

**CABINET - 12 JANUARY 2016**

**ENERGY SUPPLY SERVICE FOR LEICESTER AND  
LEICESTERSHIRE**

**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

**PART A**

**Purpose of the Report**

1. The purpose of this report is to seek approval to set up a “white label” energy supply service to provide cheaper energy to the residents of the City and County. The energy supply service will be a partnership between Leicestershire County Council and Leicester City Council.
2. A “white label” offering is where a company or organisation, in this case a County and City Council partnership, works with a licensed supplier to sell energy under its brand name, for example a ‘Leicester and Leicestershire Energy Company’. More detail is given in Part B of this report.

**Recommendation**

3. It is recommended that the Director of Corporate Resources, following consultation with the Lead Member for Resources, be authorised to:
  - (a) Set up a partnership agreement with Leicester City Council in respect of the energy supply service;
  - (b) To accept delegation from Leicester City Council to carry out procurement on behalf of both councils in order to find a licensed supplier and;
  - (c) Award the contract to the preferred supplier following the conclusion of the procurement exercise.

**Reason for Recommendation**

4. Fuel poverty is an issue that affects a large number of County and City residents and setting up an energy supply service will help alleviate this by enabling residents to obtain cheaper gas and electricity.

**Timetable for Decisions (including Scrutiny)**

5. Procurement specifications are in the process of being drafted and it is intended that, subject to the approval of the recommendations, an invitation to tender will

be issued in late January 2016. The tender process is expected to take 4-6 weeks (including evaluation and award).

### **Policy Framework and Previous Decisions**

6. The project will help support the County Council's objectives, particularly in relation to reducing health inequalities and increasing life expectancy. This will be achieved by reducing fuel poverty particularly for vulnerable customers.

### **Resource Implications**

7. Any incremental costs incurred on this project should be minimal as most of the resources expended will relate to staff time and marketing through existing channels (Leicestershire Matters and the Council's website for example).
8. Each customer acquired by the 'white label' supply partner has a value to them, and it is expected that the partnership will be eligible to receive a payment for every new customer. Part of these payments will be retained in order to pay for marketing costs and to assist in financing future energy efficiency projects, and part (expected to be half) will be used to discount the price that the customer pays.
9. There is a financial risk in that if insufficient customers take up the supply the monies received from the supply partner would be insufficient to meet the costs that have been incurred (for marketing, for example) but this is not considered material.
10. The County Solicitor has been consulted on the content of this report.

### **Circulation under Local Issues Alert Procedure**

11. None.

### **Officers to contact**

Chris Tambini - Director of Finance, Corporate Resources Department  
tel: 0116 305 6199  
email: [Chris.Tambini@leics.gov.uk](mailto:Chris.Tambini@leics.gov.uk)

Ravi Lakhani - Finance Business Partner Team, Corporate Resources Department  
tel: 0116 305 7626  
email: [Ravi.Lakhani@leics.gov.uk](mailto:Ravi.Lakhani@leics.gov.uk)

## **PART B**

### **Background**

12. The County Council is seeking to help address the issue of fuel poverty. There are a number of options available to local authorities. Nottingham City Council has established a 'full service' not-for-profit energy supply company, Robin Hood Energy. However this type of arrangement is costly to set up and resource, there are significant regulatory hurdles, and the timescales involved can be lengthy. Other options also face similar obstacles to set up.
13. Having assessed the various options, the preferred option for Leicestershire is a white label offering. This effectively uses the 'brand name' of an entity (for example M&S Energy) but works in partnership with a licensed supplier to sell energy under that brand name. The licensed supplier will provide back office functions such as billing, customer service, debt management, meter reading etc. and will ensure compliance with industry codes. This would involve a minimal amount of upfront investment and could be set up within a short period of time.
14. Supply of energy under a specific Leicestershire and Leicester white label offering will not be restricted to residents and businesses within the County boundary, although it is expected that the vast majority of customers will be from within the County and City.
15. There are a number of other examples of Local Authority white label energy supply offerings across the country including Fairerpower For All (Cheshire East Council), Peterborough Energy (Peterborough City Council) and Southend Energy (Southend on Sea Borough Council). All of these offerings have been successful in attracting new customers, but they have not been running for long enough to fully assess the extent of their success. A joint Leicestershire County and Leicester City offering will be the largest to date.
16. The name of the white label supply company is still to be determined although it is expected that it will incorporate the name of both Councils in the title.
17. There will also be the option for a tariff that is based on the supply of 'green' energy in the tender documentation.
18. One reason why a Local Authority white label offering may be a success is that Councils are generally considered trustworthy; certainly they have a higher level of public trust than the major energy supply companies. By being willing to utilise part of the proceeds available from customer acquisition to subsidise the energy costs, it is expected that the tariffs available will compare favourably to the wider energy market.

### **Partnership Agreement**

19. A joint County and City procurement has a number of advantages including reduced tendering costs and a shared customer base; the size of which will make the contract more attractive to licensed suppliers, which should in turn enable better terms to be negotiated.

20. Although there are more premises in the County than there are in the City, as a Housing Authority the City Council will have Local Authority-owned homes that become vacant. When this happens, they can be transferred onto the County/City scheme and an acquisition fee earned, which will be beneficial for the Partnership and also for the future occupants of the properties. The different nature of the two Authorities means that a 50/50 share of the Partnership is considered appropriate.
21. It is probable that the agreement with the licensed supplier will initially be for an agreed period of around three years, and there will be appropriate provision within the agreement between the councils, in respect to arrangements at the end of that period. Assuming that the venture is successful and that the two Councils share a common vision as to how to progress in the future, there is no reason that the arrangement could not continue for many years.

### **Timescales**

22. A significant amount of research has already been undertaken into the white label energy market, and a tendering period of broadly one month from the initial contract notice to award is considered achievable. This is not expected to affect the quality or the number of licensed suppliers that are likely to be interested in acting as a partner.
23. Industry information suggests that a peak for switches of supplier is in the first half of the year, and generally coincides with the receipt of bills covering the winter period. The short tendering period will ensure that the agreement is in place to take advantage of some of this switching.

### **Conclusion**

24. A joint white label offering with Leicester City Council will enable the County Council to enter the market quickly and with little financial outlay. It will help the residents of Leicester and Leicestershire access affordable energy from a trusted supplier as soon as possible.

### **Background Papers**

25. None.

### **Equality and Human Rights Implications**

26. All residents of Leicester and Leicestershire will be able to access affordable energy.

### **Risk Assessment**

27. The main risk of proceeding with this is reputational should any customers fall into arrears and there be a bill dispute. However this will be mitigated through the procurement specification.