

PART A – SUMMARY REPORT

1. SUMMARY OF MAIN PROPOSAL

1.1 This report sets out a proposal to develop a new energy support service to help local residents reduce their energy costs. There are two elements to the proposed service:

- A Telford & Wrekin Council branded energy price comparison website.
- Targeted advice and support for vulnerable residents who are likely to be in fuel poverty as part of a national Local Energy Advice Programme (LEAP) pilot.

1.2 The success of this new service will depend on the degree to which we are able to promote and encourage local residents to utilise the service as well as the success in finding better energy deals for them to switch to. The report includes an overview of some of the marketing channels that could be used, including the role of key frontline services to raise awareness of the service.

2. RECOMMENDATIONS

2.1 That Cabinet approve the implementation of a Telford & Wrekin Council branded energy price comparison website.

2.2 That Cabinet approve the Council’s participation in the LEAP pilot.

2.3 That delegated authority is given to the Assistant Director: Commercial Services in consultation with the Lead Cabinet Member: Finance, Partnerships and Commercial Services to make any arrangements and enter into any agreements on behalf of the Council to implement the above recommendations.

3. SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific Council priorities	
	Yes	<ul style="list-style-type: none"> • Protect and support our vulnerable children and adults, in particular, participation in the LEAP pilot would enable targeted advice and support to be provided to those most likely to be affected by fuel poverty. • Regenerate those neighbourhoods in need and work to ensure that local people have access to suitable housing. • As a Co-operative Council, we are committed to working together with our residents, partners and local organisations to collectively deliver the best we can for Telford and Wrekin. • Through our co-operative values, we aim to empower people so they can take action and responsibility for

		themselves.
		Will the proposals impact on specific groups of people?
	No	The energy price comparison service is available to all local residents. However, if we are able to attract additional funding or support through the LEAP pilot this will have a positive outcome to those most vulnerable and suffering fuel poverty.
TARGET DELIVERY DATE		February 2017
FINANCIAL/ VALUE FOR MONEY IMPACT	Yes	The energy price comparison website will generate income for the Council for every energy switch that is successfully processed. Marketing will be undertaken by the Council with assistance from the preferred bidder. A budget of £3,000 has been included in year 1 for this marketing work. Any marketing work from year 2 onwards will be provided through marketing channels such as social media. It is assumed all legal work will be undertaken from within existing resources. A breakeven number of switches of 249 is required in year 1 to cover the initial marketing costs, additional switches thereafter will provide the Council with a small net income stream. Financial support will be provided as the project progresses. DR 15/12/16
LEGAL ISSUES	Yes	The Council conducted an open, fair transparent procurement exercise and will enter into a legal agreement in accordance with the Authority's Contract Procedure Rules. The project officer would have conducted all appropriate impact and risk assessments relative to the project and will be satisfied that there is no undue exposure to financial or reputational damage to the Authority or public at large. There is an added layer of independent regulatory safeguards offered, as to the quality of the providers and associated partners who are accredited organisations under the industry quality assurance schemes operating in this sector.
OTHER IMPACTS, RISKS & OPPORTUNITIES	Yes	This proposed new service will enable the Council to raise awareness of the benefits of switching energy providers and as the preferred bidder offers the full range of UK tariffs, users of this service will benefit from the best available energy deals.
IMPACT ON SPECIFIC WARDS	No	Borough wide

PART B - ADDITIONAL INFORMATION

4. INFORMATION

4.1 BACKGROUND

This proposal is part of a wider energy strategy which currently includes:

- the production of renewable energy from our solar farm
- the Energy Centre which enables the distribution of power and heat to the Southwater development to reduce fuel consumption, carbon emissions and energy costs.

The Council is committed to exploring how it can assist and encourage residents to receive a better deal on energy and in particular to help vulnerable household to reduce their energy costs.

Energy bills are a significant cost for many local residents with some households in the borough suffering from fuel poverty caused by a number of issues including low incomes, harder to heat properties and properties being off the main grid that use high cost heat sources such as electric storage heaters.

10.1% (6,824) of households in Telford and Wrekin are fuel poor compared with a national rate of 10.6%. However, there is wide variation across the Borough with households who are fuel poor ranging from 3.1% in parts of Apley to 21.0% in parts of Ercall Magna. UK estimates indicated that illnesses caused by cold homes cost the NHS £1.3 billion a year.

In addition, many people who are fuel poor are on pre-payment meters, as a result of existing debt, poor credit ratings or are living in rented accommodation. These people can switch suppliers but many people are not aware of this. Recent Government data estimates indicate that 5.9 million people have these and on average pay £65 more than direct debit customers. Therefore there is a real need to raise awareness of the benefits of switching for these residents.

The recent price falls in the energy market, from both the Big Six suppliers and smaller providers, and with more new suppliers entering the market (20 more than in 2014), mean that there is more competition and better deals to be had. This means that some householders could now save hundreds of pounds by switching suppliers. Ofgem research suggests that 13.5 million people could save more than £200 and 9.5 million people could save more than £300 by switching suppliers, mainly because they are on standard variable tariffs and not getting the best deals.

The process of switching energy providers has been improved in recent years, with switching now taking 17 days compared with 5 weeks in 2014. More people are switching energy providers, with Ofgem reporting that more people are switching each year (15% increase in 2015 compared with 2014). As a result of all these factors, it is now both convenient and beneficial for many residents to switch suppliers and therefore a good time to promote this in the Borough.

4.2 OPTIONS

A range of options were investigated to assist residents in receiving a better deal on energy and generate additional income for the Council. These were:

- **Collective switching:** where a large group of people use their collective buying power to negotiate a better deal from energy suppliers.
- **Comparison site:** working with an external provider to develop a Telford & Wrekin Council branded energy comparison switching service.
- **Partnering with an existing energy company:** where the Council would operate under licence or as a partner of a municipal energy supplier.

- **Become an Energy Supply Company:** where the Council would register as an energy supplier with OFGEM and as a Limited Company (or SPV) to procure and sell energy.

A summary of the risks and benefits of each option is detailed in Appendix 1.

4.3 PREFERRED OPTION

4.3.1 Price comparison Service

The preferred option is to work in partnership with a provider to set up a Telford & Wrekin Council branded energy price comparison and switching site. The main benefits of this option are:

- The comparison site will provide 100% coverage of energy deals available at any one time to provide the best deals to local residents.
- A Telford & Wrekin Council branded site will give added assurance to residents.
- It provides a good balance in terms of risk and return and it is relatively quick and straightforward to set up and operate.
- This new service could also benefit people on pre-payment meters.
- Access to the comparison website service is not limited to Telford & Wrekin residents and can also be used by people outside the borough.

A procurement exercise has been conducted to test the market and options available and a preferred supplier has been identified; AgilityEco Limited who work in partnership with UK Power Limited. These providers already work with other Local Authorities and have recently launched a similar service for [Portsmouth City Council](#). They also work in partnership with some of the leading UK price comparison sites such as Go Compare, MoneySuperMarket and uSwitch

The preferred provider has received industry recognition being judged Consumer Champions and Most Trusted at the inaugural TELCA industry awards in 2013, picking up the Consumer Champions Award again in 2014, Best Customer Service award in 2015 and Super Consultancy award in June 2016.

4.3.2 LEAP Pilot

An added benefit of working in partnership with AgilityEco Ltd and UK Power Ltd is that they are able to offer us the opportunity to participate in the Local Energy Advice Programme (LEAP) pilot. This service will provide important advice, support and energy saving measures to fuel poor and vulnerable households including:

- **Energy Efficiency Advice and Measures:** Access to energy efficiency measures and advice including insulation and boiler replacements.
- **Income Maximisation:** providing benefits assessments and debt advice, a review as to whether there is eligibility for wider warm home discount measures.
- **Vulnerability:** a review of hazards and health problems and of other vulnerability to review access to measures

This Ofgem approved programme is provided by AgilityEco along with a number of partner organisations and is funded by energy suppliers as part of the Warm Home Discount Industry Initiatives fund. The national pilot is funded until May 2017, at which point the scheme is expected to attract more funding year on year until at least 2020. At present, no other Local Authority within the West Midlands is included within the pilot.

During the pilot the Council will only be able to make a small number of referrals (possibly 20); however, once further funding becomes available the Council will be able to make significantly more local resident referrals.

There is no direct cost to the Council to be involved in this pilot. The Council's commitment would be to promote the scheme and refer vulnerable clients into the scheme. The eligibility criteria is very broad and includes anyone who is financially vulnerable or who is suffering with certain health problem e.g. mental health, bronchial issues, diabetes, higher risk of falls, heart problems.

5. FINANCIAL SUMMARY

5.1 Price Comparison Service

The financial model is based on national Ofgem switching data and assumes that over a 12 month period: 3% (2,205) of households in the borough will register an interest in switching; 37% (808) of households will switch, of which, 50% will switch one fuel and 50% will switch both fuels, giving a total of 1,212 switches.

Gross commission per switch is detailed in the table below based on 606 switches per year (50% of Ofgem switching estimates) and 1,212 switches per year. Under the terms of the proposed arrangement, the Council will receive a monthly commission payment from UK Power Limited. The rate at which the Council accrues commission is based upon the monthly aggregate number of switches achieved by all UK Power partners. Hence the more partners in the UK Power arrangement the higher the potential fee that can be achieved by the Council.

Gross Commission – comparison website			
Switches per month	Web based	Voice	Average
	£	£	£
0-250	13.13	7.88	12.08
251-500	13.56	8.31	12.51
501-750	14.00	8.75	12.95
751-1000	14.44	9.19	13.39
1001-1250	14.88	9.63	13.83
1251-1500	15.31	10.06	14.26
1501+	15.75	10.50	14.70

The estimated net commission for the Council is:

	Year 1	Year 2	Year 3
606 switches pa	£4,134	£7,134	£7,134
1,212 switches pa	£11,275	£14,275	£14,275

There is no income associated with the LEAP pilot. This service is being provided by the partner at no direct cost to the Council. The officer time involved in making the referrals is

considered to be worthwhile on the basis that it will enable some of our most vulnerable residents to reduce their energy costs and benefit from targeted advice and support around their energy usage. This could contribute to reduced demand on our services from these residents as they will be in a more financially sustainable position.

6. DELIVERY AND PROMOTION

6.1 Energy price comparison and switching service

Role of the provider

UK Power Ltd will create a Telford & Wrekin Council branded energy comparison website. The service will also be assigned a dedicated 0800 number to identify customers coming through the Council's route. Therefore residents without internet access will still be able to use the service.

Once an enquiry is received via the website or by telephone, the provider will work with local residents to find energy deals and manage the switching process.

Role of the Council

We will;

- Market and signpost the service to local residents, through services and Corporate Communications.
- Monitor performance via a pricing portal suite which will provide real time information about our switches, including the tariffs customers have switched to and how much each customer has saved by switching energy contracts.
- raise invoices for commission payments, be the point of contact for the partnership. We will also undertake a review after 12 months to assess the success of the scheme.

6.2 National Local Energy Advice Programme (LEAP) pilot

Role of the provider

Once the LEAP central office receives a referral from the Council they screen it and book an appointment with the customer. The LEAP trained workers will carry out a home energy visit and assess need, installing easy measures during the visit as needed and where appropriate they will refer on to other partners/agencies.

Role of the Council

Under the scheme, a resident must be eligible (see Appendix 2) and referred by a partner (the Council). Given the small number of referrals required for the pilot, it is proposed that the Housing and Nuplace teams will be responsible for referring customers to LEAP. This will give the Council an opportunity to test out the scheme's success up to May 2017, when the pilot ends.

Once further funding becomes available the Council will be able to make significantly more local resident referrals.

6.3 Promotion

The energy price comparison site website and LEAP pilot will be promoted to local residents through all available channels including:

- Front-line services in contact with local residents.
- Promotion to organisations and partners.
- Members and Town & Parish Councils – target wards with high % of fuel poverty

- Council website.
- Social Media channels including Facebook and Twitter.
- 'Your Voice' magazine.
- 'Gov Delivery' – database of residents to proactively engage with in different ways including email and SMS.
- Physical promotion such as posters in key buildings and leaflet distribution.
- Promotion to staff through Staff News

7. NEXT STEPS

If the proposal is approved the next steps to implement during February 2017 will be:

- Award contract and formalise partnership arrangements.
- Create and launch Telford & Wrekin Council branded energy comparison site
- Brief/train Housing and Nuplace teams to refer residents into the LEAP scheme.
- Develop and implement a marketing plan, including briefing frontline staff about the new service and how to signpost. .

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Appendix 1 – Option Appraisal

The most significant risks and benefits of each option are listed below:

Options	Risks	Benefits	Finance
Collective Switching	<ul style="list-style-type: none"> • Not always the cheapest deal for residents • Take-up has been low in other areas (majority of people switch via price comparison sites) 	<ul style="list-style-type: none"> • Quick set-up (4-6 weeks) • Established model – the main provider Ichoosr has experience of working with local authorities • Website developed and hosted by provider 	<ul style="list-style-type: none"> • Lowest commission of all options and income limited to 3 points in the year • Minimal set-up costs – marketing only • Would still result in a net loss for the Council based on assumptions in Section 5.1 of the report (net commission per switch £-1.36)
Energy Price Comparison and Switching Website	<ul style="list-style-type: none"> • Competition from existing comparison sites could affect take-up 	<ul style="list-style-type: none"> • The preferred supplier's comparison site would offer 100% of tariffs available meaning that at the time of switching the customer would benefit from the cheapest deal • TWC branded to give added assurance to residents • Quick set-up (4-6 weeks) • Preferred supplier has experience of working with other local authorities and would provide marketing support • Website developed and hosted by provider 	<ul style="list-style-type: none"> • Year round and recurring commission • Minimal set-up costs – marketing only • Net commission per switch based on assumptions in Section 5.1 is £9.30
Partnership with existing Energy Company	<ul style="list-style-type: none"> • Single supplier means residents may not get the best deal – recent negative publicity associated with similar schemes (Age UK) • Competition from other suppliers could limit take-up (and majority of people switch via 	<ul style="list-style-type: none"> • TWC branded to give added assurance to residents • Scope to work with a municipal supplier that links to our values 	<ul style="list-style-type: none"> • Year round and higher commission • Higher-set up costs – marketing, Website development • Net commission per switch based on assumptions in Section 5.1 is £16.75 – whilst this generates more income for TWC to

Options	Risks	Benefits	Finance
	price comparison sites) <ul style="list-style-type: none"> • Longer-set up (6-8 months) • TWC would be responsible for Website development and hosting 		protect front-line services, residents would not always benefit from the best deal
Energy Supply Company	<ul style="list-style-type: none"> • Set up time is 18 months plus – Nottingham Council’s Robin Hood Energy took 5 years • Competition from the ‘Big 6’ and other municipal suppliers • Not always the cheapest deal for residents 	<ul style="list-style-type: none"> • Full control of the service with the ability to set energy prices 	<ul style="list-style-type: none"> • Higher earning potential (although recent entrants reporting significant Year 1 losses) • Large financial commitment (£500k to £750k) to launch and then cash flow impact of buying energy in bulk upfront

Appendix 2 - LEAP Pilot - Eligibility Criteria

INCOME CRITERIA– anyone with one or more of the following:

- Income Support
- Income-related Jobseeker's Allowance
- Income-related Employment & Support Allowance
- Pension Credit
- Child Tax Credit
- Working Tax Credit with an income **below** £16,190
- Universal Credit with an income **below** £16,190
- Income **below** £16,190

PHYSICAL HEALTH CRITERIA – anyone with one or more of the following:

- Cardiovascular condition (incl. coronary heart disease, stroke, hypertension, transient ischemic attack)
- Respiratory condition (COPD, childhood asthma)
- Neurological condition (incl dementia, Parkinson's disease, multiple sclerosis, epilepsy)
- Musculoskeletal conditions (incl. osteoarthritis, rheumatoid arthritis etc)
- Blood conditions (incl. Sickle cell disease, thalassemia)
- Cancer
- Physical or sensory disability
- Other illness exacerbated by cold (confirmed by GP)

MENTAL HEALTH CRITERIA, such as:

- Schizophrenia
- Bipolar disorder
- Serious depression (receiving regular treatment)

VULNERABILITY CRITERIA – anyone with one or more of the following:

- Carers in receipt of carers allowance
- Housing Benefit
- Council Tax Reduction
- Disability benefit e.g. Disability Living Allowance, Personal Independence Payment, Attendance Allowance, Industrial Injuries Disablement Benefit
- Contribution-based ESA or JSA
- Vulnerable family situation such as victim of domestic violence or recent bereavement
- Household with maternity/ child under 5 or particularly large family.