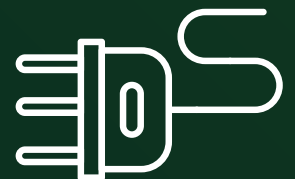
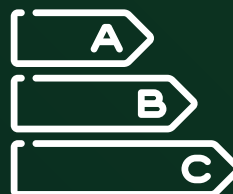
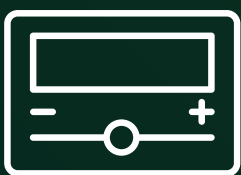
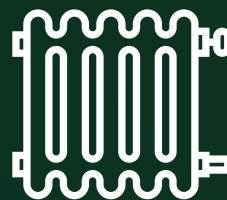
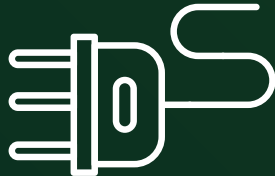
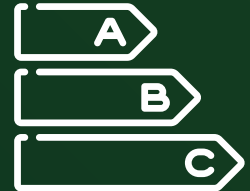
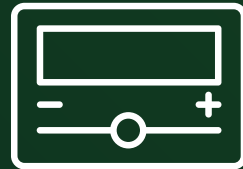
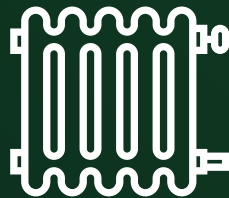


ECO funding for local authorities

A simple guide to the Government's ECO scheme



APSE Energy and YES Energy Solutions have produced this publication together to promote awareness of the continued ECO arrangements and upcoming consultation.



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. Our mission is 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 recently won Funding Provider of the Year at the 2017 National Energy Efficiency & Healthy Homes Awards. One of our recent local authority collaborations with North Lincolnshire Council won Best Housing & Regeneration Initiative at the 2017 APSE Service Awards.

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.

ECO funding for local authorities

A simple guide to the Government's ECO scheme

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10 things local authorities should be doing now with regard to ECO

1. Read this ECO guide.
2. Consider how ECO funding could move your corporate objectives forward.
3. Think about how investment to improve heat retention within homes and reduce your locality's carbon emissions can contribute to addressing wider health and wellbeing issues.
4. Be realistic about the internal resources available to tackle fuel poverty.
5. Investigate what other funds are available to tackle fuel poverty within your local authority (or collaborating with neighbouring local authorities) which could compliment ECO funding.
6. Make sure you have adequate data about your housing stock, residents and tenants.
7. If you don't have data, put arrangements in place to begin collecting it.
8. Look at the benefits of investing in the physical fabric of the local housing stock as a tool for asset management.
9. Consider how you can respond to the upcoming Government consultation exercise on the future of ECO funding.
10. Contact APSE Energy and YES Energy Solutions to talk about how you can start the next stage of ECO work to make your constituents' homes cosy and more comfortable.

Foreword

APSE Energy has taken on YES Energy Solutions as a commercial partner. We were keen to work together because we compliment each other's work.

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

The energy hierarchy is well known - first of all use less energy, secondly be efficient with the energy you do use and thirdly, generate your own.

ECO is still the main funding stream for domestic energy efficiency in Great Britain. It helps cover, or contribute, towards the cost of insulation and heating upgrades, supporting thousands of residents reduce their impact on the environment and keep warm for less.

But how can local authorities capitalise on ECO and use it to support their environmental and social objectives?

Many local authorities are committed to helping residents save energy and money, but are unaware of the funding opportunities available.

ECO has gone through many changes since its inception, but it is still the primary funding channel for retrofit measures and schemes for domestic properties. The Government's recently published Clean Growth Strategy identified that around £3.6 billion of investment will be used to upgrade around a million homes through the Energy Company Obligation (ECO), and extend support for home energy efficiency improvements until 2028 at the current level of ECO funding.

The latest phase now offers exciting opportunities for local authorities to really drive activity in their target areas and extend the scope of support available. For example, the new 'Flexible Eligibility' rules enable Councils to define their own criteria to help vulnerable residents who don't fit the standard ECO process.

In this world of austerity and increasingly tight budgets, local authorities need to be vigilant and make the most of what's available to get projects off the ground and make their budgets deliver further benefits.

Having previously published our simple guide - *What is ECO and Green Deal* - APSE Energy and YES Energy Solutions have now revised the publication to cover the latest changes and opportunities.

Our new guide gives a clear overview of what ECO is, how to get involved and more importantly – how to use it to the advantage of both local authorities and local communities.



Phil Brennan
Head of APSE Energy



Duncan McCombie
CEO of YES Energy Solutions

Contents

1. What is ECO?	8
2. ECO targets/strands	8
2.1 Phases of ECO	9
2.2 Old ECO commitments	9
3. How is ECO funding distributed?	9
3.1 ECO brokerage	10
4. How can local authorities access ECO funding?	10
5. Who is eligible for ECO funding?	11
5.1 ECO qualifying criteria	11
5.2 HHCRO benefits	12
6. New opportunities	13
6.1 Local authority opportunities	13
6.1.1 Flexible Eligibility - heating & insulation methods	13
6.1.2 Flexible Eligibility - solid wall insulation schemes	14
6.1.3 Flexible Eligibility requirements	14
6.2 Social housing opportunities	15
7. ECO measures	16
7.1 Primary and secondary measures	17
8. ECO funding allocations	17
8.1 Deemed scores	17
8.2 Funding rate	18
8.3 Calculating ECO funding	18
8.4 ECO funding examples	18
8.5 Why are some measures fully funded?	19
8.6 Why do some properties get more funding than others?	20
8.7 What happens if there is funding leftover?	20
8.8 Why are some measures prioritised over others by funders?	21
8.9 Why have funding allocations changed so much over the years?	21
8.10 Park Home insulation	22
8.11 Gas boiler cap	22
8.12 Project preference	22
9. ECO and the domestic RHI	23

10. Which companies are involved in ECO?	23
10.1 Roles in ECO	23
11. Accreditations	24
11.1 Quality Mark	24
11.2 PAS2030:2017	24
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
15.1 Blended funding	27
15.2 Multi local authority approaches	28
15.3 Working with landlords	28
16. The future of ECO	28
17. ECO case studies	29
17.1 The Rowner Regeneration Project	29
17.2 Redditch external wall insulation scheme	29
17.3 Doncaster Central Heating Scheme	30
18. Jargon buster	31

1. What is ECO?

In April 2013 the Government launched the Energy Company Obligation (ECO) - a national scheme designed to 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 customers). They are required to provide funding for the installation of energy saving measures in certain households throughout Great Britain.

The funding covers or contributes towards insulation and heating upgrades - so that residents can reduce their fuel bills and carbon footprint.

2. ECO targets/strands

ECO is currently split into two delivery targets (or strands) that energy companies are required to meet:

- The Carbon Emissions Reduction Obligation (CERO)
- The Home Heating Cost Reduction Obligation (HHCRO) – also referred to as Affordable Warmth

CERO is measured in the amount of carbon (CO₂) that will be saved as a result of installing energy efficiency measures to a property. It is aimed at everyone that lives in a home that requires an insulation improvement (homeowners, private renting tenants and social housing).

HHCRO is measured in how much money residents are likely to save on their fuel bills over the lifetime of the energy saving measures being installed. It is aimed at vulnerable homeowners or private renting tenants that may struggle to keep on top of their energy costs.

ECO delivery target	About	How it is measured
CERO	Designed to help lower the country's carbon footprint by funding measures that save CO ₂	Carbon tonnes
HHCRO	Supports vulnerable householders by helping them access measures that reduce their fuel bills	Lifetime Savings (LTS)* * Estimated fuel bill savings over the lifetime of a measure

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

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

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 (the phases were: ECO1, ECO1.2, ECO2).

It has since been extended and has now entered a new phase referred to as 'ECO2T'.

The 'T' stands for 'Transition' – a transitional period from the old ECO2 scheme to a new Government backed initiative that has yet to be confirmed.

2.1 Phases of ECO

ECO phase	Timeframe
ECO1	October 2012 - March 2014
ECO 1.2	April 2014 - March 2015
ECO 2	April 2015 - March 2017
ECO 2T	April 2017 - September 2018
New Government initiative	October 2018 (Proposed start date)

The results and learning outcomes from ECO2T will no doubt influence the new initiative which will either be another phase of ECO, or something similar. For more information see section 6.

2.2 Old ECO commitments

Under previous phases of ECO, there were other targets for energy companies to meet.

The Carbon Saving Communities Obligation (CSCO) was one of the original ECO strands that has now been discontinued as of April 2017.

CSCO was designed to support vulnerable residents in defined geographical areas (the most deprived lower super output areas in the country). However, the Government decided not to extend CSCO as they felt that the HHCRO strand alone, offered enough support for vulnerable residents.

3. How is ECO funding distributed?

Some energy companies choose to meet their CERO and 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 per saving (e.g. £ per carbon tonne for CERO or £ per LTS for HHCRO). They will then have a strict timescale to complete the contract.

The managing agent will then distribute the funds through smaller contracts to their chosen installer partners, or use the funding to support area based schemes in partnership with local authorities or housing associations. Through various marketing activity, customers will be sourced, then energy saving measures installed.

The savings achieved for the installations will then be submitted back to the energy company to be deducted from their overall CERO or HHCRO targets. Ofgem will then 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. They are also able to vary the amount of funding they distribute depending on their relationship.

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

3.1 ECO brokerage

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

4. 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 a vigorous 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 what support 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 local authorities wish to work with, providing they have the right accreditations.



Most managing agents have established strong working relationships with the energy companies, whilst local authorities have a trusted brand and a good understanding of their area and are able to identify which residents can benefit from support. By working together, effective ECO schemes can be developed that target the right communities.



Insulation measures can be funded by CERO and HHCRO. However, energy companies tend to offer a higher funding rate for HHCRO measures. Therefore it is always worth checking that a resident qualifies for HHCRO (e.g. claims qualifying benefits) before progressing with CERO funding.

5. Who is eligible for ECO funding?

Each ECO strand (CERO / HHCRO) is designed to support different types of householders:

CERO	HHCRO
<p>High carbon emitters</p> <p>Any householder (both private and social) that lives in a property that requires insulation improvements is eligible for CERO funding. These properties tend to leak heat and therefore emit more carbon (CO₂) than well insulated properties.</p>	<p>Fuel poor and vulnerable residents</p> <p>Homeowners and private renting tenants in receipt of specific income related state benefits that require home insulation and/or heating improvements are eligible for HHCRO funding. Many of these residents are believed to be living in fuel poverty and struggle to afford to heat their homes.</p>

Are there any exceptions?

Yes – in some cases residents that don't fit CERO or HHCRO eligibility criteria can receive ECO funding. Please refer to Section 6 for further details.

5.1 ECO qualifying criteria

There are different qualifying criteria depending on which ECO strand a resident falls under:

ECO strand	Eligibility criteria	Resident type	Measure types available
CERO	Anyone who lives in a home that is technically suitable for an insulation improvement	Homeowners Private renting tenants Social housing tenants	Insulation
HHCRO	Vulnerable people that claim certain state benefits	Homeowners Private renting tenants <i>Some types of social housing can be funded via HHCRO. Please see Section 6.2</i>	Insulation Heating Renewable energy Technology



Within the current phase of ECO, energy companies must deliver 15% of their CERO target in rural communities (defined Lower Super Output Areas with less than 10,000 inhabitants).

Higher funding rates are likely to be assigned to insulation measures for rural properties, as there are less opportunities available and energy companies will be keen to bank the savings against their targets.

To find out if a property is located in a rural area use Ofgem's free ECO tool: <https://eco.locationcentre.co.uk>

5.2 HHCRO benefits

To be eligible for funding through HHCRO, a homeowner or private renting tenant must claim one or more of the following state benefits:

- Pension Guarantee Credit
- Income Based Job Seekers Allowance
- Income Support
- Income Related Employment & Support Allowance

or

- Working Tax Credit or Child Tax Credit with a yearly household income below:

1 adult no children	£13,200
1 adult and 1 child	£17,400
1 adult and 2 children	£21,600
1 adult and 3 children	£25,800
1 adult and 4 or more children	£30,000
2 adults no children	£19,800
2 adults and 1 child	£24,000
2 adults and 2 children	£28,200
2 adults and 3 children	£32,400
2 adults and 4 or more children	£36,600

or

- Universal Credit with a monthly household income below:

1 adult no children	£1,100
1 adult and 1 child	£1,450
1 adult and 2 children	£1,800
1 adult and 3 children	£2,150
1 adult and 4 or more children	£2,500
2 adults no children	£1,650
2 adults and 1 child	£2,000
2 adults and 2 children	£2,350
2 adults and 3 children	£2,700
2 adults and 4 or more children	£3,050

Residents with children claiming Tax Credits or Universal Credit must have parental responsibility for the children living with them in the property. Children must be under 16 years of age, or between 16 and 20 years of age if in full time education (excluding higher education) and ordinarily reside at the property.



Sometimes it can be difficult to collect evidence to prove that a resident is eligible for HHCRO funding. The Department of Work and Pensions operates a data match service which confirms if a resident claims one or more of the relevant state benefits. 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 fit the HHCRO criteria.



When developing ECO projects, local authorities can start to categorise residents and properties by CERO or HHCRO criteria. This will give a clearer understanding of who can actually benefit from which funding stream.

It's useful to know:

- Which properties are privately owned and which are social housing
- Which homes are best suited for insulation improvements
- Which areas have the highest level of vulnerable householders that are likely to claim the qualifying state benefits

Some local authorities will have already collected some of this information, whereas others can use data from the Office of National Statistics or work with managing agents to define target areas.

6. New opportunities

A number of new rules were introduced by the Government in April 2017 to help widen the criteria for those who can qualify for the HHCRO strand of the ECO programme (e.g. the eligibility criteria has been made broader).

There are now new opportunities for local authorities and social housing providers.

6.1 Local authority opportunities

6.1.1 Flexible Eligibility – heating & insulation measures

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

So 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 met their council's own Flexible Eligibility rules.

This approach can only be used for homeowners or private renting tenants.

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

- Living in fuel poverty;
- or*
- Low income and vulnerable to the effects of living in a cold home.

In theory, Flexible Eligibility should widen the net of eligible residents and help more vulnerable people access support through ECO.

6.12 Flexible Eligibility - solid wall insulation schemes

Local authorities developing area based solid wall insulation schemes can also use Flexible Eligibility to bring in HHCRO funding - regardless of resident eligibility.

In fact HHCRO funding can be claimed against the whole project without any of the householders claiming qualifying benefits, providing:

- The residents are homeowners or private renting tenants;
and
- The properties are either flats, maisonettes, terraces or detached houses next door to each other and are part of a project where at least two thirds of the households have been declared as fuel poor, or low income and vulnerable to the effects of living in a cold home by the local authority;
or
- In the case of a pair of semi-detached properties or a single building that contains two flats, residents from one of the pair must be declared as fuel poor, or low income and vulnerable to the effects of living in a cold home by the local authority.

6.1.3 Flexible Eligibility requirements

Energy companies are allowed to meet up to 10% of their HHCRO delivery target through Flexible Eligibility. Please note that they are under no obligation to use Flexible Eligibility at all, so local authorities would need to get commitment from an energy company (or managing agent with a relevant ECO funding delivery contract) before any referrals were made.

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 and sent to the relevant energy company before any installations take place.

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.

Local authorities are then required to produce annual reports disclosing their use of Flexible Eligibility for the Government to monitor. 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 verify residents on behalf of local authorities.



Ofgem have published a list of local authorities that have published a statement of intent with links to view the criteria:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/671109/Published_list_of_SOI_links_29_December_2017.xlsx



Guidance on how local authorities can create a statement of intent and declaration form is available from the Government's website: <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 statement 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.

6.2 Social housing opportunities

For the very first time, selected energy saving measures can be installed in social housing through HHCRO, providing a defined criteria is met. Originally, HHCRO funding was only available to homeowners and private renting tenants.

Insulation 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 through HHCRO, providing the homes have an energy efficiency rating of E, F or G on a valid energy performance certificate (EPC).

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.

However, funding for first time central heating will not be released if there is any evidence that the property has had a form of central heating in the past, including electric storage heaters.

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. ECO measures

The ECO programme currently supports the following energy saving measures:

✓	Eligible measure
✓	Eligible as secondary measure

Measure	CERO	HHCRO
Internal solid wall insulation	✓	✓
External solid wall insulation	✓	✓
Cavity wall insulation	✓	✓
Hard to treat cavity wall insulation	✓	✓
Loft insulation	✓	✓
Room in roof insulation	✓	✓
Flat roof insulation	✓	✓
Under floor insulation	✓	✓
Hot water cylinder insulation	✓	
Pipework insulation	✓	✓
Draught proofing	✓	✓
Window glazing	✓	✓
Passageway walk through doors	✓	✓
High performance external doors	✓	✓
A-rated boiler		✓
Electric storage heaters		✓
Warm air units		✓
Heating controls		✓
Flue gas heat recovery device		✓
Heat recovery ventilation		✓
Radiator panels		✓
District heating connections	✓	✓
Air source heat pump		✓
Ground source heat pump		✓
Biomass boiler		✓
Micro combined heat and power		✓
Solar photovoltaics		✓
Micro wind		✓
Micro hydro		✓

Please note that more measures may be added by Ofgem as and when they are approved.

7.1 Primary and secondary measures

In the CERO strand of ECO, energy saving measures are categorised depending on how much carbon they save. They will either be classed as primary measures or secondary measures.

A primary measure can be independently funded through CERO. Whereas secondary measures can only be funded when a primary measure is also being installed.

The main reason for primary and secondary measures is to prioritise installations that save the most carbon.

CERO is the only ECO strand that uses this measure categorisation.



Within the current phase of ECO, energy companies must fund a proportion of solid wall insulation measures within their CERO delivery targets. This is referred to as the 'solid wall minimum requirement' – and funding rates are often higher.

The amount of solid wall insulation measures they must fund is determined by the size of their targets (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.

8. 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

8.1 Deemed scores

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

Deemed scores estimate how much carbon or Life Time Savings (LTS) can be achieved when a measure is fitted. The score changes depending on the following factors:

- The ECO strand used (CERO or HHCRO)
- What measure is being installed
- Property type
- Property construction
- Number of bedrooms
- Current heating system

For example, to fit standard cavity wall insulation to a three bedroom semi-detached property with gas central heating using CERO funding, the deemed score is 24.392. To fit standard cavity wall insulation to a two bedroom mid terraced property with an oil boiler using HHCRO funding, the deemed score is 5922.

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

You can download the full spreadsheet of deemed scores from the Ofgem website: <https://www.ofgem.gov.uk/publications-and-updates/eco2t-deemed-scores>

Deemed scores were introduced in April 2017. Prior to this, scores were determined through a bespoke home assessment which included generating a home 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.

8.2 Funding Rate

The funding rate is the amount of money the energy company is prepared to pay for each carbon tonne (CERO) or LTS (HHCRO).

- £ per carbon tonne
- £ per LTS

There are no set funding rates available as these will change depending on the contracts that energy companies have with 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 10,000 carbon tonne savings in 6 months at £18 per carbon tonne).

8.3 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.

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

If the available funding doesn't cover the cost of the installation, the resident will be required to make up the shortfall.

8.4 ECO funding examples

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

Please note that HHCRO tends to attract a higher funding rate than CERO, as energy companies have larger HHCRO targets to meet. This means that there will be a larger funding allocation under HHCRO for measures that fit both ECO strands.

CERO Funding - 3 bedroom semi-detached property with gas central heating

Measure*	Deemed score	Funding rate	Funding allocation
Cavity wall insulation	24.392	£18	£439.06
Loft insulation	8.863		£159.53
External wall insulation (on system built home)	49.741		£895.34

HHCRO - 3 Bedroom semi-detached property with Gas Central Heating

Measure	Deemed score	Funding rate	Funding allocation
Cavity wall insulation	8119	£0.08	£649.54
Loft insulation	2943		£235.44
External wall insulation (on system built home)	14340		£1,147.20
Inefficient/broken gas boiler to new gas boiler (house has cavity walls and pre-existing heating controls)	10950		£876.00

8.5 Why are some measures fully funded?

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 would 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's 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.

8.6 Why do some properties get more funding than others?

Larger homes with more bedrooms tend to emit more carbon and 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 CERO funding at £18 per carbon tonne for standard cavity 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	Funding allocation	Customer contribution req.
Cavity wall insulation	3 bedroom semi-detached house with gas boiler	£800	£439.06	£360.94
	3 bedroom semi-detached house with electric storage heaters	£800	£1,094.96	£0 <i>(Funding excess of £294.96)</i>
	5 bedroom detached house with oil boiler	£1,600	£1,518.64	£81.36
	1 bedroom flat with three external walls and electric room heater	£500	£444.96	£55.04

8.7 What happens if there is funding leftover?

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.

8.8 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 save the same amount of carbon 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. When funding covers more of the cost of the measure, it makes it an easier 'sell' to householders. From the energy company's point of view, they achieve the same contribution towards their target by funding the cheaper measure at a lower cost.

Some energy companies have their own in-house heating installers, so it's no surprise that they prioritise boiler installations over other measures to maximise the proportion of ECO work delivered internally.

8.9 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 costs to win more work.

8.10 Park Home insulation

Park Homes can now benefit from both CERO and HHCRO funding for insulation improvements. In fact, Park Home insulation has been given its own set of deemed scores. However, Ofgem stipulate that the walls, loft and floor of the property must be insulated for the full funding to be claimed. If it is not feasible to insulate the whole Park Home, then only a percentage of the deemed score can be used to claim funding (e.g. insulating the walls only = 40% of the deemed score).

Following feedback from the industry, very old and inefficient Park Homes have now been given a new set of deemed scores which are higher than the standard ones. However, to apply for this funding every part of the Park Home needs to have a U-value assessment.

8.11 Gas boiler cap

The vast majority of installations under the HHCRO strand of ECO have been gas boiler replacements.

In April 2017, the Government introduced a 'gas boiler cap' to limit the amount of gas boilers being upgraded through the scheme as a way to prioritise other off gas heating measures and insulation measures.

Under the cap, only 23% of an energy company's HHCRO target can be used to fund gas boiler replacements.

Many of them have already reached this threshold. This is why there isn't as much gas boiler funding in the market place as in previous years.

However, as gas is the most popular domestic fuel in Great Britain, many in the industry have been lobbying the Government for the rules to change again and to allow for a greater allocation of funding to be provided for gas measures. Despite this approach, no future commitment has been made by the Government to date.

8.12 Project preference

Energy companies are likely to offer favourable funding rates for a defined project that shows the impact that the work would have in achieving their targets.

Project proposals that show actual property numbers and likely carbon or LTS 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.

9. ECO and the domestic RHI

The domestic Renewable Heat Incentive (RHI) is another Government backed scheme which offers householders quarterly payments for installing and using renewable heat technology, such as heat pumps and biomass boilers.

Residents can still benefit from the domestic RHI if they have also received ECO funding towards the cost of their install. However, the ECO funding secured will be deducted from their quarterly RHI payments.

What's more, it is unlikely that householders that qualify for HHCRO (e.g. vulnerable/fuel poor) will be in a position to afford renewable heat technology as it tends to be very expensive. The deemed scores associated with renewable heat technology are also pretty low, therefore there will be minimal funding available.

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 to show which companies have been officially certified.

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. BEIS is a relatively new Government department which took over the responsibilities of the former Department of Energy & Climate Change (DECC).

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 installer teams, or distribute funding to managing agents or through contracted services.

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.

Managing agents (Green Deal providers)

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 an authorised Green Deal provider through the GD Orb. Many providers are also accredited installers, or work with a network of authorised contractors.

Authorised assessors

Before any work is carried out, a property must be surveyed by a Domestic Energy Assessor (DEA). Only assessors or assessor organisations listed on the GD Orb are authorised to work on the ECO programme. The assessor will collect a series of documents which must be submitted to each energy company as part of the funding process.

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 scheme 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. Accreditations

11.1 Quality Mark

When a participant becomes accredited by the GD Orb, they are provided with a quality mark. This mark must be displayed on their website and marketing material.

The mark shows their accreditation number and category (e.g. assessor, provider or installer). For installers, the mark will also list the energy saving measures the company has been approved to install under the scheme.

11.2 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 and display the quality mark.

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 at their home. They speak to an authorised organisation (e.g. managing agent) who discuss their requirements. There will be early indications to what measures can be installed and which ECO strand the customer will fall under.

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). Most authorised assessors work for an accredited installer and will also carry out a technical survey so a quote can be produced.

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 by an authorised Installer based on the technical survey that was collected. 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 paper work (if the property is rented the landlord is also 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 targets. Ofgem will audit a number of submissions to ensure there are compliant.



Local authorities can help streamline the ECO customer journey by implementing their own schemes with unique brand names. All the organisations involved will fit under the same umbrella. Householders won't need to chase up individual assessors or installers, as they will have one central touch point for all steps of the process.

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 a completed submission has been made by an installer. For some measures (e.g. solid wall insulation) technical monitoring can be carried out during the installation as well.

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. They are now in the process of rolling out a new scheme and targeting relevant householders.



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. 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 and creating jobs as well as 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 their communities.

With the right support and collaborations, local authorities can target the most appropriate areas for ECO to make sure the benefits 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 understand 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 proactively 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.

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, like community groups and local divisions of the NHS. For example, some clinical commissioning groups have adopted a 'Boilers on Prescription' model, whereby vulnerable residents are referred for energy saving improvements via health professionals.

15.2 Multi local authority approaches

In the current economic climate, going it alone can be difficult. By honing resources and collaborating with neighbouring councils, whole regions will 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.

By pooling funding and using local expertise, multi local authority approaches could prove to be the best and most cost effective way to get real results.

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 fact, according to the latest Government statistics, 21% of householders in private rented accommodation are in fuel poverty, compared to 7% of owner occupiers.

Local authorities can make a big difference by working proactively with private landlords to take advantage of energy efficiency opportunities under ECO.

From April 2018, landlords will not be able to rent out a property if it has an EPC rating of F or G. They are therefore required to make suitable energy efficiency improvements to bring the property up to band E or above.

This is now the ideal time for local authorities to put pressure on private landlords to improve their stock.

16. The future of ECO

ECO2T finishes at the end of September 2018 and will be replaced with a new initiative. In the coming weeks the Government will be releasing a consultation about what the new initiative will be. It is likely to be another phase of ECO with revised targets, rules and guidelines. All stakeholders, including local authorities, are encouraged to take part in the consultation process and provide feedback on any proposed changes.

APSE Energy and YES Energy Solutions will be responding to the consultation and we actively encourage local authorities to work with us on our submission. If you are interested in taking part please email: pbrennan@apse.org.uk

17. ECO case studies

A large number of diverse local authorities have used ECO funding. This has helped reduce fuel poverty, revitalise communities and improve social attainment.

17.1 The Rowner Regeneration Project

The Rowner Regeneration Project was a targeted whole house retrofitting programme which was designed to renovate one of the most deprived areas in Gosport, Hampshire.

Our ECO funding provision of over £360,000 enabled external wall insulation to be installed on 235 flats and maisonettes. Without this support the scheme would have never progressed.

Rowner is referred to by locals as the 'concrete jungle' due the vast number of medium to low rise ex-MOD tower blocks. Over the years the area had fallen into disrepair and become a fuel poverty hot spot. All the flats are off the mains gas network, leaving the residents with significant fuel bills using expensive and inefficient electric heating.

To counteract this and to help residents save energy and feel valued once again, YES Energy Solutions teamed up with a consortium of organisations to implement a whole house regeneration programme in partnership with Gosport Borough Council.

During 2016, external wall insulation, new doors and roofing were installed, transforming the visual appearance and thermal efficiency of all the flats and houses in the area. But more importantly, it has helped local householders save energy and money.

Rowner resident Evelyn Finn explained:

"The buildings look so much better. It looks so much cleaner and tidier now from the outside. I live in an end terrace and the two rooms at the far side of the house used to get so cold, but I've now noticed a distinct difference since the work was carried out. It's a lot warmer now."

The Rowner regeneration project is a fantastic example of how collaborative working can achieve great results. The ECO funding provided had a massive impact, enabling insulation improvements to progress whilst reducing fuel poverty at its source.

17.2 Redditch External Wall Insulation Scheme

In June 2016, Redditch Borough Council targeted YES Energy Solutions to deliver a focused two year external wall insulation initiative, designed to regenerate some of the hardest to treat homes in the borough.

Over 100 council houses on the Lakeside estate in south west Redditch were selected for energy saving makeovers due to their solid wall construction, poor efficiency ratings and low income inhabitants, many of whom had poor health conditions and were living in fuel poverty.

YES Energy Solutions secured over £28,000 of ECO funding to support the initiative which not only complimented the local authority's investment, but enabled more homes to be insulated.

Although the project focused on the council's housing stock, several private homeowners also took advantage of the ECO funding available and went on to improve the look and comfort of their homes.

125 homes were transformed, helping to regenerate a deprived community, whilst boosting moral and giving residents the ability to take back control of their fuel bills. Mr Cauphell, who lives on the Lakeside estate explained:

"I think this scheme is a good idea and a good investment for the Council, especially for the elderly. The Council houses look a lot better than they did before. My house feels warmer and I've also noticed a reduction in my fuel bills. It's been good for the whole area."

Due to the enormous success of the first batch of installations, Redditch Borough Council rolled out a second phase and help even more householders (both social and private) embrace the benefits of domestic energy efficiency.

17.3 Doncaster Central Heating Scheme

One of the best examples of how third party funding streams have been interlinked with ECO, is the Doncaster Central Heating Scheme.

Launched in October 2015, Doncaster Metropolitan Council's innovative central heating project utilised a blend of funding solutions. The project was designed to help some of the most vulnerable residents in South Yorkshire connect to mains gas, install first time central heating and improve their health and wellbeing.

Over 200 vulnerable households took advantage of the scheme and upgraded their heating facilities. Many participants suffered from respiratory illnesses that were made worse by living in a cold home. These residents now have a modern central heating system providing warmth and thermal comfort without breaking the bank.

What made the project so innovative was its blended funding approach. Four funding streams were utilised to support a broader demographic of fuel poor residents.

Funding was secured through the Government's Central Heating Fund, as well as capital investment from the CCG to establish an effective Boilers on Prescription scheme. Properties requiring gas connections were awarded funding from the Fuel Poverty Network Extension Scheme.

To add further value to the project, YES Energy Solutions injected over £82,000 of ECO funding to give the project a broader reach.

Susan Cowhen had her solid fuel back boiler replaced with an A-rated gas central heating system through the scheme:

"It's been heaven having central heating. It's made such a big difference. Before I was using electric like it was going out of fashion. I had plug in heaters turned on all the time and I was using £30-40 a week just on electric. I was sat in my house with coats on. In bed, I'd have five or six blankets on including the duvet. It was freezing. But now I can go in every room and they all feel warm and comfortable. I think it's a great scheme and will help a lot of people."

The scheme concluded in March 2017, but the Council has since extended the Boilers on Prescription programme and is working on a second phase of installations.

Contact details

APSE Energy is able to support you with all of your energy management requirements. To find out more about ECO contact Phil Brennan, Head of APSE Energy at pbrennan@apse.org.uk or call 0161 772 1810.

18. Jargon buster

BEIS - Department of Business, Energy and Industrial Strategy

The Government division responsible for ECO.

CERO - Carbon Emissions Reduction Obligation

The ECO strand that supports insulation improvements in properties that leak heat.

CCG - Clinical Commissioning Group

Clinical Commissioning Groups 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.

CSCO - Carbon Saving Community Obligation

A former ECO strand designed to help improve energy efficiency standards in the most deprived communities. CSCO was disbanded in April 2017.

DEA - Domestic Energy Advisor

An individual that assesses properties for the application of energy saving measures. Many DEAs will also be Green Deal assessors.

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.

GDA - Green Deal assessor

An individual that carries out the necessary property assessment for work to be carried out under ECO.

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 Green Deal and 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 local authority's own eligibility criteria for qualifying residents for funding under Flexible Eligibility. The statement of intent will need to be signed and published on the relevant local authority's website.

**LOCAL SERVICES
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