

BOROUGH OF KETTERING

Committee	EXECUTIVE	Item 11	Page 1
Report Originator	Head of Commercial Development Rochelle Mathieson	<i>Fwd Plan Ref No:</i> A17/066	
Wards Affected	All	23 rd May 2018	
Title	KETTERING COLLECTIVE ENERGY SWITCH SCHEME		

Portfolio Holder: Councillor Ian Jelley

1. PURPOSE OF REPORT

The purpose of this report is to:

- a) Inform members of the opportunity to implement a new energy scheme and highlight the benefits it could create for our residents and the council
- b) Seek approval of the overall principles and objectives of the scheme

2. BACKGROUND CONTEXT

- 2.1 Fuel poverty is an issue present across the country. The formal definition of fuel poverty is that; it occurs when a household spends more than 10% of its income on domestic fuel use to provide adequate warmth to maintain a healthy indoor living environment, (21c in living room and 18c in other occupied rooms).
- 2.2 The Economic Deprivation statistics provided by Northamptonshire Analysis; which is a public sector partnership resource providing access to a range of information and intelligence regarding Northamptonshire; provides 2015 fuel poverty figures, as outlined in the table below. This indicates that Kettering has the third highest levels of fuel poverty within the county of Northamptonshire, with 12.4% (5,058) of Kettering households experiencing fuel poverty. This is higher than the England average of 11%.

Economic Deprivation: Northamptonshire		
District	Households in Fuel Poverty (2015)	% of Households in Fuel Poverty (2015)
Northampton	11,716	12.9
Wellingborough	4,188	12.7
Kettering	5,058	12.4
East Northamptonshire	4,263	11.7
Corby	2,968	11.5
Daventry	3,445	10.6
South Northamptonshire	3,681	10.3
Northamptonshire	35,319	12.0
East Midlands	24,6838	12.7
England	2,502,217	11.0

Source: <https://www.northamptonshireanalysis.co.uk/dataviews/tabular?viewId=303&geold=46&subsetId=>

BOROUGH OF KETTERING

Committee	EXECUTIVE	Item 11	Page 2
------------------	------------------	------------	--------

2.3 There are many contributing factors as to why a household may be experiencing fuel poverty, one of which will be the cost of fuel prices and households paying more than they need to for their energy bills. Therefore, this proposal seeks to introduce an initiative that will reduce the cost of energy bills through economies of scale.

3. INFORMATION

3.1 Several organisations offer a service whereby households can join a 'consortium' of domestic energy buyers, effectively giving them the opportunity to secure a better deal through economies of scale by utilising collective purchasing power to attract the lowest energy tariff deal, for both metered and pre-payment metered users.

3.2 'Community energy buying' or also referred to as 'collective energy switch schemes', are well established within the UK and are shown to successfully support households in reducing their energy bills, with an average saving on a first energy switch being between £250-£300 per year (as reported by the collective energy switch broker iChoosr).

3.3 These schemes are being adopted by local councils who are in a good position to offer a service for their residents by working in conjunction with a collective energy switch broker. These schemes are particularly beneficial for the more vulnerable residents who are more likely to be unsure how to switch suppliers, apprehensive of using existing switching services and/or have a lack of understanding of the energy market.

3.4 **Appendix 1** includes a diagram which explains how the collective energy switch process works in practice. The entire process is managed by the energy broker; the website is owned and managed by them. The council's role is to promote the scheme, advertise it and support residents to access it.

3.5 The following table outlines the average number of households per annum who have switched across three different local authority areas that have operated a collective energy switch scheme for the last four years or more. Whilst the annual income for the council in question is relatively small the savings felt by the residents is great, with an average household saving of £257.88 per year.

Local Authority	Braintree	Daventry	East Riding
No. households switched	902	266	5,166
Total household savings	£237,716	£63,946	£1,473,796
Income generated for council	£6,212	£ 1,887	£36,102
Avg. household saving	£258.00	£240.40	£275.25

3.6 Our research shows that subscriptions for community energy switching schemes have been anywhere between 3% and 10% of marketed target audiences. Of those, around 20-30% on average will go through the switching

BOROUGH OF KETTERING

Committee	EXECUTIVE	Item 11	Page 3
------------------	------------------	------------	--------

process. However, the number of subscriptions and households completing the switching process will be dependent on having a;

- a) robust and impactful communication and marketing plan; and
- b) supportive and knowledgeable workforce to aid the switching process

- 3.7 An initiative of this kind in Kettering will support our residents to reduce the cost of household energy bills. The scheme will therefore aim to encourage as many households to subscribe as possible, with the view that those who will benefit from reduced fuel bills will be incentivised to complete the switching process, with the majority of households completing the process on a self-serve basis.

The Audience

Our target audience will be all Kettering households equating to in the region of 45,000. We intend to utilise existing channels and our strong links within the social housing community to focus direct marketing to the most vulnerable of our households. Ensuring a range of marketing channels will ensure we access a range of households with varying demographics.

The table below details the key internally owned communication channels to be utilised and the household/resident reach they each have.

Communication platforms	Reach
Publications	
Connect	4,000 (households)
What's On	9,000 (residents)
East Kettering	13,000 (households)
Summer Activities	12,000 (households)
Guide to Council Services	45,000 (households)
Social Media	
Facebook	5,729 (residents)
Twitter	3,837 (residents)
Instagram	726 (residents)
LinkedIn	970 (residents)

The marketing plan also includes the use of externally owned channels such as; radio, newspapers / press, community publications and via the voluntary and community sector. Additionally, there will be a presence at key community events (i.e.: Kettering by the Sea, Christmas in Kettering etc.) and flyer drops.

Kettering Forecast

Based on research to date the following assumptions and expectations can be determined per year, the condition being that the scheme conducts two switch auctions annually and the target audience is approximately 45,000 households.

BOROUGH OF KETTERING

Committee	EXECUTIVE	Item 11	Page 4
-----------	------------------	------------	--------

Per Auction			Per Year (@ 2 auctions per year)			
Subscriptions	Switches		Total Household Savings (@ £258 per household)		Total Income Generation for the Council (@ £11 dual fuel referral fee)	
3%	1,350	20%	270	£ 139,320	£	5,940
		25%	338	£ 174,150	£	7,425
		30%	405	£ 208,980	£	8,910
5%	2,250	20%	450	£ 232,200	£	9,900
		25%	563	£ 290,250	£	12,375
		30%	675	£ 348,300	£	14,850
10%	4,500	20%	900	£ 464,400	£	19,800
		25%	1,125	£ 580,500	£	24,750
		30%	1,350	£ 696,600	£	29,700

The highlighted line is the estimated forecast expected outcome and return.

- 3.8 At the end of an agreed tariff contract period, which is typically 12 months, the customer is automatically re-entered into the next auction group to begin the process again, thereby sustaining the benefit of fuel switching.
- 3.9 For each household that switches their fuel tariff the Council receives a referral fee of approximately £5.50 per fuel, this figure is dependent on the energy broker used. Therefore, if one household switches dual fuel the Council will receive around £11. This income is generated from the selected energy supplier and is managed by the broker via the reverse auctioning process. This income can help pay towards the cost of promotion and running costs or be used in any way that the Council sees fit.
- 3.10 Alongside the online switching method councils can provide an option for residents who do not have access to the internet to take part within the switching scheme; this is especially helpful for those that are more vulnerable. This is done via an 'offline registration' route, which is an assisted online registration undertaken by council staff using a different website link. This then generates an offer letter for these residents. There is an admin cost of £3 per registration however the energy broker will cover half of this cost. This means there is a cost per offline registration to the council of £1.50 plus the cost of staff time involved in assistance. This admin cost (excluding staff time) is taken from any referral fees generated at source and is therefore not an upfront cost. It is worth noting that offline registration figures are not expected to be very high, estimated figures indicate it to be in the region of 10% of the number that subscribe to the scheme, therefore this will not be a substantial cost that needs to be considered nor should it overburden front facing support staff. Due to the nature of the support provided via the offline registration method the switch completion rates almost double compared to those completed via the self-service online method.

BOROUGH OF KETTERING

Committee	EXECUTIVE	Item 11	Page 5
-----------	------------------	------------	--------

3.11 Households who register and switch for the first time reduce their fuel bills by, an average of £250- £300 per year. For pre-payment meter (PPM) customers this figure is likely to be less because the best energy deals are not always available to pre-payment customers. On 1 April 2017, regulator Ofgem introduced a cap on pre-pay tariffs. This means standard prepay tariffs have fallen in price, so switching tariffs may not save as much as they did previously, however savings could still be achieved.

3.12 For residents considering the scheme guidance has been published by DECC and is attached as **Appendix 2**.

4. OUTCOMES

- 4.1 Implementing a local scheme in Kettering will help to realise two key outcomes;
- ✓ Supports our residents to generate a saving on their annual energy bills; leading to more financially efficient households and reducing the risk of / relieving the issue of fuel poverty
 - ✓ Supports the council to generate an income to further support and benefit public service delivery

Additionally, it is important to recognise the social value this will have; by supporting households to reduce their fuel bills will mean residents have more disposable income and reduce the financial pressure, which in turn improves overall health and wellbeing indicators.

5. CONSULTATION AND CUSTOMER IMPACT

5.1 Insight and learning has been sought from four local authorities, East Northamptonshire, Daventry, Braintree and Essex County Council, which are currently operating the scheme, the key themes that have come from this consultation are;

- Robust local communication and marketing plans are required
- Anticipate greater reliance on customer service and switching support for the first campaign
- Offline registrations are more time intensive, this is due to the interaction with the resident and not the process followed. From our research we estimate offline registrations to take between 10mins – 1hr, as these are normally utilised by the more vulnerable (these will be conducted by any front facing staff member that has received training). Having said this, the number of offline registrations per auction is likely to be low, approx. 10% of the overall subscribed number
- Support needs peak at the point of energy tariff offer

BOROUGH OF KETTERING

Committee	EXECUTIVE	Item 11	Page 6
-----------	------------------	------------	--------

- Support that is needed is mainly delivered over the phone with a much smaller number requiring face to face help. Specifically, one local authority noted that on average they see approximately 5% of those subscribed requiring face-to-face support through the switching process. Whilst another council, who have been running the scheme for four years, noted their face-to-face support is higher and therefore have a dedicated energy switch support officer embedded within their customer service team who supports both telephone and face to face enquiries
- Marketing budgets are very small, with a focus on utilising social media and existing publications to promote the scheme
- There is a real emphasise on the benefit being lowering energy tariffs, the bonus being the revenue stream

5.2 It is anticipated that we will make full use of our existing customer contacts, for example through our social inclusion team, customer service advisors etc.

6. POLICY IMPLICATIONS

6.1 There are no identified policy implications

7. FINANCE and HR IMPLICATIONS

7.1 There will be a cost implication to implementing this scheme both in terms of staff resources and marketing budget. This however can be offset by income received by the council via the referral fee. The local authorities consulted with all confirmed that the costs were covered by the income received. With capacity constraints felt by the organisation it will be important to ensure any staff support time required can be either; absorbed within current work flow, or where the scheme creates resource pressures the income generated is retained to offset these.

7.2 The estimated cost implication of the scheme will be the initial marketing cost of £5,000 which can be met within existing budgets. Plus, the additional resource cost aligned to;

- Scheme management (Commercial Development)
- Marketing and promotion management (Corporate & Culture)
- Customer and Social Inclusion services (Customer Services)
- Housing management and Rent officers (Housing)

Initially, the front facing support will be delivered within current work flow, however this will be monitored closely to ensure any resource pressure implications are managed and where appropriate income generated by the scheme is retained to support resourcing capacity and future marketing needs.

BOROUGH OF KETTERING

Committee	EXECUTIVE	Item 11	Page 7
-----------	------------------	------------	--------

8. LEGAL IMPLICATIONS

- 8.1 Under the Localism Act 2011, local authorities have the power to implement any scheme which is of benefit to their residents and not prohibited by any other legislation.
- 8.2 Legal and Procurement have been fully consulted on this process and will ensure the Council uses a compliant framework to establish a suitable energy broker.
- 8.3 There are no adverse legal implications.

9. RECOMMENDATION

Members are requested to approve,

- a) The principle of setting up a Kettering Collective Energy Switch Scheme on a two-year trial until March 2020; and
- b) Delegated powers to the Head of Commercial Development, in consultation with the Head of Legal and Democratic Services, to undertake an appropriate procurement process to establish a suitable provider

Background Papers:

Appendices:

Appendix 1: Collective Energy Switch Process Explanation

Appendix 2: Collective Purchasing and Switching: what consumers need to know.
Department for Energy & Climate Change