

BARNESLEY METROPOLITAN BOROUGH COUNCIL

This matter is a Key Decision within the Council's definition and has been included in the relevant Forward Plan

REPORT OF THE EXECUTIVE DIRECTOR OF PLACE TO CABINET ON 30th May 2018

BARNESLEY ENERGY TARIFF

1. PURPOSE OF REPORT

- 1.1 To seek approval for the Council to procure a contract with an energy supplier to offer a fair energy tariff that delivers financial savings on energy bills for all residents in the borough and helps to alleviate fuel poverty.

2. RECOMMENDATIONS

- 2.1 **To undertake an open "OJEU compliant" tender process to recruit a suitable domestic energy supply company partner to offer a dedicated energy tariff to Barnsley residents;**
- 2.2 **To delegate the award of the contract to the successful tenderer to establish a partnership agreement for a domestic energy supply to the Executive Director of Place, or their duly authorized representative;**
- 2.3 **That delegated authority be given to the Director of Core Services to enter in to the agreement with the domestic energy supplier on behalf of the Council; and**
- 2.4 **That the strategic objectives of the domestic energy supply offer as set out at 4.4 are agreed.**

3. INTRODUCTION

- 3.1 According to latest figures, there are 11,572 households currently living in fuel poverty in Barnsley and one of the objectives of the Council's Energy Strategy (2015-2025) is to reduce the incidence of fuel poverty across the borough
- 3.2 Traditionally, increasing the energy efficiency of properties was the best way to reduce fuel poverty. However, rising fuel prices mean that financial benefits from such improvements can be short-lived. The focus is now moving towards reducing the cost of energy by influencing the supply market to reduce customer's bills.
- 3.3 Local authorities have the ability to 'signpost' households at risk of fuel poverty to energy supply companies offering fair and beneficial terms. Signposting in this way is clearly of value to energy supply companies who wish to recruit new customers and in these circumstances many are prepared to agree simpler more competitive and fairer energy tariffs. These arrangements are sometimes known as 'White Label' deals. A number of local authorities are already offering these 'white label'

deals Leeds; branded White Rose Energy, Doncaster; Great North Energy and Liverpool; LECCY.

- 3.4 The recently introduced Safeguard Tariff and proposed Domestic Gas and Electricity (Tariff Cap) Bill have been designed by Government as a means of ending the most expensive tariffs currently being charged by suppliers. However, there is still potential for customers to save money and receive fairer treatment from their supplier.

4. PROPOSAL AND JUSTIFICATION

Proposal

- 4.1 A key project listed within the Energy Strategy's ambition to help create resilient and sustainable communities is the creation of a Barnsley energy tariff. This will be offered across the borough and will be available to all residents.
- 4.2 The council will procure an energy supplier to provide a white label energy tariff, available for up to 5 years in the first instance. The procurement process will identify those suppliers who can demonstrate a commitment to the Council's own core values. The Council will not hold a supply licence itself and will not be required to make any upfront investment to the scheme.
- 4.3 In order to attract the best deal possible for Barnsley by offering some certainty of numbers, void council properties will be included in the scheme. Berneslai Homes are supportive of this and have given commitment to their involvement in the project.
- 4.4 The Council's strategic objectives for this project are:
- a) provision of a better energy deal for residents/ SME's
 - b) making sure the energy deal is suitable for residents/ SME's
 - c) helping residents/ SME's understand their energy usage
 - d) helping residents/ SME's reduce their energy usage
 - e) monitoring that our residents/ SME's are financially better off as result of switching to the tariff.
- 4.5 In order to achieve the strategic objectives, the following key requirements have been identified as desirable:
- a) The supplier must have an excellent track record of customer service to protect the Council's brand;
 - b) The tariff should be available to all tenures so that fuel poverty across all sectors can be tackled;
 - c) The tariff should not be "introductory" and competitive pricing should be consistent throughout the term of the partnership;
 - d) The supplier must be able to provide a voids switching service, with electronic administration capacity;
 - e) Pre-payment meters should be removed where not wanted as the tariffs associated with these are traditionally higher and smart meters should be available as part of a roll-out programme;
 - f) Prices should be tracked and consistently within the top 20 tariffs available on switching websites, and;

g) Customers should have access to the Priority Services Register so that we are able to continue to offer the same level of support to our most vulnerable residents as is currently offered through the Big 6 suppliers.

- 4.6 Although it would be ideal to partner with a supplier who can always deliver the cheapest tariffs, this isn't possible because of the volatility of the market and the increasing number of suppliers involved. Quite often the cheapest tariffs come from suppliers with a poor level of customer service. Instead, the Council will expect that the supplier provide a consistently competitive tariff so that the offer appears within the top 20 available on switching websites on a regular basis. The supplier will also be expected to maintain the tariff and not move residents to a more expensive variable tariff following an introductory period and this requirement forms part of the service specification and evaluation criteria within the procurement process.
- 4.7 There is potential to generate an income from the energy tariff, and this would be welcomed as a means of recouping any costs associated with printing promotional material initially. The remainder would be placed in the Energise Barnsley Community Fund for redistribution in the form of grants to other agencies in the Borough to support projects tackling fuel poverty following the existing governance process outlined in Appendix C.
- 4.8 By seeking out a supplier with an ethos that sits well with the Council's own ambitions and priorities and by ensuring that residents will only be encouraged to switch to the tariff when they will save money, the Council's brand and reputation will be protected.

Marketing

- 4.9 The Council will be responsible for promoting the tariff through existing referral channels amongst staff and partner agencies, as well as on social media and the Council website. There will be a requirement to print a small amount of leaflets and posters to assist with promotion at key places and community events. It is expected that the partner will promote the scheme through its website and other media and where this occurs all references to the scheme will be approved by the Council in order to ensure the Council's name is used appropriately.

Justification

- 4.10 A domestic energy tariff will help residents to save money on their energy bills, particularly those people who have never switched suppliers or who don't switch suppliers on a regular basis.
- 4.11 By reducing the cost of energy, some residents may be lifted out of fuel poverty. It will also prevent other residents from falling in to fuel poverty.
- 4.12 An estimated 40% of people nationwide have never switched supplier and are typically paying around £300 per year more than they need to. A year 1 target of 1,920 residents switching would generate total savings of £576,000 – money which would then be retained within Barnsley and spent within the local economy. Over a typical 5 year contract, with a target of circa 13,400 residents switching, these savings could total over £4m.

5. CONSIDERATION OF ALTERNATIVE APPROACHES

- 5.1 For the Council to become a fully licensed energy supplier. This option is not recommended due to the level of investment required and the level of risk associated with it. Investment costs vary but as an example Bristol Council established Bristol Energy in 2016 with an investment of £17.3m.
- 5.2 For the Council to establish a joint venture with other local authorities. This option is not recommended given that it carries a degree of risk, requires a high level of investment and would take a long time to set up. Cost of set up is typically around £2m and the Company would be jointly owned by all of the authorities involved who would all need to reach agreement on the services it offers and at what costs, which would lead to delays in achieving results.
- 5.3 For the Council to operate under a “Licence Lite” agreement. This option is not recommended due to the level of investment required and the level of risk. The Council would partner up with one of the Big 6 suppliers negating the need for them to carry out certain regulatory functions of a traditional energy supply company, such as the Balancing and Supply Code. The Greater London Authority have been looking in to this option for some time, however nothing has been launched to date.
- 5.4 For the Council to enter in to a partnership arrangement with an energy supplier whereby upfront investment is required. This option is not recommended given the amount of investment required and the responsibility placed upon the Council to design branding and strategic promotional campaigns. Typical up-front investment costs are around £70,000 and at least one dedicated officer would be required to work on this on a full time basis.
- 5.5 For the Council to operate or promote a “Collective Switching” or “Energy Club” scheme. This involves large numbers of residents signing up to switch on bulk to a particular supplier to guarantee a better energy deal. This option is not recommended as the opportunity to sign up is typically over a 2-4 week period once a year and the tariff is usually only fixed for 12 months. A more permanent and sustainable offer needs to be available if it is to help those living in or at risk of living in fuel poverty.

6. IMPLICATIONS FOR LOCAL PEOPLE/SERVICE USERS

- 6.1 The energy tariff will be available to all residents and will provide a means for them to save money on their energy bills and receive a better level of customer service than they may be currently experiencing with their energy supplier.
- 6.2 Local projects and schemes beneficial to the community will be assisted where there is surplus income generation to add to the Energise Barnsley Community Fund.
- 6.3 Levels of disposable income in households across the borough will be increased with the reduction of energy bills, which will help to boost the local economy.
- 6.4 The initial focus of the project will be on providing a domestic energy tariff; however the aim is also to develop an offer for the 7,515 SME’s currently in operation in

Barnsley as a second phase. This will help to reduce overheads and increase sustainability of local businesses.

7. FINANCIAL IMPLICATIONS

- 7.1 Consultations on the financial implications have taken place with representatives of the Service Director – Finance (S151 Officer).
- 7.2 There is no direct cost involved in carrying out the procurement exercise, or establishing the white label partnership, other than officer time. This will be contained within the Housing and Energy team.
- 7.3 Typically, a referral fee payment is payable by the customer each year that they remain with the tariff.
- 7.4 Any income generated will be used to recoup printing costs, and any excess will be placed in the Energise Barnsley Community Fund for re-distribution to local agencies in the form of grants to support projects tackling fuel poverty.
- 7.5 There is an expectation that there will not be any penalties for the Council if the targets agreed with the energy supplier are not met and this will form part of the evaluation exercise.
- 7.6 A full and detailed appraisal of the financial implications will be undertaken as part of the procurement of a supplier.

8. EMPLOYEE IMPLICATIONS

- 8.1 Officer time will be required throughout the procurement process and launch of the tariff. On-going project management will be required throughout the length of the contract. This will fit within the capacity of the existing Housing & Energy and Procurement teams.

9. COMMUNICATIONS IMPLICATIONS

- 9.1 A detailed marketing and communications plan will be compiled before project launch by the successful tenderer but some input will be required from the Council's communications team for any planned promotional activity.
- 9.2 The cost of branding and design of marketing materials for the tariff will be met by the energy supplier.

10. CONSULTATIONS

- 10.1 The procurement team has been consulted and this project has been included in the relevant work plan.
- 10.2 Legal services have been consulted on the proposal and typical contractual arrangements involved in operating this type of scheme and are comfortable with both. Contractual obligations will be placed on the supplier to ensure that the tariff delivers the required outcomes, including in terms of any advertised financial savings to customers and consistency of pricing throughout the term of the contract.

- 10.3 Berneslai Homes have been consulted and agreement reached on the inclusion of void properties in the scope of the energy tariff project.
- 10.4 Energise Barnsley have been consulted and agreement reached on the inclusion of surplus income generated from the tariff in to the existing Community Fund.
- 10.5 The Anti-Poverty Partnership Group has been consulted and was supportive of the proposal.

11. PROMOTING EQUALITY, DIVERSITY AND SOCIAL INCLUSION

- 11.1 The energy tariff will be available to all residents and the supplier will be required to provide information in a variety of different sources and languages to ensure that no one is excluded from the offer.

12. TACKLING THE IMPACT OF POVERTY

- 12.1 The tariff would be specifically designed to help residents in fuel poverty who are stuck on expensive standard tariffs or have unwanted pre-payment meters.

13. TACKLING HEALTH INEQUALITIES

- 13.1 Poor housing conditions are one of the wider determinants of health and by helping people to save money on their energy bills it can enable people to be lifted out of fuel poverty and give them more confidence to heat their home to an adequate level. By engaging with the tariff and switching process, there is also an opportunity to refer residents to other schemes that can help to improve housing conditions, such as Better Homes Barnsley for boilers or insulation.

14. RISK MANAGEMENT ISSUES

See Appendix B.

15. LIST OF APPENDICES

Appendix A: Financial implications - not required

Appendix B: Risk register

Appendix C: Energise Barnsley Community Fund

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Financial Implications/Consultation

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<i>(To be signed by senior Financial Services officer where no financial implications)</i>