

Meeting: Cabinet
Date: 18th July 2023
Classification: Part 1
Key Decision: Yes / No
Title of Report: Reducing Heating Charges

Executive Director: Joe Chesterton
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South Essex Homes
Executive Councillor: Cllr David Garston

1. Executive Summary

- 1.1. This report sets out the rationale for reducing heating charges in view of the lower contract costs currently in force for the supply of gas to our communal heating systems.

The heating charges for 2023/24 were set by using forecast unit rates supplied by the energy companies in December 2022. Since this date, due to utility market movements, the wholesale price of gas has reduced and so the unit rate we currently pay is lower than that forecast when we set the heating charges.

2. Recommendations

It is recommended that Cabinet:

- 2.1. Agrees to reduce the heating charges to properties with a communal heating system with effect from Monday 4th September 2023 as outlined in the report.
- 2.2. Agrees that future decisions to decrease heating charges be enacted automatically by officers in consultation with the relevant Portfolio Holder, without further need for future papers to Scrutiny or Cabinet, so as to pass savings onto residents in a timely manner.
- 2.3. Agrees that any future proposed charging increase(s) be reported to the relevant Scrutiny Committee and Cabinet for consideration before any decision is taken.

3. Background

- 3.1. South Essex Homes levies heating charges to tenants that are supplied with heating and hot water from communal heating systems. These are generally systems where a communal boiler in the building supplies heating to both the communal areas of the block, as well as within the individual properties.
- 3.2. The Heat Network (Billing and Metering) Regulations 2014 set out the parameters and requirements of heat suppliers and the obligations for both billing the end user and registering details of any communal supply with the Office for Product Safety and Standards (OPSS). In January 2023 South Essex Homes implemented a mechanism whereby tenants in properties with communal heating systems would pay the anticipated cost of providing heating and hot water in the year that those charges occurred.
- 3.3. For the financial year 2023/24 the heating charges that are paid by tenants of properties was calculated based on forecast figures for unit rates supplied by the utility company and these charges were agreed by Cabinet. The energy market over the last couple of years has seen unprecedented movements with prices rising very quickly during 2022. This led to the utility company forecasting very high energy prices in April 23, with rises in our rates expected of around 105% from the 22/23 levels.
- 3.4. We are seeing the outcome of an easing of the utility markets and we have taken advantage by tying into lower cost energy deals until March 2024, these lower rates have not seen the expected 105% increase in rates but a much lower increase on 22/23 of around 28% on average.
- 3.5. This change in rates means that the current charges we are levying on tenants for heating charges are too high and if we continue to charge at these rates we will significantly over collect on heating charges for the year, the over collection will accumulate to around £500,000.
- 3.6. Management have reviewed options and are suggesting a pragmatic approach in bringing the overall heating charge for the year back down to the expected level of costs. From the 4th September 2023 it is proposed to reduce the heating charges levied to our tenants by around 70% so that by the end of the financial year the amount paid by tenants is equal to the expected annual cost for that property type at the scheme.
- 3.7. A table of current charges and a reduced charge for the last 30 weeks of the year are shown in Appendix 1.
- 3.8. Assisting our tenants

There can be no doubt that the economic situation with high inflation, rising interest rates and energy costs rising at levels well above the inflation rate, is having and will continue to have a significant impact on our tenants. South Essex Homes will continue to work with all our tenants to ensure that they

maximise the assistance available to them through Housing Benefit and Universal Credit. We know that 73% of our tenants are in receipt of means tested benefits and will already be getting help towards the additional cost being incurred on energy this year, but South Essex Homes will target those households not currently in receipt of benefits to ensure that we are aware of their financial situation and that our residents are claiming all benefits that they may be entitled to.

- 3.9 In 2022 the government paid series of payments to households to help support the rising energy costs as well as introducing the Energy Bills Support Scheme, a rebate on home electricity bills of £400, spread over 6 months and paid as a reduction in the monthly bill from the energy supplier. Pensioners were also entitled to the Winter Fuel Payment, this is usually between £100 and £300, depending on circumstances but this year an additional £300 was added to a Pensioner Cost of Living Payment. In addition to these measures a Warm Home Discount will be applied to households on low incomes as a one-off discount to the energy bill during the winter months. This assistance is directly related to cost of energy but there will also be Cost of Living Payments to anyone on means tested benefits. This will be an additional £900 and will be paid in three instalments in Spring 2023, Autumn 2023 and Spring 2024.
- 3.10 South Essex Homes has put in place further measures to support our tenants facing financial hardship through the energy crisis. In 2022, a hardship fund was established, and money set aside to assist in cases where energy costs where households were experiencing extreme financial hardship. Households can apply for up to £250 to assist in meeting these costs.

4. Reasons for Decisions

- 4.1. Without taking the proposed action the Council, through the management of South Essex Homes, would overcharge tenants that are supplied with heating and hot water from communal heating systems and would fail to comply with a fair charging system under the Heat Network Regulations. The recommended action is therefore proposed through which to charge affected tenants the correct amount over the course of the year.

5. Other Options

- 5.1. None

6. Financial Implications

- 6.1. This proposal will result in lower heating charges being levied to our tenants. There will be an associated South Essex Homes budget change to reflect the lower heating charge being levied and the lower cost of energy.

7. Legal Implications

- 7.1. The Heat Network (Billing and Metering) Regulations 2014 set out the parameters and requirements of heat suppliers and the obligations for both

billing the end user and registering details of any communal supply with the Office for Product Safety and Standards (OPSS).

8. Policy Context

8.1 None

9. Carbon Impact

9.1. No carbon impact is considered by the proposed course of action.

10. Equalities

10.1. Equality and diversity will be monitored throughout the course of this work and the proposed action will positively impact tenants living in settings that are supplied with heating and hot water from communal heating systems, including hostels and sheltered accommodation schemes.

11. Consultation

11.1 Full consultation with affected residents will be undertaken through residents' meetings and letters in advance of the changes.

12. Appendices

12.1. **Appendix 1**: Adjusted heating charges for affected housing schemes