
Local Authority Flexible Eligibility (LA Flex) Audit Report

Contents

Executive summary	2
Framework	3
Audit Results	4
Stakeholder Expectations, Roles and Responsibilities	5
Actions for Local Authorities and Suppliers	5
Terms of Reference	6
Contact Details	9

Executive Summary

The Energy Company Obligation (ECO), first introduced in 2013, is a series of energy efficiency schemes in Great Britain that place legal obligations on medium and large energy suppliers to deliver energy efficiency and heating measures to domestic premises. The overall obligation period for ECO4 runs from 27 July 2022 to 31 March 2026.

The Flexible Eligibility (Flex) component of ECO4 allows Local Authorities (LAs) to identify and refer consumers that live in private tenure properties and are considered low-income, fuel poor, or vulnerable to the effects of living in a cold home. Flex is intended to utilise LAs localised and communal knowledge to target consumers that may benefit from the scheme, but who may not be captured within the scheme's standard eligibility criteria.

To make a "referral" for the scheme, LAs share declarations with suppliers to notify them of consumers eligible for ECO4. Suppliers must then determine which projects to take forward. For projects that are pursued, suppliers will determine which measures properties are suitable to receive and ensure the installation of measures is completed.

ECO4 Flex supplier-led audits commenced on 2nd September 2024 and the deadline for suppliers to submit finalised audit reports was 31st October 2024. These audits were the first of their kind whereby we requested that suppliers conduct compliance checks on the evidence collected by LAs to declare ECO4 Flex eligibility under different Flex routes.

Ofgem have encouraged better practice for suppliers and LAs to work in closer cooperation with each other as the audit results have shown there are issues surrounding evidencing eligibility for LA Flex. Following the results of the audit, Ofgem has fed back the results to the Department of Energy Security and Net Zero (DESNZ) to inform policy development for LA Flex and future schemes.

Framework

Obligated suppliers are expected to provide and hold sufficient evidence for all projects delivered through LA Flex mechanism to ensure eligibility and compliance requirements as referenced in paragraph 10.1 of our ECO4 and GBIS Flex Local Authority Guidance. The aim of the audits was to test whether LAs had carried out adequate due diligence checks. By making the audits supplier led, we were also able to test supplier processes, because suppliers hold the obligation and are responsible for ECO4 delivery.

We provided suppliers with the relevant samples to audit the Flex projects they delivered based on their level of participation to assess if eligibility requirements were met for the relevant Flex route for each project. The finalised approach to sampling was agreed with Department for Energy Security and Net Zero (DESNZ) before conducting a randomised selection of ECO4 Flex project reference numbers, which were then shared with suppliers to audit.

As of May 2024, 142 participating LAs were identified to have had submitted declaration notifications for which matching projects had been notified by obligated suppliers to the ECO Register. A breakdown of the number of LAs based on the declaration notifications submitted are as follows:

- 96 LAs notified between 1 - 49 declarations totalling to 1385 declaration notifications.
- 17 LAs notified between 50 - 99 declarations totalling to 1254 declaration notifications.
- 29 LAs notified 100 or more declarations totalling to 9360 declarations notifications.

Audit Results

Supplier	Compliant Projects	Non-compliant Projects	Misreported Projects	Non-compliance (Route 1)	Non-compliance (Route 2)	Non-compliance (Route 3)
British Gas	280	2	3	0	1	1
Ecotricity	2	0	0	0	0	0
EDF	109	1	3	1	0	0
E (Gas and Electricity)	4	0	0	0	0	0
EON	208	8	7	3	0	5
Octopus	327	21	1	1	20	0
OVO	176	2	3	0	1	1
SO Energy	21	1	0	0	0	1
Scottish Power	124	5	3	2	0	3
Utilita	21	0	0	0	0	0
Total	1,272	40	20	7	22	11

- 96.95% of all LA Flex projects that were assessed were compliant with evidence requirements for LA Flex.
- 3.05% of all LA Flex projects were non-compliant with evidence requirements as there was insufficient, missing or no evidence to prove eligibility for LA Flex.
- 1.52% of LA Flex projects that were assessed were reported under the incorrect LA Flex route.
- Where LA Flex projects have been misreported under the incorrect LA Flex route, Ofgem has assessed this using the LA Flex route that the suppliers have provided.
- The main reason for non-compliance was due to missing or no evidence.

Stakeholder Expectations, Roles and Responsibilities

- Suppliers are expected to provide and hold sufficient evidence for all Flex projects and measures to ensure eligibility and compliance requirements have been met.
- We expect LAs to collect and retain evidence of eligibility for all consumers for whom they make a declaration. Suppliers are responsible for ensuring that they have access to this evidence, and that they collect and retain these declarations.
- LAs must collect evidence and retain proof of consumer eligibility for up to 3 years following the end of the scheme.

Actions for suppliers and LAs

- Suppliers will need to work in closer cooperation with LAs in order to resolve the non-compliance that we found during the audits and to reduce the likelihood of them occurring again.
- For non-compliances identified in this LA Flex audit, we will not be rejecting the LA Flex project, however we may do so if future non-compliances are detected in the scheme or in a future audit.
- LAs and suppliers should ensure that the correct route notification is notified to Ofgem as the audits have shown that 20 LA Flex projects did not match the route notification that Ofgem have on our system.
- Where suppliers are not able to provide sufficient evidence when requested for a LA Flex project in future, we may reject the project or measure.

Terms of Reference

The Terms of Reference outlines the scope and checks required for the sample of projects, depending on the route and proxy.

General Checks

For each project within the sample, suppliers should confirm that:

- 1.1. The supplier holds the declaration issued by the LA.
- 1.2. The property notified to the ECO register is the same property named in the corresponding LA declaration. The corresponding LA declaration should be identified using the LA Declaration Reference Number (URN) notified for the project on the register.

While completing checks, suppliers should confirm that:

- 1.3. The evidence collated by LAs does not raise any concerns, for example documents displaying signs of manipulation and/or false representation of eligibility.

Route 1

For declarations made under Route 1:

- 2.1. List the evidence types collated by the LA to demonstrate the household's gross annual income. This includes types of evidence demonstrating all relevant income sources included in a household's gross annual income and the number of adult residents at the address. This should only be confirmation of the evidence type and should not include any details from the evidence.
- 2.2. Confirm that the evidence collated by the LA demonstrates a household's gross annual income of less than £31,000.
- 2.3. Confirm that the evidence collated by the LA is dated no more than 12 months before the day on which the Declaration is signed.

Route 2

For declarations made under Route 2:

- 3.1. List the evidence types collated by the LA to demonstrate the two proxies used for the declaration.

Proxy 1

- 3.2. Confirm that the evidence collated by the LA demonstrates that the consumer lives in a Lower Layer Super Output Area (LSOA).

Proxy 2

- 3.3. Confirm that the evidence collated by the LA demonstrates that the consumer receives a reduction in their Council Tax.

3.4. Confirm that the evidence collated by the LA demonstrates that the consumer receives a reduction in their Council Tax on the grounds of low income.

Proxy 3

3.5. Confirm that the evidence collated by the LA demonstrates that a person living at the premises is considered to be vulnerable to the cold under the National Institute for Health and Care Excellence (NICE) Guidance NG6.

3.6. Confirm that the evidence collated by the LA demonstrates that a person living at the premises is considered vulnerable to the cold for a reason other than their low-income status.

Proxy 4

3.7. Confirm that the evidence collated by the LA demonstrates that a child living at the premises is eligible for free school meals on the grounds of low-income.

3.8. Confirm that the LA has used a third-party source or evidence, such as the Eligibility Checking Service (ECS) in England and Wales, to determine a child living at the premises is eligible for free school meals on the grounds of low-income.

Proxy 5

3.9. Confirm that the evidence collated by the LA demonstrates that the consumer has been supported by a scheme established by the LA.

3.10. Confirm that the evidence collated by the LA demonstrates that the scheme established by the LA considers the consumer to be living on low-income and vulnerable to the cold under NICE Guideline NG6.

3.11. Confirm that the evidence has been signed or issued by a LA officer.

Proxy 6

3.12. Confirm that the evidence collated by the LA demonstrates that the consumer has been identified as struggling to pay their gas or electricity bills and has been referred to the LA by either their energy supplier, Citizens Advice, or Citizens Advice Scotland.

Route 3

For declarations made under Route 3:

4.1. Confirm that the evidence held by the LA is a declaration certifying it has received a referral.

4.2. Confirm that the evidence or declaration of referral has been addressed to the LA who issued the ECO4 Flex declaration.

4.3. Confirm the evidence or declaration of referral was made by a relevant health provider. A relevant health provider is defined as:

-
- a) person registered in the General Practitioner Register (GP Register) kept by the General Medical Council;
 - b) a Scottish Health Board;
 - c) a Welsh Health Board;
 - d) An NHS Foundation Trust;
 - e) An NHS Trust.

4.4. Confirm that the referral/declaration made by a health provider states that the health provider considers a person living at the premises to be suffering from severe or long-term ill-health due to:

- a) A cardiovascular condition;
- b) A respiratory disease;
- c) Limited mobility;
- d) Immunosuppression;

4.5. Confirm that the evidence or declaration of referral made by a health provider states that the health provider considers that the health of a person living at the premises to be adversely affected by living in a cold home.

Unable to Obtain Evidence

5.1. For audit purposes, suppliers are expected to ensure they have access to the evidence that was collected and used by LAs to determine eligibility and support issued declarations.

5.2. If a supplier is unable to provide the requested information for the sample of projects, they are expected to engage with the LA in order to gain access to the evidence gathered by the LA.

5.3. If the requested information can still not be obtained, this should be reported to Ofgem in the ECO4 Flex Audit Compliance Report. Suppliers should request the LA to describe the evidence they have gathered and record this in the ECO4 Flex Audit Compliance Report.

5.4. Suppliers must explain in detail the reasons as to why the evidence has not been accessed.

Determining Outcome

6.1. Where the evidence reviewed by the supplier is deemed not sufficient to demonstrate a consumer's eligibility under ECO4 Flex, suppliers should record the audit outcome for the applicable ECO4 Flex project as 'Requirements not met'.

6.2. Suppliers should provide a detailed description of their rationale for the audit outcome recorded.

Contact Details

If you would like to raise a question regarding the LA Flex Audit report, please contact ECO@ofgem.gov.uk