

## RECORD OF EXECUTIVE DECISION

Tuesday, 20 June 2017

**Decision No:** (CAB 17/18 18961)

DECISION-MAKER:	CABINET
PORTFOLIO AREA:	HEALTH AND SUSTAINABLE LIVING
SUBJECT:	*ESTABLISHMENT OF A SOUTHAMPTON ENERGY SERVICES COMPANY
AUTHOR:	Jason Taylor

### THE DECISION

- (i) To delegate authority to the Head of Capital Assets, following consultation with the Service Director: Finance and Commercialisation and the Service Director: Legal & Governance to conduct an open competition to enable the identification of a suitable licensed energy supplier with which to partner, under formal contract; and to conduct the procurement up to and including selection of preferred bidder but excluding contractual and financial close which shall be referred back to be determined by Cabinet.
- (ii) To approve the proposed white label approach to deliver energy supply regionally.
- (iii) To delegate authority to Service Director – Growth following consultation with the Service Director: Legal & Governance to develop and register the intellectual property rights in the trademarks and Branding for the energy products to be delivered through this and other related projects.
- (iv) To approve the revenue spend of £158,000 for the set up costs of the ESCo to be funded from PUSH money that is currently allocated to the Green Projects capital scheme within the Housing & Sustainability Portfolio.

### REASONS FOR THE DECISION

To enable SCC to earn a sustainable income whilst providing a positive service to the end customer. It's anticipated that a net income will be generated by end of year two. By year five net annual income is estimated at £237k (see revenue section) and minimum average annual aggregated savings for the customers to be £4 million.

To ensure fuel poor and vulnerable energy customers are offered cost effective rates for their energy for the following reasons:

- It's estimated that there are 10,000 households and 5,000 children living in fuel poverty within Southampton.
- There are also a significant number of residents in the city that are living close to fuel poverty. This will include vulnerable children or adults we work with, SCC tenants and members of our staff.
- Fuel poverty is linked to approximately 110 excess winter deaths every year within Southampton and major health problems associated with poorly heated homes.
- The energy regulator, OFGEM, states that energy supply companies overcharge domestic and business energy consumers.

To capture those customers that currently switch energy supplier infrequently. Most energy consumers never or rarely switch their energy supply and will therefore be on the highest tariffs. We aim to specifically target these non-switchers.

To capture some of the benefits locally for energy purchased within the city and beyond. It estimated that £190 million is spent annually on electricity and gas within the city of Southampton.

#### **DETAILS OF ANY ALTERNATIVE OPTIONS**

Becoming a fully Licensed Energy Supplier has been assessed in some detail; however this has been rejected at this stage. This option would require SCC to set up a company fully owned by the council or in partnership with others. The 'company' would then need to become an energy supply licence holder, which requires successful completion of a complex, resource-intensive and inherently more risky process. Setting up a fully licensed energy supplier has cost other local authorities between £2.3 and £3.4 million. Ongoing costs and administration of the energy supply company are also significant and would involve major financial and resource commitment by SCC. Approximately 120,000 customers would be required to make a SCC wholly owned fully licensed energy supply company viable.

#### **OTHER RELEVANT MATTERS CONCERNING THE DECISION**

None.

#### **CONFLICTS OF INTEREST**

None.

#### **CONFIRMED AS A TRUE RECORD**

We certify that the decision this document records was made in accordance with the Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000 and is a true and accurate record of that decision.

Date: 20<sup>th</sup> June 2017

Decision Maker:  
The Cabinet

Proper Officer:  
Pat Wood

**SCRUTINY**

Note: This decision will come in to force at the expiry of 5 working days from the date of publication subject to any review under the Council's Scrutiny "Call-In" provisions.

Call-In Period expires on

Date of Call-in *(if applicable) (this suspends implementation)*

Call-in Procedure completed *(if applicable)*

Call-in heard by *(if applicable)*

Results of Call-in *(if applicable)*