

# TONBRIDGE & MALLING BOROUGH COUNCIL

## CABINET

8 October 2014

### Joint Report of the Director of Planning, Housing and Environmental Health and Cabinet Member for Housing

#### Part 1- Public

#### Executive Non Key Decisions

#### 1 COLLECTIVE ENERGY SWITCHING

##### Summary

**This report seeks authorisation from Cabinet for Tonbridge and Malling Borough Council to participate in a Collective Energy Switching scheme in partnership with four other Kent authorities.**

#### 1.1 Background

- 1.1.1 Members may be aware that Collective Switching is where a third party negotiates a better energy tariff on behalf of a group of residents. The Government has encouraged local councils to take on this role and develop schemes for the benefit of residents. Such schemes enable residents to register an interest in participating in a 'reverse energy auction' and to subsequently receive a new energy provider offer. The energy providers that offer the best deal on that day for the majority of residents will be selected. There is no obligation on registrants to accept the offer.
- 1.1.2 Collective switching schemes help residents to obtain a low price for energy, assisting in maximising household income and helping to alleviate fuel poverty. It should be noted, however, that household savings are influenced by many variables including the existing tariff and whether the household is a high or low energy user. Savings also depend on the success of an individual 'reverse auction'. The scheme does not 'guarantee' that each resident will save on their current energy costs.
- 1.1.3 In November 2013 it was reported to the Strategic Housing Advisory Board that four Councils in Kent - Dartford Borough Council, Gravesham Borough Council, Dover District Council and Tunbridge Wells Borough Council, had recently launched a community energy collective switching scheme called 'Energy Deal'. The scheme had a potential target audience of approximately 175,000 households with the aims being to facilitate off-line registrations for those without internet access and engaging a high proportion of first time switchers and households on a low income.

- 1.1.4 The initial campaign for “Energy Deal” ran from April 2013 to June 2013. The councils involved in the collective switching initiative reported that across the areas 2,488 residents registered an interest in the scheme (1.2 per cent). The conversion rate, from registration to take-up of new tariffs, was 9 per cent, i.e. 224 households. The average saving for online direct debit dual-fuel billing was £102 per annum, £75 per annum for direct debit dual-fuel paper billing (paper registration) and £94 for direct debit online electric only. No bespoke tariff for the collective switching scheme was offered, so all the new tariffs that were accessed were readily available to the general public, therefore limiting the financial benefits of the scheme. Of the 224 people who did switch, 70 per cent were first time switchers (157 households).
- 1.1.5 Given the low levels of interest in the scheme, along with the low level of actual switching and there being no bespoke tariff, it was not deemed cost effective at that time to pursue the initiative in this Borough. This was reviewed following the result of “Energy Deal’s” second campaign which was held from December 2013 to February 2014.
- 1.1.6 The Energy Deal scheme is now in its second year and, whilst the results from the second campaign showed that there were fewer expressions of interest, savings were found to be more favourable as shown in the table below:

Energy Deal Outcomes December 2013 - February 2014	
Number of registrations	1,602
First time switchers	73%
Conversion rate	28.8%
Conversion rate for previous switchers	23.5%
Conversion rate for paper registration	40.6%
Average saving	£190

- 1.1.7 An example of the number of registrations and breakdown of average savings in an area is illustrated in the table below:

Energy Deal Outcomes Dover District Council December 2013 - February 2014	
Number of registrations	573
Average saving (£) - Dual fuel monthly direct debit on line billing	£170
Average saving (£) - Dual fuel monthly direct debit paper billing (online registration)	£209
Average saving (£) - Dual fuel monthly direct debit (paper registration)	£145

Average saving - Dual fuel prepayment on line registration/paper registration	£51/48
Average saving (£) - Electric only monthly direct debit on line billing	£89
Average saving (£) - Electric only monthly direct debit paper billing online registration/paper registration	£142/67

- 1.1.8 Maidstone Borough Council also ran a winter campaign for the February 2014 auction under the branding 'Big Maidstone Switch'. There were 231 expressions of interest received, of which 15 per cent were off-line registrations and 164 were first time switchers. The conversion rate for all registrations was 28 per cent.
- 1.1.9 The average saving for all registrations was £161. The average saving for on-line direct debit dual-fuel was £191 per annum, £257 for direct debit off-line, and £137 for on-line electric only. Maidstone is now running a second campaign from August 2014 to October 2014.
- 1.1.10 In August, the Local Government Association (LGA) reported that 60 councils took part in a June 2014 auction. Four bespoke tariffs were created for households paying by pre-payment meter and credit contracts on single and dual fuel. On average, households saved £232 from energy bills.
- 1.1.11 The LGA has developed a collective switching framework to support local authorities and other public sector organisations in setting up collective switching schemes to help residents and small and medium enterprises.
- 1.1.12 The framework is owned by the LGA and run by North East Procurement Organisation (NEPO). The switching service has one switching provider, iChoosr, and schemes are combined to achieve a 'critical mass' of registrations. Local authorities can access the framework by becoming a NEPO associate member. There is currently no cost in using the framework and local authorities do not have to take part in auctions. The framework is OJEU compliant.

## **1.2 The Way Forward**

- 1.2.1 A collaborative approach, working with the four other Kent authorities on a winter campaign from December 2014 to February 2015, utilising the LGA framework, represents a clear and efficient way to take this initiative forward.
- 1.2.2 As the "Energy Deal" brand is already established in Kent, Tonbridge and Malling can benefit from the experience and expertise of the scheme partners as well as utilising existing marketing materials. The current Energy Deal contract which the group is using is with iChoosr and was procured by Tunbridge Wells B.C. on behalf of the four authorities via the OJEU process. This contract expires during

the course of the winter 2014/15 campaign. A new Memorandum of Understanding (MOU)/Participation Agreement would have to be developed to bring Tonbridge and Malling B.C into the existing collaborative working arrangement. This is expected to be at nil cost to partners but to contain an indemnity to Dover D.C and a requirement for Dover D.C to pay the net amount of any switching fees it receives which are applicable to our administrative area.

- 1.2.3 This newly formed group will “call off” the LGA framework contract. Dover D.C. is intending to be the lead organisation on this “call off” contract subject to their Cabinet approval on 6 October 2014. The LGA framework is an OJEU compliant framework for the procurement of a collective switching provider. The framework is owned by the LGA and managed by NEPO. The only requirement for Dover D.C as the lead authority would be to apply to become an Associate Member of NEPO.
- 1.2.4 The LGA framework is currently free to use and iChoosr is appointed as the sole provider. The LGA reserve the right to take up to 25 per cent payment of all income generated through switching fees paid by the contractor to local authorities using the framework. This clause can be activated by the LGA giving at least 28 days’ notice to all parties who are part of the framework agreement. This 25 per cent will be taken from income generated from the switching fee as outlined in 1.4.2. This clause has previously been queried by a member of Energy Deal and NEPO advise *“the clause has been included in the terms and conditions by the LGA to reflect any potential strategic change within the LGA at the moment the LGA have no plans to execute this clause open to them.”* LGA have also confirmed that the clause will not be backdated. Officers are currently checking that there are no other costs arising from the Framework Agreement.
- 1.2.5 By taking the initiative forward in this way, local residents will have the opportunity to access cheaper energy tariffs. The scheme will be directed towards vulnerable households and in particular the communities of East Malling, Snodland and Trench. Whilst there is no obligation to switch, the scheme does prompt residents to assess their energy costs and consumption. Any new tariff will be offered for a 12 month fixed priced period
- 1.2.6 Household savings will depend on the existing tariff, as well as current energy consumption. Whilst the scheme does not ‘guarantee’ that each resident will save on their current energy costs, as the LGA Chair Councillor David Sparks recently said, *“collective switching is making a real difference to people, both saving them money on their bills and providing an easy way to avoid the headache of having to spend time trying to wade through the complex wording of price plans, particularly for those residents without access to the internet. Councils are at the heart of their communities and can act as a trusted local broker to facilitate such schemes and help the elderly and vulnerable”.*

### 1.3 Legal Implications

- 1.3.1 Any new collaboration will be governed by a carefully constructed Memorandum of Understanding/Participation Agreement between the local authority partners.

### 1.4 Financial and Value for Money Considerations

- 1.4.1 A campaign would involve officer resources to facilitate off-line registrations including a paper registration charge of £1.50 per offer letter for residents who opt for the Council to submit their registration. Other associated costs would include mailing and promotional material. Costs of the initiative would be covered through the existing Energy Initiatives budget.
- 1.4.2 The scheme generates an income through the energy provider paying a fee per switch and this is subsequently shared between the appointed intermediary and the Council in which the switch has occurred. It is expected that the aforementioned off-line registration cost will be covered by this income.

### 1.5 Risk Assessment

- 1.5.1 None arising from this report.

### 1.6 Equality Impact Assessment

- 1.6.1 See 'Screening for equality impacts' table at end of report.

### 1.7 Recommendations

- 1.7.1 **CABINET is RECOMMENDED to AGREE** that the Council proceeds to work collaboratively with 'Energy Deal' authorities on a winter campaign from December 2014 using the Local Government Association framework with a February 2015 reverse auction. A new MOU/Participation Agreement will be developed to bring Tonbridge and Malling B.C. into the existing partnership.
- 1.7.2 **CABINET is RECOMMENDED to GIVE DELEGATED AUTHORITY** to the Chief Housing Officer in consultation with the Principal Solicitor and the Cabinet member for Housing to approve the terms of the MOU/Participation Agreement and to enter into this agreement.

Background papers:

Nil

contact: Lucy Hicks/Satnam  
Kaur

Director of Planning, Housing  
and Environmental Health  
Steve Humphrey

Cabinet Member for Housing  
Councillor Jill Anderson

<b>Screening for equality impacts:</b>		
<b>Question</b>	<b>Answer</b>	<b>Explanation of impacts</b>
a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?	No	The scheme is accessible by all residents in the borough irrespective of whether a household has internet access. For those households who do not have internet access at home nor an email address or cannot access help with registering online interest, the Council will support off-off-line registrations where requested by a resident during the campaign period (February 2015).
b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	No	The scheme is available to all residents including those with protected characteristics. Therefore the scheme is not going to increase equality of opportunity but it will allow those residents who don't normally engage with online energy switching to receive an energy deal offer.
c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?	N/A	

*In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above.*