'hard-sell' techniques such as door step cold calling, and ensure that vulnerable groups are protected. The Terms and Conditions proposed include details of the parameters in which an installer may operate and provide guidance on their marketing collateral.
19. Availability of funding under this scheme will also be included within the Council's website and highlighted in Climate Change, Energy and Money Management advice and through the Cost of Living Campaign communications and social media messaging. The approved installer model will also be communicated to give an additional level of assurance and encourage applications and we will work with the Energy Agency to ensure that appropriate messages are included in our communications to reassure applicants of the authenticity of the scheme.

## **POLICY/COMMUNITY PLANNING IMPLICATIONS**

20. The Council's 2022-2027 Strategic Plan, approved in June 2022, reaffirms our climate change ambitions and aspirations under the theme of 'Delivering a Clean, Green East Ayrshire'. The proposal to establish a Local Authority FLEX Scheme under ECO4 in East Ayrshire will help some of our most vulnerable residents living in the most energy inefficient houses to make improvements to their homes, which will not only reduce carbon emissions and energy costs, but will also have a positive impact on their wellbeing.

## **NET ZERO IMPLICATIONS**

21. The proposal to establish a Local Authority FLEX Scheme under ECO4 is a key action within our Climate Change Action Plan and will have a positive impact in directly reducing carbon emissions arising from the most energy

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inefficient homes in East Ayrshire.

## **FINANCIAL IMPLICATIONS**

22. There are no direct financial implications associated with the proposals outlined within this report, the Scheme will be delivered on a self-financing basis, funded by a referral fee at no cost to the Council.

## **LEGAL/ PROCUREMENT/RISK IMPLICATIONS**

23. It should be noted that the contract under which this scheme will be administered by the Energy Agency, on behalf of the Council, is due to expire on 1 June 2023. Arrangements are currently being made to retender this contract and options under the new Scotland Excel Framework are also being considered. Administration of the Local Authority FLEX Scheme under ECO4, as outlined within this report, will be included within the new contract to ensure continuation of the Scheme by the successful contractor.
24. The potential risk associated with the implementation of this Scheme is discussed in some detail within the Energy Agency's report and the recommended delivery model proposed, which will see the scheme administered by the Energy Agency on behalf of the Council, is intended to minimise any potential reputational risk to the Council associated with this Scheme.

## **HR AND EQUALITY IMPLICATIONS**

25. None arising from this report.

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**3 February 2022**    KAN/MD/JL

## APPENDIX 1

### Development of LA Flex under ECO-4



January 2023

## Background

In December 2022, East Ayrshire Council commissioned local energy efficiency and sustainability charity, the Energy Agency, to review the opportunities under the Flexible Eligibility route of the Energy Company Obligation (ECO-4) 2022-26.

The Energy Company Obligation (ECO), first introduced in 2013, is an energy efficiency scheme for Great Britain. ECO places legal obligations on energy suppliers to deliver energy efficiency measures in domestic premises. It focuses on helping low-income and vulnerable fuel poor consumer groups through the installation of insulation and heating measures.

Suppliers can deliver up to 50% of their obligation through the Flexible Eligibility route which enables Local Authorities to authorise funding for households that meet certain criteria.

## Executive Summary

This review covers the **Flexible Eligibility** aspect of ECO-4 only.

The report sets out recommendations for the development of a Flexible Eligibility Scheme in line with ECO-4 guidance, and sets out proposals of how this could be implemented and managed.

The review considers several delivery models assessing resource intensity, risk to the Local Authority, and cost of implementation, and provides a recommendation of which delivery model to implement.

The Energy Agency recommends a delivery model that involves the development, implementation and management of an Approved Installer List whereby installers can gain access to LA Flex funding through the Local Authority through membership of the scheme.

This approach removes the requirement for the Local Authority to directly contract with an installer for a set value of works. It minimises the financial and reputational risk to the Local Authority whilst encouraging energy efficiency and renewables installations under ECO-4 in the region.

Included in the review, the Energy Agency has developed a full set of procedures and mechanisms for the implementation of the scheme set out in the annex section of the report.

The recommended delivery model has been designed to be self-funded without any annual management fee imposed on the Local Authority. Given the complex nature of ECO-4, it is recommended that the Local Authority employs a specialist managing agent to oversee the scheme. The managing agent shall recuperate the costs of administration through a referral fee charged to the installer for each declaration signed at each address.

Due to unknown volume of work through LA Flex, a referral fee has been set based on an estimate of resource intensity plus overheads. This model should be implemented on a trial basis for a period of 12 months with a review of referral fees at two checkpoints – 6 months and 12 months.

The Energy Agency could implement the recommended delivery model within four weeks of Local Authority approval.

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## 1. Introduction

### 1.1. Energy Company Obligation

The Energy Company Obligation<sup>1</sup> or 'ECO' is a UK Government programme overseen by the Department for Business, Energy and Industrial Strategy (BEIS) and administered by OfGEM.

ECO is an energy efficiency programme that places a legal obligation on energy suppliers to install energy saving measures such as insulation and heating systems in eligible homes. ECO was first introduced in 2013 and a number of iterations have existed since. The current version, ECO-4, runs from April 2022 until March 2026.

ECO has evolved since its inception in 2013, initially starting with several sub-obligations with some having a measured output of carbon saving and some having a measured output of lifetime fuel bill savings.

More recently, ECO-3 (2018-2022) comprised of a single obligation – the Home Heating Cost Reduction Obligation (HHCRO). The primary aim of HHCRO was to reduce home heating costs for low-income, fuel poor and vulnerable consumer groups.

This theme has been continued into ECO-4 with HHCRO as the single obligation. It is designed to encourage the installation of insulation, renewable technologies and district heating connections with a commitment to implement a whole-house retrofit policy subject to financial and technical constraints.

The ECO-4 Order sets an overall target of £224.3 million in notional annual fuel bill savings. For each phase of ECO-4, a supplier is allocated a proportion of the overall obligation depending on its relative share of the gas and electricity market. There is no geographical restriction to a suppliers funding allocation and therefore no theoretical limit on spending in a specific area.

### 1.2. Household Eligibility

The eligibility criteria for households is split into two categories:

- a) Help to Heat Group (HTHG)
- b) Flexible Eligibility Group (LA Flex)<sup>2</sup>

The Help to Heat Group includes any household that receives any benefits from a list of means tested benefits as set out in the ECO Order. This category does not require authorisation by the Local Authority and therefore not included as part of this review.

The LA Flex Group is a much broader group that do not qualify under the HTHG but are still considered to be in or vulnerable to fuel poverty. The Local Authority, within certain parameters, sets out the eligibility criteria through a published Statement of Intent allowing the Local Authority to authorise LA Flex funding eligibility through ECO.

In ECO-3, suppliers were required to meet a minimum of 75% of their overall obligation through the HTHG and up to 25% through LA Flex. In ECO-4, suppliers can now achieve up to 50% of their

<sup>1</sup> <https://www.ofgem.gov.uk/publications/energy-company-obligation-eco4-guidance-delivery>

<sup>2</sup> <https://www.ofgem.gov.uk/environmental-and-social-schemes/energy-company-obligation-eco/local-authorities>

obligation though LA Flex increasing the opportunities through local schemes overseen by the Local Authority.

### 1.3. ECO Delivery

Supplier targets under ECO are ambitious and to meet their obligation, suppliers will form agreements, either with ECO brokers or direct with installers, to deliver an agreed amount of installed measures (measured in lifetime bill savings), at agreed rates.

This effectively enables the installers to draw down funding from energy suppliers to offer subsidised, or in some cases fully funded, energy efficiency measures for the consumer.

The installer will either self-recruit householders through its own marketing activity or use a lead generating organisation to generate referrals for them. This commonly involves intensive engagement with householders to generate leads through cold call phone calls, emails, door step cold calling, and social media campaigns.

ECO is aligned with the energy efficiency retrofit specifications PAS2035<sup>3</sup> and PAS2030: 2019<sup>4</sup>, and therefore any installer wishing to access ECO funding from a supplier must be accredited to install to this standard.

### 1.4. Implementation of LA Flex

In order for an installer to access funding under the LA Flex route, OfGEM requires confirmation from the Local Authority that the household is eligible for funding. It is the responsibility of the Local Authority to ensure household eligibility is verified, and when confirmed, the Local Authority signs a 'declaration' and submits this to OfGEM.

Under ECO-3, the majority of Local Authorities in Scotland opted to restrict LA Flex funding to their Scottish Government funded Area Based Scheme (ABS) projects so that only installers contracted to deliver work under ABS could access funding. This was because the procedures for administration, quality assurance and monitoring compliance are already in place, either managed by council staff or ABS managing agents such as the Energy Agency.

A minority of Local Authorities in Scotland opted to open up LA Flex to the wider market, known as '3rd Party LA Flex schemes'. This enables installers that are not contracted by the Local Authority to gain access to LA Flex funding.

This inevitably brings more opportunity for ECO funding in their region, but there are many legal, financial, contractual and reputational risks involved with such a scheme. Any such scheme must be designed carefully and robust procedures implemented to mitigate risk to the council.

<sup>3</sup> <https://retrofitacademy.org/what-is-pas-2035/>

<sup>4</sup> <https://www.gov.uk/government/publications/changes-to-pas-20302017/changes-to-pas-20302017>

## 2. Scope of LA Flex

### 2.1. Property Eligibility

Although there are some specific exceptions where social housing providers can claim funding for their own stock, the primary focus of LA Flex is the private sector, primarily homeowners but also the private rented sector with some restrictions.

LA Flex is restricted to energy inefficient properties and therefore eligible households must have pre-existing energy efficiency rating of –

Homeowners – SAP Bands D, E, F or G

Private rented sector – SAP Bands E, F or G

Suppliers' obligations are focused on SAP Bands E, F and G with limitations on funding for SAP Band D.

The property must be a 'private premises' and must be occupied primarily as a home by its residents as defined in the ECO-4 Order.

***Table 1 – Energy Efficiency Ratings of Private Domestic Premises – East Ayrshire Council***

|                                  |                     |
|----------------------------------|---------------------|
| Private premises                 | 38,023 <sup>5</sup> |
| Of which SAP Rating D, E, F or G | 26,743 <sup>6</sup> |
| Of which SAP Rating E, F or G    | 7,514 <sup>6</sup>  |

Table 1 shows the number of 'private premises' in East Ayrshire and the number that would be eligible for ECO-4 in reference to their current energy efficiency rating.

### 2.2. Household Eligibility

There are four eligibility routes under LA Flex –

**i. Household combined income**

Where the gross income of the household is under £31,000.

**ii. Proxy Targeting**

Only applicable to E, F and G homes where the household meets a combination of two proxies as set out in the ECO-4 Order.

**iii. NHS Referrals**

Only applicable to E, F and G homes and the household has been identified by a Health Board as suffering from a severe and/or long term health condition that could be severely impacted by living in a cold home.

**iv. Bespoke Targeting**

Local Authorities can propose/discuss an alternative mechanism with BEIS.

<sup>5</sup> East Ayrshire Council Local Housing Strategy 2019-2024

<sup>6</sup> Home Analytics Scotland v.3.6, Energy Savings Trust

Mapping eligibility within an area is very complex as each householder would be assessed on a case-by-case basis using sensitive information on financial status and health. However, estimations can be determined using low income indicators from Home Analytics Scotland – see Table 2.

***Table 2 – Low Income/Fuel Poor in East Ayrshire<sup>7</sup>***

|  |        |
|--|--------|
| Private premises – D,E,F,G                   | 26,743 |
| SIMD – first 3 deciles                       | 10,010 |
| >150% Fuel bill comparison to median         | 2,155  |
| >50% chance of being in fuel poverty         | 2,434  |
| >50% chance of being in extreme fuel poverty | 515    |

There are over 10,000 homes in East Ayrshire in the private sector that are SAP band D, E, F or G and situated within the first three deciles of the Scottish Index of Multiple Deprivation. Of those, over 2,000 are likely to be paying over 150% of the median fuel bill in Scotland and likely to be in fuel poverty. Of those likely to be in fuel poverty, around 500 are likely to be extreme fuel poor.

### 2.3. Rural Uplift

Properties receiving measures in rural off-gas homes in Scotland will receive a funding uplift of 35% in recognition of the higher project delivery costs in rural areas.

***Table 3 – Rural Off Gas Homes in East Ayrshire<sup>7</sup>***

|                              |        |
|------------------------------|--------|
| Private premises – D,E,F,G   | 26,743 |
| Rural Off-Gas Classification | 345    |

Few properties in East Ayrshire are classified as ‘rural off-gas’ for the purpose of ECO and therefore scope is limited in this sector.

### 2.4. Scope

Home Analytics Scotland, produced and updated by the Energy Saving Trust, is considered to be the most reliable and up to date dataset in Scotland for energy efficiency and fuel poverty. However, the dataset is limited in terms of assessing the potential for ECO-4 eligibility due to the complex eligibility criteria set out in the ECO Order.

From the data extracted from Home Analytics Scotland, estimates can be concluded as follows –

- Approximately 26,743 domestic dwellings meeting the requirements of ECO-4 in terms of property eligibility.
- There are approximately 10,000 homes situated within the first three deciles of the Scottish Index of Multiple Deprivation indicating high prevalence of fuel poverty in these areas.
- Approximately 2,500 of these are likely to be fuel poor or extreme fuel poor.
- Approximately 350 homes would fit the ‘rural off-gas’ classification.

Home Analytics Scotland indicates limited potential for ECO-4 eligibility across East Ayrshire. The statistics used above do not take in to account household eligibility due to the complex eligibility criteria set out in the ECO Order, therefore in reality, the potential for ECO eligibility may be limited further. There is very limited potential for ‘rural off-gas’ homes to be identified due to the significant provision of mains gas in East Ayrshire.

<sup>7</sup> Home Analytics Scotland v.3.6, Energy Savings Trust



### 3. Risks of 3<sup>rd</sup> Party LA Flex

Local Authorities have an excellent reputation in the delivery of energy efficiency measures, particularly through Area Based Schemes. Although a 3<sup>rd</sup> Party LA Flex scheme would sit separately from government funded programmes, it is important that any scheme is designed to maintain or enhance the excellent reputation developed to date.

This section outlines the potential risks to the Local Authority. There are a number of delivery models for consideration as discussed in section 3 of this report, however, whether the Local Authority opts for an 'arm's length' approach or a closely managed programme, it is inevitable that the householder will view the scheme as Local Authority 'badged' and therefore the Local Authority may become the backstop for complaints.

#### 3.1. Reputable Installers

Poor standards of delivery both in terms of installation quality and customer management may reflect poorly on the Local Authority. Local Authorities should ensure that they are comfortable with how they select their installers for these programmes.

#### 3.2. Lead Generation

The Scottish Government does not support or approve the use of cold calling techniques, especially involving people from vulnerable groups. The Local Authority should consider how it would develop installer guidance for lead generation to set out the parameters in which an installer may operate to generate leads.

#### 3.3. Quality Control

Any failure in the scheme could have a negative impact on the Local Authority's reputation. Two key elements to a successful installation in the eyes of the consumer are quality of workmanship and customer care. The Council should consider how a quality control system would be applied and monitored to ensure installers are working to a high standard.

#### 3.4. Guarantees

The Local Authority should consider how it would ensure that guarantees/warranties relevant to the measure are being applied for and issued to the householder by the installer.

#### 3.5. Marketing

The Local Authority should consider how the scheme would be marketed. Householder confusion over scheme responsibility and liability could lead to the Local Authority becoming the backstop for complaints and have a negative impact on the Local Authority's reputation.

#### 3.6. Inflated Costs

Where grant funding is available, there is a tendency for installers to inflate prices, which may still seem attractive to the householder because of the funding subsidy, but the total cost of the measures has been unfairly increased. The Local Authority should consider how it would ensure that quotations and level of customer contributions presented to the householder are fair and in line with industry averages.

#### 3.7. Cost of Delivery

The Local Authority will incur costs in implementing and managing a 3<sup>rd</sup> Party LA Flex scheme. The cost of managing and monitoring any such scheme will be determined by the adopted delivery model and should be carefully considered.

### 3.8. Data Protection

The Local Authority would be responsible for recording evidence of household eligibility including sensitive data such as financial and health records for each household. The Local Authority should consider the implications of data management and ensure GDPR compliance.

## 4. Installers

### 4.1. Certification Requirements

Any installer involved in an ECO installation must be registered with Trustmark.

Any installer registered with Trustmark must deliver energy efficiency measures within the scope of PAS2035: 19 and PAS2030: 19.

### 4.2. PAS 2035: 19

PAS2035: 19 is a specification for retrofitting dwellings for improved energy efficiency.

The standard focuses on the design of any retrofit work, and the lead organisation in any ECO installation, whether that be the installer or a management company, must be certified to this standard. Any person undertaking a PAS2035 role including Retrofit Assessor, Retrofit Coordinator, Retrofit Designer or Retrofit Evaluator must hold qualifications relevant to that role.

### 4.3. PAS 2030: 19

PAS2030: 19 is a specification for the installation of energy efficiency measures.

The standard focuses on the installation of any retrofit work and the installer must be certified to this standard.

### 4.4. MCS

MCS (Microgeneration Certification Scheme) is the certification body for the installation of microgeneration measures, for example heat pumps, solar photovoltaics etc. Any microgeneration installation under ECO must be installed by a MCS installer.

### 4.5. Trustmark

Trustmark is responsible for ensuring compliance with PAS 2030:19, PAS2035:19 and MCS. Any installer installing an ECO measure must be registered with Trustmark or operating under the responsibility of someone who is registered with Trustmark.

### 4.6. Limitations on Local Delivery

It is expected that Local Authority's will see ECO-4 as an opportunity to support local trades in the field of energy efficiency and/or renewables, however the scope may be limited in East Ayrshire due to the certification requirements noted above.

For fabric measures in particular, there is only one installer registered with Trustmark that is based in East Ayrshire – Hugh LS McConnell Ltd.

For microgeneration measures, the scope is also very limited with only two PV installers, three heat pump installers, no biomass installers and no solar thermal installers registered with MCS.

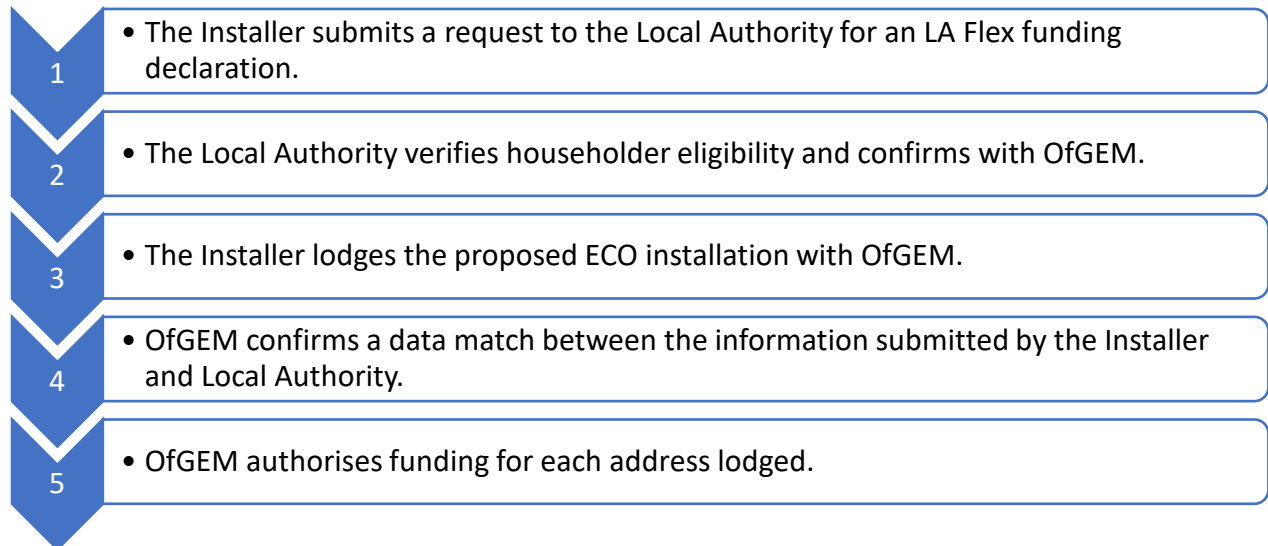
It is likely therefore that the delivery model for ECO measures in East Ayrshire would be restricted to larger installers, typically central belt based, operating on a wider geographical or national basis. However, there may be opportunity for local sub-contracting, particularly for microgeneration measures.



#### 4.7. Process for Funding Authorisation

Fig 1 summarises the process for Installers and the Local Authority for LA Flex funding claims.

***Fig 1***



## 5. Delivery Models

In this review, four delivery models have been considered and assessed based on a combination of resource intensity, risk and cost to the Local Authority to implement.

### 5.1. Model 1 – Certification Only

Model 1 enables any installer that holds the relevant certification required for installing ECO measures to access LA Flex funding. This is an ‘open field’ approach which would maximise the potential for ECO installations across the region.

However, it would also be the most difficult approach to manage with the potential for a vast number of participants. This approach also has the highest risk of attracting the so called ‘smash and grab’ businesses that operate on the basis of chasing funding rather than on the basis of their expertise in the energy efficiency market.

### 5.2. Model 2 – Membership of Existing Frameworks

Model 2 enables any installer that is currently a member of an existing energy efficiency or renewables framework to access LA Flex funding. The frameworks typically utilised by Local Authorities for energy efficiency works include:

- Scottish Procurement Alliance
  - N8 – Energy Efficiency and Associated Works
  - WH2 – Whole House 2
- Scotland Excel
  - No.1320 – Energy Efficiency Contractors
- Procurement for Housing
  - Renewables and Energy Efficiency Works

Requiring an installer to be a member of an existing public procurement framework minimises the risk of the so called ‘smash and grab’ businesses mentioned in Model 1. Installers on these frameworks are well established businesses, typically with decades of experience in energy efficiency retrofit.

Model 2 is an ‘arm’s length’ option restricting the responsibility of the Local Authority to household eligibility verification checks only.

This option does, however, limit the opportunity for ECO installations to companies that may not necessarily be interested in generating business through LA Flex. The Energy Agency has contacted 9 installers on the frameworks noted above and none of these installers view LA Flex as an opportunity and will continue to focus on tendering for public contracts.

### 5.3. Model 3 – Approved Installer List

Model 3 proposes the creation of an Approved Installer list by way of application similar to that of a Local Authorities Trusted Trader Scheme. With this approach, Installers can apply to access the scheme and agree to operate under certain terms and conditions. Model 3 enables the Local Authority to pre-qualify installers based on experience, financial standing, insurance provision, existence of quality management/health and safety policies, and references from other Local Authorities and/or Housing Associations.

Model 3 is also an ‘arm’s length’ option restricting the responsibility of the Local Authority to household eligibility verification checks only. It does, however, set pre-qualification conditions enabling the Local Authority to refuse membership where appropriate, and sets parameters in

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which an installer can operate through a set of mandatory terms and conditions giving the Local Authority discretion to revoke scheme membership if required.

#### 5.4. Model 4 – Managed Programme

Model 4 involves establishing a scheme that is managed in its entirety by the Local Authority. This would include the Local Authority:

- Publishing and assessing a tender for a framework of installers.
- Directly contracting with installers for installation of measures.
- Generating leads through its own marketing activity and referring households to installers.
- Establishing a quality management system involving clerk of works type inspections.
- Monitoring installer quotations against typical market rates.

Although Model 4 gives the Local Authority greater control over installers, it also carries greater reputational and financial risk as it places the Local Authority at the forefront of disputes and complaints generated through the scheme. Significant resource would be required to manage a scheme in line with Model 4 as summarised in the next section.

## 5.5. Resource Analysis

Table 4 summarises the resource requirements for each delivery model.

***Table 4 – Resource Analysis***

| Category                        | Local Authority Task                                      | Resource Intensity <sup>1</sup> | Model 1  | Model 2   | Model 3   | Model 4   |
|---------------------------------|---|---------------------------------|----------|-----------|-----------|-----------|
| <b>Verification</b>             | Household eligibility checks                              | (3)                             | ✓        | ✓         | ✓         | ✓         |
|                                 | Retention of sensitive data for audit                     | (2)                             | ✓        | ✓         | ✓         | ✓         |
| <b>Installers</b>               | Establishment of an Approved Installer list               | (6)                             |          | ✓         | ✓         | ✓         |
|                                 | Establishment of an installer framework by tender         | (10)                            |          |           |           | ✓         |
|                                 | Establishment of scheme guidance and T&C's                | (8)                             |          | ✓         | ✓         | ✓         |
|                                 | Establishment of supplier contracts with installers       | (10)                            |          |           |           | ✓         |
| <b>Lead Generation</b>          | Marketing   | (5)                             |          |           |           | ✓         |
|                                 | Lead generation   | (5)                             |          |           |           | ✓         |
| <b>Monitoring</b>               | Performance monitoring through customer feedback          | (2)                             |          | ✓         | ✓         | ✓         |
|                                 | Performance monitoring through quality inspections        | (10)                            |          |           |           | ✓         |
|                                 | Monitoring of the provision of post install documentation | (4)                             |          |           |           | ✓         |
|                                 | Monitoring installer quotations against market rates      | (6)                             |          |           |           | ✓         |
| <b>Disputes</b>                 | Handling of complaints                                    | (7)                             |          |           |           | ✓         |
|                                 | Offering a mediation service                              | (9)                             |          |           |           | ✓         |
| <b>Total Resource Intensity</b> |   |                                 | <b>5</b> | <b>21</b> | <b>21</b> | <b>86</b> |

<sup>1</sup> Resource Intensity has been measured on a scale of 1-10 with 1 representative of minimal resource through to 10 representative of substantial resource.

## 5.6. Risk Analysis

Table 5 summarises the risk for each delivery model.

***Table 5 – Risk Analysis***

| Category          | Risk  | Model 1 | Model 2 | Model 3 | Model 4 |
|-------------------|---|---------|---------|---------|---------|
| Scheme Management | Reputational Risk                                       | 1       | 1       | 1       | 4       |
|                   | Cost of delivery vs estimated quantity of installations | 1       | 1       | 1       | 4       |
| Installers        | Lack of skilled/experienced contractors                 | 4       | 2       | 3       | 2       |
| Quality           | Unsatisfactory installation quality                     | 4       | 1       | 1       | 1       |
|                   | Unsatisfactory customer service                         | 4       | 2       | 1       | 1       |
|                   | Cost of mediation                                       | 0       | 1       | 1       | 3       |
|                   | Potential cost of remedial action                       | 0       | 0       | 0       | 2       |
|                   | Reputational risk                                       | 0       | 1       | 1       | 4       |
| Lead Generation   | Fraudulent funding claims                               | 1       | 1       | 1       | 1       |
|                   | Complaints from general marketing activity              | 4       | 3       | 2       | 1       |
|                   | Complaints from doorstep cold calling                   | 4       | 3       | 1       | 1       |
| Overall Risk      |   | 23      | 16      | 13      | 24      |

**Key -** 0 – Insignificant | 1 – Minor | 2 – Moderate | 3 – Major | 4 – Severe

### 5.7. Cost Model for Scheme Management

The cost of scheme delivery is difficult to estimate due to unknown volume of work. The cost for each model has been estimated in Table 6.

***Table 6 – Cost Model***

| Delivery Model | Estimated Resource  | Cost  |
|----------------|---|---|
| <b>Model 1</b> | Resource has been estimated per referral inclusive of 1 hour administration time at Grade 2, Level 5 plus overheads.  | <b>Management Fee: £0.00</b><br><i>Paid by Local Authority</i><br><b>Referral Fee: £49.00 per referral</b><br><i>Paid by Contractor</i>   |
| <b>Model 2</b> | Resource has been estimated per referral inclusive of 1 hour administration time at Grade 3, Level 9 plus overheads.  | <b>Management Fee: £0.00</b><br><i>Paid by Local Authority</i><br><b>Referral Fee: £69.00 per referral</b><br><i>Paid by Contractor</i>   |
| <b>Model 3</b> | Resource has been estimated per referral inclusive of 1 hour administration time at Grade 3, Level 9 plus overheads.  | <b>Management Fee: £0.00</b><br><i>Paid by Local Authority</i><br><b>Referral Fee: £69.00 per referral</b><br><i>Paid by Contractor</i>   |
| <b>Model 4</b> | Resource has been estimated for employment of relevant skills for full scheme management. This includes: <ul style="list-style-type: none"> <li>• Grade 4, Level 12 – ½ FTE</li> <li>• Grade 3, Level 9 – ½ FTE</li> <li>• Grade 2, Level 8 – ½ FTE</li> <li>• Overheads</li> </ul> | <b>Management Fee: £114,516.00 per annum</b><br><i>Paid by Local Authority</i><br><b>Offset Referral Fee: £129.00 per referral*</b><br><i>Paid by Contractor</i><br><br><i>*used to offset Management Fee</i> |

*Note, Table 6 only includes the cost of managing the scheme. The cost of preparing scheme procedures and mechanisms is included within this review for the recommended Model.*

## 6. Recommended Delivery Model

Our recommendation considers a balance of resource intensity, risk and cost of delivery.

### 6.1. Resource

In reference to Section 5.5, Model 1 is the least resource intensive option, Models 2 and 3 are comparable and Model 4 requires substantial resource.

### 6.2. Risk

In reference to Section 5.6, Models 1 and 4 present the greatest risk and exposes the Local Authority to the highest risk of reputational damage. Models 2 and 3 are roughly comparable with Model 3 presenting the lowest risk.

### 6.3. Cost

In reference to Section 5.7, Model 1 is estimated to be the least expensive option in terms of scheme delivery closely followed by Models 2 and 3. Models 1-3 are designed to be 'self-funded' models where the installer pays a fee for each address where a signed declaration is provided. These Models do not require an annual management fee from the Local Authority.

Model 4 requires substantial financial commitment each year from the Local Authority. Some of this cost would be offset by fees collected from installers, however it is very difficult to estimate volume in advance.

### 6.4. Recommendation

Considering resource intensity, risk and cost of delivery, our recommendation would be to develop a scheme in line with Model 3. Model 3 enables the Local Authority to -

- Take a balanced approach retaining some management control of the installers operating under LA Flex whilst minimising financial and reputational risk.
- Adopt a 'self-funded' scheme with no management fees for the Local Authority. The council or its managing agent would recuperate the cost of delivery through installers fees.
- Test a scheme for a fixed term without Local Authority expenditure.

Due to the uncertainty of volume of activity, our recommendation is to trial Model 3 for a 12-month period at the referral rates noted in Table 6.

To implement Model 3, the Energy Agency has completed a set of procedures detailed in the remainder of this document.

## 7. Development Considerations

### 7.1. Approved Installer List

Any Approved Installer list developed for LA Flex should be designed to give the Local Authority confidence that it is ensuring a high level of installer competency and that installers are meeting relevant industry standards.

To mitigate reputational damage, it is essential to have a robust procedure to maintain some level of quality assurance. We recommend that an Approved Installer scheme should include:

- Pre-qualification (*see Annex A*)

- 
- Experience
  - Financial standing
  - Previous indictments
  - Management systems/policies
  - Accreditation/trade membership
  - References
  - A clear and robust set of Terms and Conditions (*see Annex B*)
  - Reporting requirements (*see Annex C*)

## 7.2. Lead Generation

Typically, ECO installers generate their own leads either through in-house engagement teams or via lead generating organisations. With any 3<sup>rd</sup> Party LA Flex scheme, the Local Authority should ensure that any installer generating leads does so in an appropriate manner avoiding ‘hard-sell’ techniques such as door step cold calling, and ensure that vulnerable groups are protected.

The Terms and Conditions (*see Annex B*) of any such scheme should include the parameters in which an installer may operate and provide guidance on their marketing collateral.

The Local Authority should provide a household eligibility checklist to the installer including details of evidencing requirements to ensure each installer is clear on the requirements for LA Declarations (*See Annex D*).

## 7.3. Signing of LA Declarations

An officer employed by the Local Authority (not by a managing agent) would be designated as an authorised signatory. The Local Authority should consider the administrative load of this task and whether they would accept –

- Ad hoc requests for LA Declarations; or
- Restricted requests for LA Declarations (for example, once a month enabling all declarations to be signed in one administrative exercise).

## 7.4. Customer Feedback

The Local Authority should consider how it will monitor the performance of installers on the Approved Installer list enabling regular review of membership. This can be done through householder feedback questionnaires (*See Annex E*).

## 7.5. Scheme Management

Due to the complexities of ECO delivery, we recommend that the Local Authority utilises a specialist managing agent to develop and oversee the scheme.

## 7.6. Statement of Intent

To participate in LA Flex, the Local Authority must publish a Statement of Intent. East Ayrshire Council has an existing Statement of Intent and this has been revised for delivery Model 3 (*See Annex F*).



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## 8. Procedures

A full set of procedures and mechanisms has been developed to implement Model 3 –

Annex A – Approved Installer Application Form

Annex B – Terms and Conditions of Scheme Membership

Annex C – Installer Reporting Requirements

Annex D – Evidencing Requirement Matrix

Annex E – Householder Feedback Questionnaire

Annex F – Revised ECO-4 Statement of Intent



## **LA Flex – Approved Installer Application Form**

This application form is intended for use by installers applying to access LA Flex funding under ECO-4 and allows the Local Authority to assess your organisations suitability for the scheme.

Applicants should read the scheme Terms and Conditions prior to submitting an application.

| 1    | ORGANISATION DETAILS                                    |                             |  |
|------|---|-----------------------------|--|
| 1.1  | Company Name:   |                             |  |
| 1.2  | Company Registration No.                                |                             |  |
| 1.3  | Date of Registration:                                   |                             |  |
| 1.4  | Company Address:  |                             |  |
| 1.5  | Registered Address:<br><i>(if different from above)</i> |                             |  |
| 1.6  | Main Contact Name:                                      |                             |  |
| 1.7  | Designation:  |                             |  |
| 1.8  | Phone:  |                             |  |
| 1.9  | Email:  |                             |  |
| 1.10 | Website Address:  |                             |  |
| 1.11 | Type of Company:  | I. a public limited company |  |
|      |   | II. a limited company       |  |
|      |   | III. a partnership          |  |
|      |   | IV. other (please specify)  |  |
| 1.12 | VAT Registration:                                       |                             |  |
| 1.13 | Number of Employees:                                    |                             |  |
| 1.14 | Living Wage Employer:                                   | YES / NO                    |  |

|          |  |          |
|----------|--|----------|
| <b>2</b> | <b>INSURANCE</b>   |          |
|          | <b>Your company shall hold a valid certificate of insurance for each item noted below. You are required to submit evidence of your insurance alongside your application.</b> |          |
| 2.1      | Professional Indemnity Insurance to the value of £5,000,000 (in any one occurrence).   | YES / NO |
| 2.2      | Public Liability Insurance to the value of £5,000,000 (in any one occurrence).   | YES / NO |
| 2.3      | Employers Liability Insurance to the value of £5,000,000 (in any one occurrence).  | YES / NO |

|          |  |          |
|----------|--|----------|
| <b>3</b> | <b>LEGAL</b>   |          |
|          | <b>Do any of the following apply to your organisation, or to any of the director(s) / partners / proprietor(s)?</b>                          |          |
| 3.1      | Bankruptcy, insolvency, compulsory winding up, receivership, composition with creditors, or subject to relevant proceedings.                 | YES / NO |
| 3.2      | A conviction (or convictions ) for a criminal offence related to business or professional conduct.   | YES / NO |
| 3.3      | Legal or administrative finding of commission of an act of grave misconduct in the course of business.                                       | YES / NO |
| 3.4      | Failure to fulfil obligations related to payment of social security contributions.   | YES / NO |
| 3.5      | Failure to fulfil obligations related to the payment of taxes.   | YES / NO |
| 3.6      | Failure to provide information required or providing inaccurate/misleading information when participating in a procurement exercise.         | YES / NO |
| 3.7      | Failure to obtain and maintain relevant licences or membership of an appropriate trading or professional organisation where required by law. | YES / NO |
| 3.8      | Have you or the business had any court action raised against you in the last 3 years?  | YES / NO |

|      |  |          |
|------|--|----------|
| 3.9  | Have you traded under any other name or been involved in any other business in the last 3 years?   | YES / NO |
| 3.10 | If the answer to any of the above is “ <b>Yes</b> ”, please give brief details below, including what corrective actions have been applied. |          |

| 4   | CERTIFICATION/MEMBERSHIP/LICENSES   |          |
|-----|---|----------|
| 4.1 | Trustmark:  | YES / NO |
| 4.2 | PAS 2035: 2019:   | YES / NO |
| 4.3 | PAS 2030: 2019:   | YES / NO |
| 4.4 | MCS:  | YES / NO |
| 4.5 | GasSafe:  | YES / NO |
| 4.6 | OfTEC:  | YES / NO |
| 4.7 | Other Accreditation:<br><i>(please list all other relevant certification held)</i>        |          |
| 4.8 | Memberships:<br><i>(please list any membership you have with any relevant trade body)</i> |          |
| 4.9 | Do you hold a Consumer Credit License:  | YES / NO |

| 5   | POLICIES/MANAGEMENT SYSTEMS   |          |
|-----|---|----------|
| 5.1 | Does your organisation hold a certificate of registration with a UKAS accredited <b>quality</b> management system (or equivalent), for example ISO 9001?            | YES / NO |
| 5.2 | If no, does your organisation have a quality management system in place to ensure the measure/process is properly managed?  | YES / NO |
| 5.3 | Does your organisation hold a certificate of registration with a UKAS accredited <b>health and safety</b> management system (or equivalent), for example ISO 45001? | YES / NO |

|     |   |          |
|-----|---|----------|
| 5.4 | If no, does your organisation have a written Health and Safety policy?  | YES / NO |
| 5.5 | Does your organisation have a written Health and Safety policy relating to COVID-19?  | YES / NO |
| 5.6 | Does your organisation hold a certificate of registration with a UKAS accredited <b>environmental</b> management system (or equivalent), for example ISO 14001? | YES / NO |
| 5.7 | If no, does your organisation have an environmental policy in place?  | YES / NO |

| 6   | MEASURES  |  |
|-----|---|--|
| 6.1 | Please tick each measure that your organisation is accredited to install under ECO-4.   |  |
|     | Boiler (gas system)   |  |
|     | Boiler (oil system)   |  |
|     | Boiler (biomass system)   |  |
|     | Electric Storage Heating  |  |
|     | Air Source Heat Pump  |  |
|     | Ground Source Heat Pump   |  |
|     | Solar Thermal   |  |
|     | Solar PV  |  |
|     | Battery Storage   |  |
|     | External Wall Insulation  |  |
|     | Internal Wall Insulation  |  |
|     | Cavity Wall Insulation  |  |
|     | Room-in-Roof Insulation   |  |
|     | Loft Insulation   |  |
|     | Underfloor Insulation   |  |
|     | Glazing/Doors   |  |
|     | Other<br><i>Please specify</i>  |  |
| 6.2 | Please provide details of the length of product and workmanship guarantees of each measure you are accredited to install, and any insurance backed guarantees where applicable. |  |

|     |  |   |  |
|-----|--|---|--|
| 6.3 | Please specify which energy provider(s) or broker(s) your organisation has current ECO funding agreements with:  |   |  |
| 6.4 | Please confirm your delivery model:  | Self-Install (all measures)             |  |
|     |  | Sub-Contract (all measures)             |  |
|     |  | Hybrid of Self-Install and Sub-Contract |  |
| 6.5 | <p>If your delivery model includes sub-contracting, please detail which measures will be sub-contracted:</p> <p><i>Please note, we may request evidence of the relevant experience of your sub-contractors prior to scheme approval.</i></p> |   |  |

|          |  |
|----------|--|
| <b>7</b> | <b>CUSTOMER MANAGEMENT</b>   |
| 7.1      | Please provide details of the customer journey your organisation will implement. |
| 7.2      | Please provide details of your organisation's customer complaints procedure.     |

|          |  |  |
|----------|--|--|
| <b>8</b> | <b>EXPERIENCE AND REFERENCES</b>   |  |
| 8.1      | Please provide details of your experience as a principal contractor:   |  |
| 8.2      | Please provide details of at least two contracts, public or private, in the last three years that are relevant to this type of work: |  |
|          | <u><b>Contract 1</b></u><br><br>Client:  |  |
|          | Scope of Contract:   |  |

|  |                          |  |
|--|--------------------------|--|
|  | Value of Contract (GBP): |  |
|  | Contact for References:  |  |
|  | <b><u>Contract 2</u></b> |  |
|  | Client:                  |  |
|  | Scope of Contract:       |  |
|  | Value of Contract (GBP): |  |
|  | Contact for References:  |  |

|          |   |  |
|----------|---|--|
| <b>9</b> | <b>SIGNATURES</b>   |  |
|          | I declare, that to the best of my knowledge, the answers submitted in this application are correct. I understand that this application may be rejected if there is a failure to answer all relevant questions fully or if I provide false/misleading information. |  |
| 9.1      | Name:   |  |
| 9.2      | Position:   |  |
| 9.3      | Date:   |  |
| 9.4      | Telephone:  |  |
| 9.5      | Signature:  |  |

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## Annex B – Terms & Conditions of Scheme Membership

### ECO-4 LA Flex – Terms and Conditions

#### 1. Introduction

- 1.1. East Ayrshire Council's LA Flex Scheme is designed to enable installers to access Flexible Eligibility funding under ECO-4 to offer free or subsidised energy efficiency measures to fuel poor and vulnerable households that do not qualify under the Help to Heat Group.
- 1.2. The Energy Agency is employed by East Ayrshire Council to oversee LA Flex and ensure installers trade fairly within the region. The customer service and measures installed by installers shall be assessed by the consumer through a customer satisfaction feedback system.
- 1.3. The scheme is open to any installer, without prejudice, that can demonstrate its ability to competently deliver energy efficiency measures in domestic dwellings.
- 1.4. Installers are required to complete an application form to become a member of the LA Flex Scheme and acceptance will be granted in accordance with the Scheme Acceptance Criteria.

#### 2. Energy Agency Commitments

The Energy Agency will:

- 2.1. Assist the Local Authority in the publication of a Statement of Intent in line with ECO-4 Guidance.
- 2.2. Notify Installers of any proposed amendments to the Statement of Intent at least 60 days prior to publication of amended versions.
- 2.3. Review household eligibility based on evidence submitted by the Installer.
- 2.4. Obtain signed declarations from the Local Authority on behalf of the Installer.
- 2.5. Notify the household that an application for LA Flex is being made at their address.
- 2.6. Provide a fair and impartial service in all dealings with Installers and consumers.
- 2.7. Monitor member's compliance with ECO-4 consumer protection.
- 2.8. Refer to Trading Standards/CAB for advice on both civil and consumer protection legislation upon request.
- 2.9. Monitor Installer's marketing/promotion activity.
- 2.10. Conduct regular reviews of the scheme and these terms and conditions, reserving the right to change the terms and conditions where appropriate.
- 2.11. Reserve the right to revoke membership of the scheme where Installers act in a manner detrimental to consumers' interests, or breach these terms.
- 2.12. Reserve the right to publicise the removal of traders from the scheme, where appropriate, through any media channel.
- 2.13. Encourage consumers to provide feedback.
- 2.14. Process members' data fairly and in accordance with the Data Protection Act 2018.

#### 3. Installers Commitments

Installers requesting access to LA Flex shall agree to conduct their business fairly, within the spirit of good business practice and in accordance with relevant law.

Installers shall:

- 3.1. Provide the Energy Agency with full details of ownership, trading names, premises, staffing levels and trade activities. Any addresses provided to the public shall be proper addresses capable of being used for contact by letter.

- 3.2. Inform the Energy Agency of any significant changes to the above within 14 working days of the change.
- 3.3. Agree to abide by the Terms and Conditions of the scheme.
- 3.4. Adequately train their staff for the work they carry out, and keep appropriate training records. These should be available for the Energy Agency to view on request.
- 3.5. Maintain and publicise any certification/registration required for ECO-4 (e.g. TrustMark, PAS 2035/2030, Gas Safe, MCS etc.).
- 3.6. Not use second-hand or reconditioned parts.
- 3.7. Comply with all relevant consumer protection legislation.
- 3.8. Have and maintain adequate public liability insurance.
- 3.9. Have and maintain adequate employers' liability insurance.
- 3.10. Co-operate fully with the Energy Agency and respond to all requests for information within three working days.
- 3.11. Have been trading for at least six months prior to application.

#### 4. Membership

- 4.1. Membership of the council's LA Flex scheme shall be subject to the Scheme Acceptance Criteria as noted in the Scheme Application Form and the Energy Agency shall assess the applicant's suitability for membership.
- 4.2. Membership to the scheme is free subject to the Installer passing the Scheme Acceptance Criteria. Fees for LA Declarations apply – see Section 5.
- 4.3. If the Energy Agency considers the applicant unsuitable for membership, the applicant shall not be admitted to the scheme.
- 4.4. An applicant shall be considered unsuitable if:
  - There is an unacceptable risk that the consumer may suffer loss, detriment or poor experience.
  - The applicant presents an unacceptable risk to others, for example suppliers or the general public.
  - The applicant's membership might bring the scheme, Energy Agency or East Ayrshire Council into disrepute or otherwise be inconsistent with any aspect of the scheme.

#### 5. Fees

- 5.1. Subject to evidencing requirements being met, in accordance with the most current version of *ECO-4 Guidance: Delivery*, the Installer shall pay the Energy Agency a fee of **£69.00** per household declaration.
- 5.2. Monies received by the Energy Agency shall be used for the purpose of scheme administration only.
- 5.3. Payment must be received in advance of the Energy Agency submitting the Declaration to OfGEM.

#### 6. Legislative Considerations

- 6.1. Installers shall comply with all applicable legislation, including but not limited to:
  - The Provision of Services Regulations 2009.
  - The Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013 ("ICAC Regulations").
  - Electronic Commerce (EC Directive) Regulations 2002.
  - Consumer Protection from Unfair Trading Regulations 2008.
  - The Alternative Dispute Resolution for Consumer Disputes (Competent Authorities and Information) Regulations 2015.
  - Consumer Rights Act 2015.

- Consumer Protection Act 1987.

## 7. Sub-Contracting

- 7.1. Where a member subcontracts all or any part of the work, then the member must make the subcontractor aware of obligations under these terms and conditions.
- 7.2. The member must guarantee the work of the subcontractor to the same standard as the member Installer.
- 7.3. Members must take full responsibility for all subcontractors work.

## 8. Engagement with the Consumer

- 8.1. Installers shall act in a professional and courteous manner at all times ensuring regular communication with each householder throughout the duration of the works.
- 8.2. Installers shall provide customers with a written schedule of works and quotation before any work commences.
- 8.3. Quotations shall include full details of the work, total cost, funding applied, net cost and be inclusive of VAT where applicable.
- 8.4. Installers shall only charge a fair and reasonable price for work carried out.
- 8.5. Full, clear and accurate terms and conditions of the contract shall be provided to the consumer in advance.
- 8.6. Additional charges for making payment by credit, debit card or any other electronic payment is not permitted.
- 8.7. Consumer deposits to secure a contract shall not exceed 20% of the total contract price. Any staged payments agreed with the consumer shall not include the final 10% of the contract which is to be retained by the consumer until after completion of the contract. Reasonable exceptions to this rule will be considered where the Installer can justify this to the Energy Agency.
- 8.8. Consumers shall be given time to make the final payment, no less than seven days from the satisfactory completion of the contract.
- 8.9. Installers shall provide the consumer with a copy of their complaints procedure in advance of the works, and deal with complaints promptly and effectively.
- 8.10. Where the Installer is a member of a trade association, which has its own code of practice, the terms of that code and any Alternative Dispute Resolution (“ADR”) processes shall be provided to the consumer and followed at all times.

## 9. Marketing

- 9.1. All advertisements that are produced in connection with your business must comply with all relevant advertising legislation.
- 9.2. The words ‘Energy Agency Approved’, ‘Council Approved/Funded’, ‘Scottish Government Approved/Funded’, or any other similar terms must not be used in any circumstances. The installer shall be clear that the funding is being drawn down from an energy supplier under the UK Government policy, the Energy Company Obligation.
- 9.3. The installer must not use any logos associated with the Energy Agency, Council or Scottish Government in its marketing material.
- 9.4. The Installer may use marketing channels such a social media, direct mailing and leaflet drops to generate leads, however under no circumstance shall the installer be permitted to cold call either via doorstep or phone. Reports of cold calling may lead to immediate removal from the scheme.

## 10. Consumer Disputes

- 10.1. If a consumer is unhappy with any work carried out by a member of the Scheme, the Installer must agree to comply with the dispute resolution procedure detailed below.

- 
- 10.2. Consumers and traders should initially try to resolve complaints through written discussion. Any details of the complaint should be made in writing to the other party.
  - 10.3. If the complaint remains unresolved, either party may contact the Energy Agency with details of the complaint. The Energy Agency will investigate the complaint and mediate between both parties to attempt to resolve any issues.
  - 10.4. Installers must agree to communicate fully with Energy Agency staff throughout the process of dealing with any dispute. Installers must keep records of disputes for a minimum of one calendar year.
  - 10.5. If at any time, the consultation of an independent expert is required for example for inspections or testing, agreements will be sought from both parties about the arrangement of such a consultation including payment.

## 11. Application Appeals

- 11.1. An appeals process is available for any installer that has applied for access to the Scheme and been refused, or has had access to the Scheme revoked.
- 11.2. In both instances, the Energy Agency shall write to the Installer notifying them of the reasons for the decision and guidance on how to appeal.
- 11.3. The Installer must appeal within 28 days of receipt of the notice from the Energy Agency. Appeals after 28 days shall automatically be discarded.
- 11.4. Any costs incurred by the Installer during the appeals process shall be borne solely by the applicant.

## 12. Reporting

- 12.1. Installers shall provide a report on activity including:
  - Number of measures installed
  - Value (£) of measures installed
  - Fuel savings achieved (based on deemed scores)
  - Carbon savings achieved
- 12.2. Reports shall be submitted on a quarterly basis.
- 12.3. Reporting checkpoints shall be confirmed on confirmation of successful application and failure to submit reports may result in membership being revoked.

## Annex C – Reporting Requirements

[illegible]

## Annex D – Evidencing Requirements

### Property Requirements

| Eligibility Requirement                  | Ref | Evidence                      | Checked by: | Filed | Notes  |
|--|-----|-------------------------------|-------------|-------|--|
| Proof that the property is 'private'.    | 1   | Title Deeds                   |             |       | Default position is Title Deeds. Evidence Ref 2 or 3 can be used where the property is absent from the land register.    |
|  | 2   | Mortgage Statement            |             |       |  |
|  | 3   | Tenancy Agreement             |             |       |  |
| Proof that the property is 'domestic'.   | 4   | Title Deeds                   |             |       | Default position is Title Deeds. Evidence Ref 5, 6 or 7 can be used where the property is absent from the land register. |
|  | 5   | Utility Bill (3 months)       |             |       |  |
|  | 6   | Mortgage Statement            |             |       |  |
|  | 7   | Tenancy Agreement (>3 months) |             |       |  |
| Proof that the property is a 'premises'. | 8   | Title Deeds                   |             |       | Default position is Title Deeds. Evidence Ref 9 can be used where the property is absent from the land register.         |
|  | 9   | EPC                           |             |       |  |

|              |  |
|--------------|--|
| Approved by: |  |
| Date:        |  |

**Route 1: Household Income**

| Eligibility Requirement  | Ref | Evidence        | Checked by: | Filed | Notes   |
|--|-----|-----------------|-------------|-------|---|
| EER Band D, E, F, G  | 10  | EPC             |             |       |   |
| Combined Gross Household Income less than £31,000<br>(one of 11-14 required) | 11  | Tax Returns     |             |       | Must be within last 3 months  |
|  | 12  | Payslips        |             |       | 3 months  |
|  | 13  | Bank Statements |             |       | Must be within the last 3 months proving income payments inclusive of non-means tested benefits |
|  | 14  | P45/P60         |             |       | As long as the annual income is visible   |

|              |  |
|--------------|--|
| Approved by: |  |
| Date:        |  |

**Route 2: Proxy Targeting**

| Eligibility Requirement | Ref | Evidence | Checked by: | Filed | Notes                                |
|-------------------------|-----|----------|-------------|-------|--------------------------------------|
| EER Band E, F, G        | 15  | EPC      |             |       | No Band D allowed when using Route 2 |

| Eligibility Requirement   | Ref | Evidence  | Checked by: | Filed | Notes   |
|---|-----|---|-------------|-------|---|
| Proxy 1 - First, Second or Third Decile of SIMD   | 16  | Screenshot from SIMD showing 30% or less  |             |       |   |
| Proxy 2 - Householder receives a council tax rebate (not single occupancy)  | 17  | Copy of Award Letter  |             |       | Paper/Scan/Photo accepted   |
| Proxy 3 - A person living in the premises considered to be vulnerable to the cold under NICE: Recommendation 2  | 18  | Signed letter from a Doctor/GP  |             |       | Vulnerable to the cold and suffers from a health condition (excludes the low-income proxy). |
| Proxy 4 - A child at the premises is eligible for free school meals due to low income.  | 19  | Eligibility Checking Services (ECS) documentation showing eligibility for free school meals due to low income (from Department for Education or school) |             |       |   |
| Proxy 5 - A person living at the premises is supported by a LA run scheme that is named and described in the Sol and established to support people under NICE NG6 | 20  | Signed letter from Local Authority  |             |       |   |
| Proxy 6 - A person living at the premises has been referred to the LA for support by their energy supplier or CAS due to struggling to pay energy bills.          | 21  | Letter from Energy Supplier/CAS   |             |       |   |
| Proxy 7 - Households identified through supplier debt data  | 22  | Letter from Energy Supplier/CAS   |             |       | See further notes in Guidance regarding non-PPM and PPM customers                           |



**Route 3: NHS Referrals**

| Eligibility Requirement | Ref | Evidence | Checked by: | Filed | Notes |
|-------------------------|-----|----------|-------------|-------|-------|
| EER Band D, E, F, G     | 23  | EPC      |             |       |       |

| Eligibility Requirement                  | Ref | Evidence  | Checked by: | Filed | Notes |
|--|-----|---|-------------|-------|-------|
| Condition 1 - A cardiovascular condition | 24  | <p>Referral letter from one of:</p> <p>GP</p> <p>Scottish Health Board</p> <p>NHS Trust</p> |             |       |       |
| Condition 2 - A respiratory disease      | 25  |   |             |       |       |
| Condition 3 - Limited mobility           | 26  |   |             |       |       |
| Condition 4 - Immunosuppression          | 27  |   |             |       |       |

## Annex E – Householder Feedback Questionnaire

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### **Cover Letter**

Dear [insert name]

We have been notified by [insert installer], that you have recently received energy efficiency measures for your home funded through the Energy Company Obligation. The installer has utilised a function under the Energy Company Obligation called Flexible Eligibility which enables the Local Authority to authorise funding at your address based on your personal circumstances.

The council is not associated with [insert installer], however they are able to access funding through Flexible Eligibility through membership of an Approved Installer List operated by the council.

To monitor the Approved Installer List, and ensure installers are operating fairly and to a satisfactory standard, we would appreciate your feedback.

Please complete the enclosed feedback questionnaire and return this using the Freepost envelope provided. We will use your feedback to help us monitor the installers scheme membership.

Yours sincerely,

## Householder Feedback Questionnaire:

|   |  |
|---|--|
| <b>Name:</b>  |  |
| <b>Address:</b>   |  |
| <b>Postcode:</b>  |  |
| <b>Name of your Installer:</b>  |  |
| <b>Measures installed:</b><br><i>Please list all of the energy efficiency measures installed.</i> |  |

## Your Feedback

Please provide your feedback of the Installer using the following four-point rating:

1. Poor
2. Average
3. Good
4. Excellent

|  |     |   |    |   |
|--|-----|---|----|---|
| <b>Did the installer explain the proposed measures prior to installation and give you all the information you needed to make an informed decision?</b> | Yes |   | No |   |
| <b>Please rate the quality of the products installed:</b>  | 1   | 2 | 3  | 4 |
| <b>Please rate the quality of the installers workmanship:</b>  | 1   | 2 | 3  | 4 |
| <b>Please rate the installers customer care and professionalism:</b>   | 1   | 2 | 3  | 4 |
| <b>After installation, did the installer explain how to use the measures installed and provide you with maintenance/aftercare information?</b>         | Yes |   | No |   |
| <b>Has the installer provided you with guarantees/warranties?</b>  | Yes |   | No |   |
| <b>Would you recommend this installer?</b>   | Yes |   | No |   |

*Continued overleaf...*

|  |  |
|--|--|
| <b>Additional comments:</b><br><i>Please use this section to detail any feedback that you feel is relevant to your experience with your Installer.</i> |  |
|--|--|

|  |  |
|--|--|
|  |  |
|--|--|

## Statement of Intent for ECO4

### East Ayrshire Council ECO4 Flexible Eligibility Statement of Intent

**Local Authority name: East Ayrshire Council**

**Publication Date: 15 February 2023**

**Version number: V.1**

**Publication on web site**

This statement sets out **East Ayrshire Council's** flexible eligibility criteria for the Energy Company Obligation (ECO4) scheme from April 2022 – March 2026.

The ECO4 scheme will focus on supporting low income and vulnerable households. The scheme will improve the least energy efficient homes helping to meet the Government's fuel poverty and net zero commitments.

The flexible approach for Local Authorities (LAs) to identifying fuel poor and vulnerable households who may benefit from heating and energy saving measures is referred to as "ECO4 Flex".

The Council welcomes the introduction of the ECO4 Flex eligibility routes as it helps the Council achieve its plans to improve the homes of those in fuel poverty or vulnerable to the cold.

The Council is publishing this Statement of Intent (Sol), on the 15<sup>th</sup> of February 2023 to confirm that each of the households declared will adhere to at least one of the four available routes outlined below:

**Route 1:** SAP bands D-G households with an income less than £31,000. This cap applies irrespective of the property size, composition, or region.

**Route 2:** SAP bands E-G households that meet a combination of two of the following proxies:

|   |
|---|
| <b>Proxy 1)</b> Homes in England in Lower-layer Super Output Area 1-3 (LSOA) <sup>8</sup> , or homes in Welsh provision LSOA 1-3 on the Welsh Index of Multiple Deprivation 2019 <sup>9</sup> , or the Index of Multiple Deprivation for 2020, published by the Scottish Government <sup>10</sup> |
| <b>Proxy 2)</b> Householders receiving a Council Tax rebate (rebates based on low income only, excludes single person rebates).   |
| <b>Proxy 3)</b> Householders vulnerable to living in a cold home as identified in the National Institute for Health and Care Excellence (NICE) Guidance. Only one from the list can be used, excludes the proxy 'low income'.   |
| <b>Proxy 4)</b> A householder receiving free school meals due to low-income.  |

<sup>8</sup> [The English Indices of Deprivation 2019 \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

<sup>9</sup> [Welsh Index of Multiple Deprivation \(full Index update with ranks\): 2019 | GOV.WALES](https://gov.wales)

<sup>10</sup> [Scottish Index of Multiple Deprivation 2020 - gov.scot \(www.gov.scot\)](https://www.gov.scot)

|   |
|---|
| <b>Proxy 5)</b> A householder supported by a LA run scheme, that has been named and described by the LA as supporting low income and vulnerable households for the purposes of NICE Guideline.                                |
| <b>Proxy 6)</b> A household referred to the LA for support by their energy supplier or Citizen's Advice or Citizen's Advice Scotland, because they have been identified as struggling to pay their electricity and gas bills. |

\* Note proxies 1 and 5 cannot be used together.

**Route 3:** SAP bands D-G households that have been identified by their doctor or GP as low-income and vulnerable, with an occupant whose health conditions may be impacted further by living in a cold home. These health conditions may be cardiovascular, respiratory, immunosuppressed, or limited mobility related.

This is because the Council has identified a positive correlation between households who suffer from long-term health conditions and living off a low-income, with living in poorly insulated homes.

**Route 4:** SAP band D-G households that are referred under Route 4: Bespoke Targeting. Suppliers and LAs can submit an application to BEIS where they have identified a low income and vulnerable household, who are not already eligible under the exiting routes.

### **Installer Eligibility**

The council has completed a review of Flexible Eligibility to assess various mechanisms of delivery to understand how ECO can be maximised in our region whilst minimising risk to the consumer.

From the date of this publication, requests for Flexible Eligibility funding can be made by any Installer that has gained membership of the councils ECO-4 Approved Installer List and is operating in line with the Terms and Conditions of the scheme.

### **Declaration and evidence check confirmation**

All potentially eligible households should apply through an Approved ECO nstaller to ensure that they can benefit from the scheme or be assessed for eligibility under any other relevant programme.

The officer below will be responsible for checking and verifying declarations and associated evidence submitted on behalf of the Local Authority:

**Name:** Eddie Fraser

**Job Title:** Chief Executive

**Telephone:** 01563 576000

**Email:** [Eddie.Fraser@East-Ayrshire.gov.uk](mailto:Eddie.Fraser@East-Ayrshire.gov.uk)

### **CE Signature**

East Ayrshire Council will administer the scheme according to BEIS' ECO4 Order and will identify eligible households via Ofgem's application process. The CEO of the Council will oversee the process of identifying eligible households under ECO4 Flex.

The eligibility information will be stored securely in line with the Council's data protection policy, Information Commissioner's Office Data Sharing Code, and BEIS guidance.

**Name:** Eddie Fraser

**Job Title:** Chief Executive

**Telephone:** 01563 576000

**Email:** [Eddie.Fraser@East-Ayrshire.gov.uk](mailto:Eddie.Fraser@East-Ayrshire.gov.uk)

For any general enquires relating to this Sol, please contact [James.Lally@east-ayrshire.gov.uk](mailto:James.Lally@east-ayrshire.gov.uk)