

Public Report with Exempt Appendices
Cabinet

Committee Name and Date of Committee Meeting

Cabinet – 16 September 2019

Report Title

Community Energy Switching Scheme

Is this a Key Decision and has it been included on the Forward Plan?

Yes

Strategic Director Approving Submission of the Report

Paul Woodcock, Strategic Director of Regeneration and Environment

Report Author(s)

David Rhodes, Environment, Energy and Data Manager
01709 254017 or david.rhodes@rotherham.gov.uk

Ward(s) Affected

Borough-Wide

Report Summary

Cabinet approved the OJEU procurement process to identify a potential partner, to develop a community energy switching scheme, on the 17th December 2018. This report recommends the acceptance of a tender to set up a Community Energy Switching Scheme, available to all Rotherham residents, which could save an average 3 bed semi-detached household up to £300 per year.

Recommendations

1. That the development of a community energy switching scheme in partnership with bidder B be approved.

List of Appendices Included

Appendix 1 Equalities Initial Impact Assessment
Appendix 2 Procurement Results & Business Case (Exempt)

Background Papers

Cabinet – 17 December 2018. Minute 79, Community Energy Switching Scheme.

Consideration by any other Council Committee, Scrutiny or Advisory Panel

None

Council Approval Required

No

Exempt from the Press and Public

Yes

An exemption is sought for Appendix 2 under Paragraph 3 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)) of Part I of Schedule 12A of the Local Government Act 1972 is requested, as this report contains sensitive commercial information with regards to the Council's contracts.

It is considered that the public interest in maintaining the exemption would outweigh the public interest in disclosing the information because of commercial confidentiality.

Community Energy Switching Scheme

1. Background

- 1.1 At its meeting on 17th December 2018 Cabinet received a report on a community energy switching scheme and recommended:
- That approval be given to the OJEU procurement process to identify a potential partner to develop a community energy switching scheme and inform a business case that will be developed, based on the results of the tender.
 - That the business case and Tender Evaluation Report be submitted to Cabinet for approval.
- 1.2 An open tender process was conducted and two submitted responses met all mandatory requirements. The tenders were evaluated with the results detailed at the exempt Appendix 2.

2. Key Issues

- 2.1 The community energy switching scheme would be open to all Rotherham residents and the aim of the scheme is to reduce the number of households paying high tariffs for gas and electricity.
- 2.2 Although open to all residents, it should be particularly beneficial to vulnerable residents and those with a low household income, as it will assist them to identify and change to a cheaper energy tariff. The evidence provided suggests that residents could save up to £300 per year in an average 3 bedroom semi-detached house.
- 2.3 The scheme also aims to support residents to reduce energy consumption, as well as reducing costs, and consequently assist to reduce fuel poverty.
- 2.4 The scheme also promotes renewable energy generation, and this together with the aims to reduce energy consumption, will assist with the Councils drive to have a positive impact on climate change.
- 2.5 The energy is supplied by a not for profit company and the Council itself would not obtain any net financial gain from such a scheme in relation to tariff reductions, the beneficiaries would be residents.

3. Options considered and recommended proposal

- 3.1 **Option 1** – Develop a community energy switching scheme in partnership with bidder B.
- 3.2 **Option 2** - Do not develop a community energy switching scheme, following the procurement evaluation and moderation of bids considering the potential resource implications to the Council.

3.3 **Option 3** – Asset Management and Housing & Neighbourhood Services carry out regular information campaigns for residents to inform them of the potential savings; comparison sites; the big 6 energy companies; and run specified days at Riverside House (and other Council sites e.g. libraries) to assist residents (especially vulnerable residents) wishing to switch but lacking the confidence, IT knowledge or equipment.

3.4 Option considerations:

3.5 • Option 1 is the recommended option, as bidder B has provided a compliant bid that delivers against the specification. This option provides every Rotherham resident with the opportunity to reduce their energy bill by up to £300, based on an average 3 bed semi-detached house.

3.6 • Option 2 would not provide support to residents to reduce gas and electricity costs.

3.7 • Option 3 would require a marketing budget and additional staff time. This option could be seen to be endorsing energy companies on the comparison websites without any checks of these companies, or the offers, taking place.

4. **Consultation on proposal**

4.1 No additional consultations have been carried out following the procurement process.

5. **Timetable and Accountability for Implementing this Decision**

5.1 If approval is given to the recommendation as presented above, this will be actioned immediately through:

- Recruitment of a Community Energy Officer (a second officer is proposed to be recruited in Year 2).
- Development and approval of the partnership contract.
- Development of a marketing and communication plan.

5.2 The initial proposed launch date of the scheme was December 2019 (12 months from initial Cabinet approval). The amended proposed launch dates are:

- Phase 1. January 2020 – Void properties.
- Phase 2. February 2020 – All domestic properties.

This will allow the Council to ensure any faults identified through the voids programme are dealt with before launching to the wider public.

6. Financial and Procurement Advice and Implications

- 6.1 The exempt Appendix 2 details the financial business case in respect of bidder B. This indicates that the development of a community energy switching scheme in partnership with bidder B is not financially self-supporting. This analysis demonstrates that the proposal will result in a small financial deficit over a 3 year period (less than £5k, in year one and unlikely to exceed £16k in any one year), if the projected take-up figures are achieved. The deficit will increase if take up is lower and decrease if take up is higher than the projected figures. If a small deficit does arise it will be contained within the overall Directorate budget.
- 6.2 The Councils Finance Service have carried out a financial due diligence analysis of the audited accounts of bidder B. The focus of the analysis is to:
- Confirm the financial stability of the preferred bidder.
 - Identify any future risks resulting from additional financial commitments, such as the preferred bidder having to contribute to Government ECO projects when the qualifying customer criteria reduces to 150,000 in April 2020.
- The result of the analysis is at Appendix 2.
- 6.3 This procurement has been conducted in compliance with the Concessions Contracts Regulations 2016 and the Council's Financial and Procurement Procedure Rules.

7. Legal Advice and Implications

- 7.1 A community energy switching scheme delivery contract complying with OFGEM Retail Market Review rules will need to be developed, agreed and approved between the Council and supplier.
- 7.2 The licensed supplier will be responsible for the supply of gas and electricity to customers of the partnership and will be obligated to comply with the supply license conditions.
- 7.3 This report indicates that a compliant procurement process has been followed. This procurement appears to be for a concession contract (being the grant of an opportunity under which the operator takes the substantial operational and commercial risk). Therefore, this contract is not subject to the Public Contracts Regulations 2015.
- 7.4 Legal Services have provided suitable terms and conditions for this contract. It is assumed the Council will enter an agreement with the successful tenderer on those terms and conditions.

8. Human Resources Advice and Implications

- 8.1 The recruitment of additional staffing resources as detailed in the Business Case at Appendix 2 would be required.

9. Implications for Children and Young People and Vulnerable Adults

- 9.1 The scheme should benefit households to reduce the cost of energy and reduce fuel poverty.

10. Equalities and Human Rights Advice and Implications

- 10.1 The energy supply offer will be made available to all households in Rotherham. An initial Equalities Impact Assessment has been carried out and will be updated as more data, information and actions are obtained.

11. Implications for Partners

- 11.1 The implications for Housing and Neighbourhood Services have been included in the report.
- 11.2 The success of the scheme will require support from relevant Council directorates to communicate with the residents they engage with promote the scheme.

12. Risks and Mitigation

- 12.1. The Council or supplier cannot guarantee that a given tariff will always be the cheapest. Online comparison sites may (but not always) provide the best saving, however, a community energy switching scheme is aimed at residents that are unable or not confident enough to switch energy providers. The energy supply market is volatile and the cheapest market price can be superseded the next day by another provider.
- 12.2 There is a potential reputational risk for the Council if there are complaints about billing and price increases set by the supplier. Customer service and customer retention performance would be regularly monitored.
- 12.3 There is a financial risk to the Council if the number of residents that sign up to the scheme is insufficient to cover the staff, marketing and administration costs. The energy cap introduced by the Government/OFGEM will increase the risk and householders may believe the cap results in the best saving. Marketing and communication will address this.
- 12.4 This will be a concession contract, so the majority of the risk is with the supplier.

13. Accountable Officers

Paul Smith, Head of Asset Management

Approvals obtained on behalf of Statutory Officers:-

	Named Officer	Date
Chief Executive	Sharon Kemp	02/09/19
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	28/08/19
Head of Legal Services (Monitoring Officer)	Bal Nahal	27/08/19

*Report Author: David Rhodes, Environment, Energy and Data Manager
01709 254017 david.rhodes@rotherham.gov.uk*

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