

MAIDSTONE BOROUGH COUNCIL

CABINET MEMBER FOR COMMUNITY AND LEISURE SERVICES

REPORT OF HEAD OF HOUSING & COMMUNITY SERVICES

Report prepared by Helen Miller

Date Issued: 29/08/13

1. COLLECTIVE SWITCHING OF ENERGY SUPPLIER SERVICE FOR HOUSEHOLDERS

1.1 Key Issue for Decision

1.1.1 To consider whether the Council will promote a collective switching scheme, provided by a third party, for householders to seek a competitive price for their electricity and/or gas supply.

1.2 Recommendation of the Head of Housing and Community Services

1.2.1 That the Cabinet Member for Community and Leisure Services agrees the Council enters into an agreement with a collective switching provider and promotes collective switching to households in all tenures across the borough.

1.3 Reasons for Recommendation

1.3.1 The majority of householders do not switch their electricity and /or gas provider or tariff. According to Ofgem, only 15% of households switched gas supplier and 17% switched electricity supplier in 2011. Ofgem also assert that the number of households switching is declining over time.

1.3.2 The government recognises that fuel bills have continued to increase in the last decade and have increased 30% on average over the last 5 years. As fuel bills have increased the number of households struggling to pay fuel bills has increased.

1.3.3 The government's new definition of fuel poverty covers those living on a lower income in a home that cannot be kept warm at a reasonable cost. Although the level of fuel poverty in Maidstone is lower than the national average it remains a significant problem.

1.3.4 Households that have never switched energy providers are most likely to gain a lower price from switching. These households are unlikely to compare the market without support. Collective switching provides a

- no cost, no hassle, and no obligation way to compare the market and potentially get cheaper fuel bills.
- 1.3.5 The scheme would be open to all tenure types and all payment types including prepayment meters and a Green Electricity tariff option will be available. Other Councils in Kent found take up of the service was high among those households that included a person over 60 as part of the household.
- 1.3.6 In summary, the collective switching process is where the Council would market the service, householders would register online or phone or visit the Council for help with paper registration. The switching provider then holds a reverse auction to seek the lowest price and contacts each registered household in writing to explain the offer including showing whether it would save them money and how much money it would save. The householder would decide whether to switch and no pressure is exerted to influence their decision. The switching provider would support the switching process and provide a troubleshooting service. Savings range from nothing up to £200 per year with the latest schemes averaging around £90 per year.
- 1.3.7 It remains the householder's decision whether to switch provider and/or tariff, and there is no requirement to take part following the receipt of an offer to switch.
- 1.3.8 It is anticipated that the first registration period will be in January and February 2014 and then repeated every six months.
- 1.3.9 The communications plan indicates that the communications costs associated with the scheme will be approximately £250.00. The Council will receive a small referral fee for each household that switches their gas or electricity tariff. It is anticipated that project will be cost neutral for the Council. The planning and liaison work will be carried out by the Home Energy Efficiency Project Officer as their role was created to support this and other energy efficiency related work.
- 1.4 Alternative Action and why not Recommended
- 1.4.1 The Council does not promote a collective switching service. Without support to switch many households will not compare the energy market and some will continue to pay higher bills than necessary and may become fuel poor as a result.
- 1.5 Impact on Corporate Objectives
- 1.5.1 Accessing lower fuel bills will increase affordability and contribute to Maidstone being a decent place to live. In addition the scheme will contribute towards supporting disadvantaged residents because of

where they live and reducing the level of deprivation across the borough.

1.6 Risk Management

1.6.1 Maidstone Borough Council may suffer loss of reputation if a collective switching scheme associated with them is run poorly. A robust procurement process will ensure that an appropriate service provider is chosen which will mitigate this risk.

1.7 Other Implications

1.7.1

1.	Financial	X
2.	Staffing	X
3.	Legal	X
4.	Equality Impact Needs Assessment	X
5.	Environmental/Sustainable Development	
6.	Community Safety	
7.	Human Rights Act	
8.	Procurement	X
9.	Asset Management	

1.7.2 Financial. Service providers receive a referral fee for each fuel a household chooses to switch and a small portion of this fee is given to the Council for marketing the service. The level of contribution will be determined through the procurement process and will offset costs identified in the communications plan.

1.7.3 Staffing. Staff time will come from within existing resources and relate to officer time in procurement, communications, partnership working and the contact centre.

1.7.4 Legal. Following procurement advice a legal contract will be entered into to protect the interests of the Council and the members of the public.

1.7.5 Equality Impact Needs Assessment – attached at Appendix A

1.7.6 Procurement. The service provider will be chosen through a robust procurement process set against an outcome-based service specification.

1.7.7 Appendices

Appendix A - Equality Impact Needs Assessment

1.7.8 Background Documents None

IS THIS A KEY DECISION REPORT?

Yes

No

If yes, this is a Key Decision because: Collective Switching would be a borough wide service impacting on the residents of 1 or more wards

Wards/Parishes affected: All

How to Comment

Should you have any comments on the issue that is being considered please contact either the relevant Officer or the Member of the Executive who will be taking the decision.

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