

Report for: Cabinet March 2023

Title: Heat charges for 2023/24 for tenants on Council-owned District Energy Networks and introduction of metered charging policy and tariff

Report

Authorised by: David Joyce, Director of Placemaking and Housing

Lead Officer: Robbie Erbmann

Ward(s) affected: All

Report for Key/

Non Key Decision: Key Decision

1. Describe the issue under consideration.

- 1.1. Approximately 1,700 tenants and leaseholders of Haringey Council currently receive their heat and hot water through a council-owned District Energy Network. These include 1960's housing blocks and modern buildings. Over the coming years, new homes will be built by the Council across the borough that will also be heated by District Energy Networks to comply with planning requirements. In time, the ambition is for these new homes to be connected to the Council-owned borough-wide District Energy Network. Currently, the Council buys gas for these heat networks via a framework, and recharges tenants and leaseholders for this.
- 1.2. There has been an unprecedented rise in global energy prices. The Council recognises that many of our tenants would struggle if we passed on the full cost of this rise. This paper proposes a 25% discount on the costs of gas for 2023/24 for our tenants receiving their heat and hot water from council owned district energy networks. Without this discount, some tenants would have seen their heating charges more than triple. Unlike the majority of Haringey residents and council tenants, these tenants did not experience a significant rise in 2022, as the rise was capped to the rate of inflation. There is also support from both the government and the council to help residents and tenants with the rising cost of living. The rise in energy costs has also meant that there has been a significant growth in costs related to communal lighting. However, these charges are set at a much lower level and are covered by housing benefit for housing benefit for eligible residents. As a result, the Council has decided not to offer a discount for the communal lighting but will be recovering its costs.
- 1.3. The Council will also establish a £300,000 hardship fund in the Housing Revenue Account for 2023/24 to help tenants for whom the rising cost of living is putting them at risk of arrears. This will be a one year discretionary fund.
- 1.4. Some of the homes heated by a council-owned District Energy Network have a heat meter installed. There is a legal requirement to retrofit meters in certain circumstances, and newer council heat networks must be installed with meters. Once meters are installed, there is a legal requirement to charge residents based on actual heat usage. Charging tenants for the heat and hot water they use as opposed to flat rate

irrespective of usage may help some tenants keep their heat charges lower. Therefore, a new charging policy and tariff needs to be adopted to meet this legal requirement. Alongside this, a policy on debt management will be set out to clarify how the council will work with any of these tenants who find themselves in debt.

- 1.5. This policy will apply to all tenants with fitted, working meters and will also apply to tenants living in any homes that are retrofitted with meters in the future.
- 1.6. For residents who will move from flat rate charges to a metered tariff, the metered rate will be introduced in July 2023. In advance of this, the Council will undertake a period of engagement to work with all affected residents to ensure they understand what the change means for them and in practice what their heat costs are likely to be following the implementation of the metered tariff. The Council will also look at any outliers to see if there are underlying repair issues that may be causing higher than average usage. Tenants will be informed on a monthly basis of their heat usage for that month, and what they would have paid had they been charged based on usage. Tenants will be formally notified of the change to their heat charging no less than 28 days before the switch.

2. Cabinet Member Introduction

- 2.1. Since the war in Ukraine, there has been a huge increase in the cost of gas. The costs that the Council faces are no different to ordinary consumers – although we had protected ourselves by being part of a scheme that bought energy upfront. It unfortunately means that heat charges for all of our tenants on council-owned district energy networks will increase in the next financial year 2023/24. However, these costs will be less than they would have without the Council's intervention: we are giving a 25% discount to protect our tenants from the full impact of the rise in the cost of gas. The Council also has a broad package of support to assist residents with the cost-of-living crisis. The Council will also establish a £300k fund specifically targeted at Council tenants to provide additional assistance in appropriate cases.
- 2.2. We are required to charge our tenants who have a heat meter installed and who receive their heat via a district energy network in accordance with their usage. This means that those who use more heat will pay more than those who use less heat. This is in line with how the majority of residents in Haringey pay for their heating, and is a fairer charging system. This approach also contributes to the borough's aim to lower its carbon emissions.

3. Recommendations

- 3.1. It is recommended that Cabinet:
 - i. Agrees the Heat and Communal Lighting Charges for financial year 2023/24 as set out in paragraph 6.18, including the 25% discount in the majority of properties for Heat Charges
 - ii. Agrees that the Heat Charges for all properties with meters will switch to metered charges as set out in paragraph 6.49
 - iii. Agrees the metered charging policy and tariffs, as set out in Appendix 1
 - iv. Agrees the debt management policy and process for metered tenants, as set out in Appendix 2

- v. Directs that the new metered policy and tariff will be introduced in July 2023 following a period of engagement with affected tenants
- vi. Notes the support available from the Council and partners to all tenants to help them with the rising cost of living
- vii. Approves the allocation of £300,000 from the Housing Revenue Account 23/24 Budget to a Tenant Hardship Fund.
- viii. Delegates to the Director of Placemaking and Housing, after consultation with the s151 Officer (Director of Finance) and the Cabinet Member for Housing Services, Private Renters and Planning, authority to establish the detailed operation of the Tenant Hardship Fund
- ix.
- x. Approve the transfer of £1m from the HRA reserve to the HRA to meet the estimated net financial impact of the proposals in this report, regarding heating and lighting charges and a tenants' hardship fund.

4. Reasons for decision

Heat charges 23/24

- 4.1. Heat charges for 2023/24 would generally be set to recover the cost to the Council of buying gas to power district energy networks. In light of the very significant rise in the cost of gas, for this financial year the Council will provide a 25% discount.

4.2. Communal Lighting Charge

Communal lighting charges for 2023/24 are set to recover the cost to the Council of providing lighting to the communal areas in the blocks. As this service charge is set at a relatively low level and is covered by housing benefit, charges to recover the full cost of providing the service are proposed.

Metered charging policy

- 4.3. Requirements set out in the Heat Network (Metering and Billing) Regulations 2014 ("HNM&B Regs") mean that tenants whose homes are heated by a district energy network and who have a heat meter installed shall be charged for their heat based on consumption, and therefore a new charging policy and tariffs are needed to ensure this.

Debt management policy

- 4.4. The debt management policy is needed to:
- i. Transparently set out debt management processes to tenants; and
 - ii. Ensure that the third party sending out bills and collecting income on behalf of the Council is clear as to Council policy.

Tenant Hardship Fund

- iii. The Tenant Hardship Fund is required to assist tenants for whom the rising cost of living is pushing them into arrears.

5. Alternative options considered

Heat and communal lighting charges 23/24

- 5.1. The Council could have set charges to fully recover costs. This would have meant a more significant cost increase to tenants. The decision not to do so was taken to allow the council to protect these tenants from the full impact of the rise in the cost of gas for 2023/24.
- 5.2. The Council could also have recovered a smaller percentage of costs incurred. This would have meant that tenants' heat charges for 23/24 would have been set lower. The decision to provide a 25% discount was taken to balance protecting tenants on the one hand and prudentially managing the Housing Revenue Account on the other.
- 5.3. The Council considered providing a 25% discount on communal lighting, but it was rejected as this charge is set at a relatively low level, is covered by housing benefit and would have a significant financial impact on the HRA if discounted.
- 5.4. Other options considered included capping all costs at a fixed increase from 2022/23 charges. This was rejected since it would mean that the council was recovering a different percentage of heat charges from different blocks.
- 5.5. Remaining with the current flat rate charge for heat charges is not possible because there is a legal obligation to charge metered customers based on consumption. In addition, in the context of rising heat charges, this allows tenants with a meter to have more control over their heat costs.

6. Background

- 6.1. District Energy Networks (DENs) are systems allowing a group of dwellings located in the same building or geographical area to be provided with heat and hot water from the same source.
- 6.2. The Council owns and operates 22 DENs within the Housing Revenue Account (HRA) and currently supplies heat energy to over 1,500 homes in its capacity as a landlord technically making the council a 'heat supplier'. The DEN at Broadwater Farm is the largest in the HRA and currently supplies approximately 850 homes but this is set to expand to around 1,150 as the estate is redeveloped. The Broadwater Farm DEN has also supplied two schools since 2012. The other HRA DENs tend to supply a single building or small estate.
- 6.3. The number of residents supplied with heat by the Council has increased from around 800 homes in 2018 and is expected to continue to increase at the same rate (c.250 per annum) as the majority of the 3,000 or so homes in the housing delivery programme will be heated by DENs. This is due to planning policy requirements, where both the London Plan and Haringey's own Local Plan require larger developments in much of Haringey to be built with a site-wide DEN (to facilitate growth of larger DENs created by joining up multiple sites as this is seen to be the lowest carbon solution to decarbonising the built environment).
- 6.4. It should be noted that the activity within the HRA set out in this report is separate from the business case development for a Council to set up its own borough wide district heating company with the ambition to supply heat to a mix of Council and third-party sites. Whether or not there is borough wide or local scheme, the Council would still

need to generate and sell heat to residents of HRA blocks. Under either scenario the process and policies set out in this report would be used.

- 6.5. Several separate issues are dealt with in this report:
- i. The setting of heat and communal lighting charges for 2023/24, including background on the mechanism by which the Council buys gas to power its heat networks, the reasons for an increase in the heat service charge to tenants for 2023/24, the council's mitigation of this rise and the support available from the council to help tenants manage rising costs.
 - ii. Addressing the regulatory requirement to charge tenants based on actual energy consumption. Historically charges have been levied as a flat rate, which means that tenants in one block or pool of buildings pay the same irrespective of how much heat they use. In line with the HNM&B Regs, in any housing blocks where heat metering can be installed it should be, and residents should then be billed based on metered energy use.
 - iii. The process of dealing with debt management for heat users who switch to being billed based on usage, and who therefore are no longer paying for their heat and hot water via their service charge. The Council needs to manage any debt consistently, transparently, and responsibly.

How the Council Buys Gas

- 6.6. Since 2020, the Council has bought its energy via the Laser framework.
- 6.7. The Cabinet decision to use the Laser framework was taken in November 2019 and the accompanying decision report (see section 10 below) provides more background on energy purchasing.
- 6.8. Laser is a professional buying organisation owned by Kent County Council. Laser buys energy on behalf of a large portion of the public sector and are estimated to have bought c.£2bn of energy in financial year 2022/23 (around 200x the Council's energy use).
- 6.9. The scale of Laser's energy purchasing helps to reduce the cost of energy, but the main benefit is more to do with risk management. Because Laser buys so much energy, they make many purchases through the year, and this allows them to balance out highs and lows in the market. Although the Council is a relatively large user, it does not buy enough energy to effectively buy its energy gradually and could be forced to purchase all of its energy in a single transaction. That would expose the Council to the volatility of the market on any particular day whereas Laser's purchasing tends to achieve closer to the average of the market price over the course of a year. In addition, the various public sector buyers have used their combined buying power to require Laser to deliver wider benefits in terms of, for example, social value and provision of renewable energy.
- 6.10. The Council has opted for fixed tariffs from Laser which change every April. To deliver this, Laser buys the Council's energy in the preceding year on the 'year ahead markets'.

- 6.11. This means that the Council's gas costs for financial year 2022/23 were set when Laser was buying energy in financial year 2021/22. Therefore a large amount of the gas that the Council consumed in financial year 2022/23 was bought before Russia mobilised to invade the Ukraine when prices were lower. This allowed the Council to keep down heat charges on DENs in financial year 2022/23.
- 6.12. However, for financial year 2023/24, Laser has been buying in the highly inflated energy markets that have made headlines over the last 12-months and heat charges will need to increase to recover the higher costs.

Heat and communal lighting charges for financial year 2023/34

- 6.13. Heat charges should normally be set to fully recover costs; this means that tenants should be recharged for the cost of purchasing gas to heat their homes.
- 6.14. The heat charges for financial year 2023/24 represent a significant rise on the charges for 2022/23. As explained above, this is because gas tariffs for financial year 2023/24 are based on the cost of gas purchased in financial year 2022/23. Tenants receiving heat from council-owned DENs were sheltered from rising energy costs in 2022, unlike the vast majority of Haringey residents, including the majority of council tenants.
- 6.15. As explained in this report, at present all tenants currently receiving heat from council-owned DENs pay a flat rate for their heat, irrespective of usage. Tenants with meters will move to a metered tariff in summer 2023. This means that these tenants will be able to keep their heat costs lower by adjusting their behaviour (for example, by ensuring the heating is off when they are not at home).
- 6.16. Some tenants do not have heat meters in their homes and so will only be able to be charged a flat rate. The council will however undertake feasibility studies to see whether installing meters is an option in the remaining homes, and as noted above, when possible those tenants will then be moved from a flat rate paid for as a service charge to a metered rate.
- 6.17. Fully recovering costs for 2023/24 would lead to a significant increase in weekly charges for all tenants living in homes heated by council-owned district energy networks except those living in Rosa Luxemburg Apartments, with increases ranging from £10.97/week to £19.76/week. This is shown in the table below.

Tenants' Heating and Communal lighting Charges	Current Weekly Charge 2022/23	Full Weekly Cost 2023/24 - For Information	Increase
Sheltered Housing Blocks Heating	£10.52	£25.74	£15.22
Garton House / Lowry House Heating	£10.07	£21.04	£10.97
Ferry Lane Estate / Runcorn Heating	£11.52	£31.28	£19.76
William Atkinson House Heating	£8.25	£27.46	£19.21
Broadwater Farm DEN Heating	£11.29	£29.98	£18.69
Rosa Luxemburg - District Heating 8	£8.17	£9.56	£1.39
Welbourne DEN Heating	£0.00	£11.45	n/a
Communal lighting	£2.35	£5.57	£3.22

6.18. To protect tenants from these sharp increases, the Council is proposing a 25% discount on heat charges, except in cases where fully recovering costs would lead to an increase of less than 50% from 2022/23. This means that heat and communal lighting charges for 2023/24 will be as set out in the table below.

Proposed Tenants' Heating and Communal Lighting Charges	Charges per wk 22/23	Charges per wk 23/24	Increase (£)
Sheltered Housing Blocks Heating	£10.52	£19.31	£8.79
Garton House / Lowry House Heating	£10.07	£15.78	£5.71
Ferry Lane Estate / Runcorn Heating	£11.52	£23.46	£11.94
William Atkinson House	£8.25	£20.60	£12.35
Broadwater Farm	£11.29	£22.49	£11.20
Rosa Luxemburg	£8.17	£9.56	£1.39
Welbourne	£0.00	11.45	n/a
Communal lighting	£2.35	5.57	£3.22

6.19. The table above shows that the increases in heat charges (with, as explained in 6.17, the exception of Rosa Luxemburg Apartments and Welbourne) range from £5.71/week to £12.35/week. The communal lighting charges will increase by £3.22 per week.

6.20. Note that Rosa Luxemburg will only be charged a weekly flat rate until tenants transfer to metered charges. If any other blocks have meters installed in the next year, they will also only be charged the flat rate until then. Note that Welbourne is a new Council block which has not yet completed. It is expected that as soon as residents move into Welbourne they will immediately be charged a metered tariff. However, the weekly flat rate charge is shown above for information.

Support for tenants facing rising heat charges

6.21. The government has initiated a variety of schemes to provide support to householders on their energy costs. The precise support available has changed frequently over the last 6 months. To date, the direct financial support provided to householders has been equally available to customers on the Council's DENs and customers with their own gas boilers and so residents supplied by DENs can be expected to have the same support to help

with the increased costs as those with their own boilers. While DEN customers do not fall within the price guarantee scheme for domestic gas customers, they have not been disadvantaged because the Council's charges have been below the domestic cap.

- 6.22. In addition, the government has also initiated schemes to support commercial energy costs. These schemes are linked to the commercial organisation's cost of energy. The Council is eligible for support, and any support received for energy supplies affecting tenants is obliged to be passed through to residents and tenants must be informed of the subsidy. However, the Council's energy costs have not been high enough to trigger payments. This will be explained to residents as part of the communications around increased charges and this situation will be kept under review and residents alerted if subsidy is received.
- 6.23. There is also a range of government support designed to help people manage the rising cost of living.
- 6.24. The Council recognises that this increase in heat charges will be difficult for some of the tenants concerned. Although these tenants are likely to be aware of rising energy costs, they have not to date experienced this first-hand.
- 6.25. The Council has a range of support available to help residents with their finances, which are available to these tenants whose heat charges are increasing, and which they will be actively signposted to. The Council has been managing the local effects of the national cost of living crisis for a year.
- 6.26. The Council's Financial Inclusion team are available to support these council tenants with financial challenges. This offer includes:
- welfare benefit checks, support with applying for welfare benefits (including discretionary housing payments), help managing housing benefit or Universal Credit claims
 - financial education to help budget money and manage debt, including through workshops; specific targeted support to vulnerable groups
 - assistance with access to charitable grants and affordable financial products/services, referrals to food banks
 - support into employment
- 6.27. The Council also manages the government's Household Support Fund and targets this financial support to households who need it most, primarily to support them with the increased cost of food and fuel. It has been confirmed that the Household Support Fund will continue until at least March 2024.
- 6.28. Separate to the financial inclusion offer outlines above, the Council will ensure it is aware if any of the tenants whose heat charges are increasing next financial year are identified as vulnerable tenants (in accordance with the definitions in the proposed Debt Management and Disconnection Policy), in order to target support appropriately.

6.29. The Council will also establish a £300,000 hardship fund in the Housing Revenue Account for 2023/24 to help tenants for whom the rising cost of living is pushing them into arrears. This is will be a one year discretionary fund to help tenants through this exceptional period of cost of living increases. This will be used for the purpose of providing rent and service charge credits for tenants, to assist tenants who are already in arrears.

Heat Charges: metered and flat rate

6.30. The charges the Council makes as heat supplier to individuals can be split into three distinct categories

- **Tenants living in homes where there is no heat meter:** historically these have been set per home based on the average cost of supplying energy at a site or group of sites. These tenants will continue to be charged a flat rate for their heat usage. However, when those homes are retrofitted with meters, the tenants residing within those homes will come within the ambit of the requirement to be charged by consumption. Until they are retrofitted for meters, the flat rate applies.
- **Tenants living in homes where there is a heat meter:** the Council has never set charges based on actual energy use – this report will recommend a metered tariff for these tenants.
- **Leaseholders:** charges are dictated by the lease, and as such existing leaseholders' heat charges are outside the scope of this report.

6.31. Secure tenants are charged for heat via service charges as set out in tenancy agreements. The existing tenancy agreements are broad enough to permit tenants to be charged based on metered energy use once meters are installed without the need to vary tenancy agreements.

6.32. There are some constraints to how the Council sets service charges for secure tenants which are as follows:

- Charges should be set to recover costs and no more (accepting there may be surpluses or deficits carried over from one year to the next)
- Landlords may not charge tenants for the cost of installing, repairing, or maintaining their heating system (whereas leaseholders can be charged for this where leases allow, noting that the Council has committed not to charge leaseholders at Broadwater Farm for the capital cost of the new system)

6.33. The arrangements for service charges for leaseholders are set out within leases and these are prescriptive on charging. They require the Council to pro rate the costs it incurs at a particular site to leaseholders based on the share of habitable rooms within their flat vs. the total number of habitable rooms at the site.

6.34. These prescriptive arrangements will continue to be followed for existing leaseholders and this report does not recommend any changes to service charges for those leaseholders. New legislation requiring heat suppliers to charge customers based on actual consumption is overridden where existing leases include prescriptive arrangements (although where leaseholder flats are metered, accurate statements of energy use will need to be provided).

Heat meters and charges

- 6.35. Building regulations now require heat meters in shared heating systems for new developments and where heating systems are subject to major refurbishment.
- 6.36. In addition, the HNM&B Regs now mandate retrofit in some homes where it is technically feasible and cost effective to do so. Recent technical changes make metering of heat more viable.
- 6.37. Meters have therefore been installed at Broadwater Farm and Rosa Luxemburg Apartments and will be installed at numerous other newbuild sites the Council is developing/acquiring, with Welbourne the next to complete.
- 6.38. Tenants at Rosa Luxemburg Apartments will not switch to the metered tariff yet since some work is needed to configure their meters, and we expect that tenants will move to a metered tariff in 2024/25.
- 6.39. Once Welbourne has completed, 1,052 homes housing 927 tenants and 125 leaseholders where the Council is the heat supplier will be metered.
- 6.40. Additionally, the HNM&B Regs require that, where meters are in place:
- Charges must be based on actual energy consumption (unless existing agreements prohibit this e.g. leases); and
 - Where charges are based on actual energy consumption, VAT must be applied
 - Accurate statements of energy use must be provided regularly to each resident whether being charged based on energy usage or not.

Metered tariff

- 6.41. Setting a metered tariff is different to setting weekly or annual charges as the total paid will depend on energy use. Residents will be familiar with the cost of energy and will have expectations that heating tariffs are set in a way similar to gas or electricity tariffs.
- 6.42. Setting a metered tariff involves determining
- i. Standing charges paid before usage, normally set to reflect fixed costs; and
 - ii. Charges due per additional unit of consumption, normally set to reflect variable costs.
- 6.43. The table below shows the components of fixed and variable costs which can be recharged to tenants.

Fixed Costs of Heat Supply Include	Variable Costs of Heat Supply Include
<ul style="list-style-type: none">• Fixed component of landlord's energy purchase	<ul style="list-style-type: none">• Variable component of producing heat (landlord's energy purchase adjusted for plant efficiency)
<ul style="list-style-type: none">• Costs for billing residents/managing resident	

accounts (higher where residents have meters)	
<ul style="list-style-type: none"> Energy distribution costs (pumping and heat lost within the network – these energy flows are constant regardless of energy use) 	
<ul style="list-style-type: none"> Business rates (applicable at Broadwater Farm) 	

6.44. Because the Council is limited to cost recovery, the charges should, taking one year with the next, match the underlying costs of provision.

6.45. However, the Council needs to reflect that there are several ways to achieve this and bear in mind that:

- i. the fixed and variable costs across its portfolio varies somewhat from site to site (to reflect specific site circumstances beyond residents' control); and
- ii. the energy efficiency of older homes served by the Council's DENs is mostly uniform, however new homes are considerably more efficient (again, a circumstance largely beyond resident control).

6.46. The Council is recommending a single average tariff¹ across all metered homes, reflecting the average cost base across these homes. This means that all residents with a heat tariff will have the same tariff (even though the cost base of running each metered block is slightly different). A single average tariff is simpler both to administer and to explain to residents. The option of creating multiple tariffs on a site-by-site basis was rejected due to the complexity of managing and explaining this.

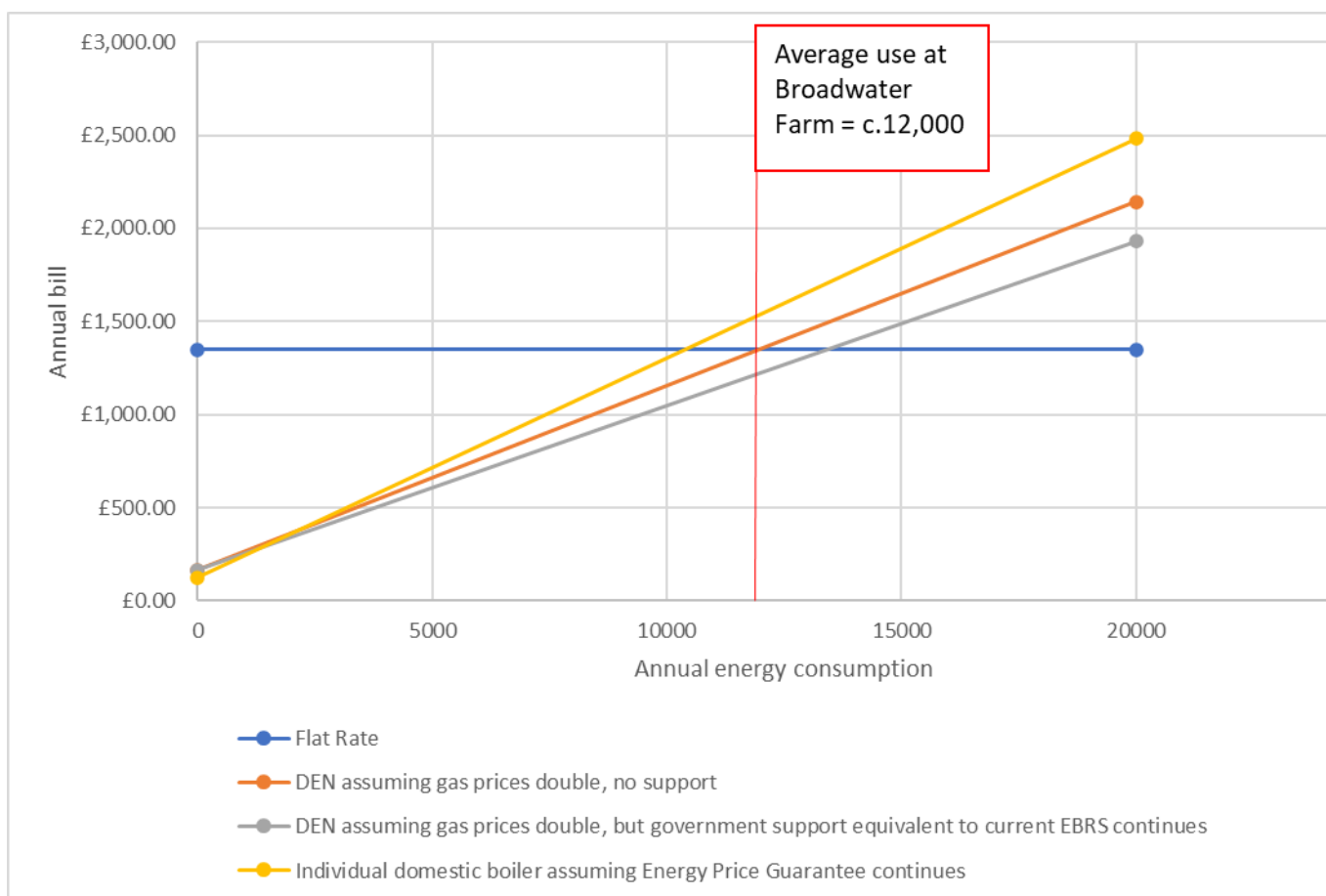
6.47. Another issue is that older homes use significantly more energy than newer homes. The option of creating two tariffs, a higher tariff for new homes and a lower one for older homes in order to balance out the cost of heating a home was considered. This has been rejected in part due to the added complexity to manage and to explain but also because it would result in very high energy prices for new homes and the Council has been promoting the energy cost saving benefits of new homes to residents and it would be unscrupulous to then set a policy deliberately designed to remove this benefit, and could open the Council to claims of mis-selling.

6.48. Although the intent is to set the tariff to match the Council's underlying cost base, it is important to note that some aspects of setting the tariff will need to be estimated. The income and costs are unlikely to match exactly and there is expected to be a surplus/deficit arising each year. This surplus/deficit will be taken into account in setting the tariff for the following year. A detailed methodology is required and this is set out in Appendix 1.

¹ A tariff sets charges according to volume of a commodity purchased, in this case energy (in the form of heat). In common with most energy tariffs, there will be a fixed charge paid even if consumption is zero and then a charge per unit of energy.

6.49. The proposal is to introduce a metered tariff in summer 2023. It is proposed that this accounts for the following:

- i. Charges will be set to recover 75% of the estimated costs for FY23/24.
- ii. Costs for energy usage are not incurred evenly throughout the year. They go up in winter and down in summer. When the approach to charging changes mid-way through the year, care needs to be taken to estimate average consumption over that period. For those households with meters, the flat rate that will be charged for the 3 months prior to metering taking effect will be based on the proportion of the expected usage for that period.
- iii. The first 3 months of the year over the spring period have slightly below average consumption and typically account for around 22.5% of annual energy costs. This means the weekly consumption in the first 3 months is 10% lower than the average over the entire year and so the initial flat rate charge will be reduced accordingly.
- iv. If the above weighting is followed, the overall level of charging across all customers between introduction of the metered tariff and the end of the year will be the same and average bills will not increase.
- v. However, some residents will find themselves with lower energy costs and some will find themselves with higher energy costs by the change in charging practice: tenants who are low energy users will pay less overall than tenants who are high energy users. This is an intended consequence of the HNM&B Regs, designed to incentivise lower energy use. The graph below illustrates this.



Implementation and engagement

- 6.50. It is important that all tenants affected by the change to a metered tariff are given time to understand its implications. The Council will run an engagement and education programme prior to the switch to metered charging. This is to ensure that all affected tenants are aware of the upcoming change and understand what it means for their household.
- 6.51. From April 2023, the Council will inform each household of their monthly heat usage and what they would have paid had a metered tariff applied. This means that tenants will understand whether their usage is high, average or low, and whether a metered tariff means that they would pay more or less than the fixed rate. This means that once metered charging is introduced, tenants will have an idea of what they will be charged. Tenants will also be informed of their heat usage over winter 2022/23, so they are able to see their heat usage in colder weather.
- 6.52. The Council will also support residents with advice on managing their heating costs, and advice on safely keeping heat use low. The Council will signpost tenants during this period to internal and external resources to support with this.

6.53. This engagement will include letters to all affected tenants, posters and leaflets on the estate, events with officers available to explain the change and to talk tenants through their individual energy usage and provide advice on keeping energy bills lower. Events will include interpreters to the main languages spoken on the estate, and written information will be translated into these languages.

Debt management

6.54. An external company (the 'Service Provider') has been appointed to provide meter readings and customer service to tenants, initially for a 2-year period. This option was chosen since the Council's housing management service does not have the in-house experience to manage this, and since in the early stages metered customers represent a small number of tenants it was judged to be sensible to bring in external expertise. Following the initial 2-year period, this will be reviewed with a view to bringing the service in-house.

6.55. A proposed process has been developed setting out the Council's approach to managing debt for tenants receiving their heat through a DEN and is included in Appendix 2. This draws heavily on the rent arrears process and existing practice. The process:

- Sets out the roles and responsibilities of the Service Provider and the Council
- Sets out the initial steps to be taken by the Service Provider when tenants have not paid
- Sets out the support services (offered by the Council and third parties such as Citizens Advice) that tenants who are struggling to pay their bills will be signposted to by the Service Provider
- Sets out the steps the Council will take to support tenants to manage their finances and bills, including payment plans to carefully manage and clear arrears
- Sets out that, as a last resort, tenants who are falling into arrears, following initial steps, may switch to prepayment meters. Note that the tariff charged on prepayment meters is the same as the general tariff.
- Sets out that the Council will monitor tenants on prepayment meters to ensure they are topping up their meters, and signpost tenants who are not topping up their meters to housing officers.
- Sets out the circumstances in which the Council will act against tenants who are refusing to engage with the Council including, in the most extreme cases, disconnecting them from their heat supply, as well as the steps the Council will take, and safeguards in place, to ensure tenants' health and wellbeing.

7. Contribution to strategic outcomes

7.1. The changes to charging are in response to legal obligations from the HNM&B Regs.

7.2. The proposals also contribute to the Corporate Delivery Plan, specifically 'Theme 2: Responding to the climate emergency' and 'Theme 5: Homes for the Future' which

specifically notes that the Council will ‘provide reliable customer focused services that we, our tenants and leaseholders can be proud of’.

8. Statutory Officer Comments

Finance

- 8.1. The HRA Budget and MTFs put forward in the Cabinet report of 7th February 2023 proposed that heating and communal lighting charges remain unchanged, until the approach to the setting of charges for 2023/24 is addressed.
- 8.2. This report sets out the approach to communal lighting charges and heating charges for 2023/24 for tenants on Council-owned District Energy Networks and the metered charging policy and tariffs that will apply for metered households from Summer of 2023.
- 8.3. The proposal to limit heating charges for 2023/24 at a level to recover 75% of projected costs will lead to a shortfall in income of around £465k. This will be met from the Housing Revenue Account Reserves.
- 8.4. The Heating charges for metered units, from summer 2023, will reflect individual household usage instead of fixed sum flat rate to households based on block usage.
- 8.5. The proposed metered charging is informed by changes in regulation which makes it a legal obligation to install meters in flats within a block.
- 8.6. The overall cost to the Council will include the additional cost of replacing or installing meters, where there was none before. This cost is estimated to be around £195k. This cost will be met from the Housing Revenue Account and will be recharged to users.
- 8.7. The debt management process involves the use of a third party to bill and collect debts on behalf of the council.
- 8.8. There is an additional cost (circa £85k per annum) as a result of this, which will be met from the HRA and recharged to metered households.
- 8.9. It is proposed that there be established a tenant hardship fund of £300k in 2023/34, funded by the HRA.
- 8.10. The HRA Budget and Financial plan, as agreed by Council on 2 March, assumed a level of increased income from heating and communal lighting charges, but recognised that this estimate was expected to be in excess of that produced by the charge levels to be set for next year. It explained that this would be addressed in this subsequent Cabinet report on these charges, and that the implications to the HRA arising from the

new charge levels in 2023/24 would be met from the HRA Reserve, which is currently £20.8m.

8.11. The overall implication of the recommendations in this report are a net cost estimated at circa £1m for 2023/24, including the subsidy level, the in year implementation of the charge increases and the new support fund. The Council would look to restore the reserve to its original level in subsequent financial years.

8.12. The use of meters in billing should result to a fairer billing and may lead to overall reduction in usage as a result of changes in habit.

8.13. There is a potential risk of increase in arrears due to reduced affordability. The debt management policy highlights measures to support tenants who might struggle with payments.

Legal

8.14. The Head of Legal and Governance has been consulted in the drafting of this report.

8.15. As set out in the body of the report the HNM&B Regs require the Council to install meters where (broadly) technically feasible, and to adopt a method of charging that reflects actual consumption where meters are installed. The requirement does not though extend to requiring full recovery of costs.

8.16. Again as set out in the body of the report, where a lease granted prior to 27 November 2020 creates a charging regime inconsistent with that obligation, the terms of the lease take precedence. Similarly the terms of the lease take precedence where more than 10% of the dwellings are let on such leases. No change is proposed in this report to the system of charges to leaseholders.

8.17. Where a change in the policy or practice of the authority in the management of the Council's homes let on secure tenancies is proposed, consultation is required under s105 of the Housing Act 1985. That obligation does not however arise where the change relates to charges for services or facilities provided by the authority, as is the case here.

8.18. The Rent Standard recommends that where new or extended services are introduced involving an additional charge to tenants, the Council should consult. The provision of heat and hot water here is not a new or extended service; the change is in the method of charging for the provision. There is therefore no requirement formally to consult. Officers will however engage with the affected tenants to explain the change in advance of its introduction.

- 8.19. Rent Standard requires the Council to endeavour to keep increases in service charges in Social Rent properties within the same limit as applies to rent changes, namely CPI + 1% (capped for financial year 2023/24 at 7%). The legislative requirement to charge by usage, however, cannot reasonably and prudentially be met without the increases proposed in this report. The change does not therefore amount to a breach of the Rent Standard.
- 8.20. It is relevant that until now the Council has set heating service charges to cover the cost to it of provision of the service, but no more; this report does not propose a change to that. The intended change is to the apportionment of the cost of heating among secure tenants, to reflect the Council's legal obligations under the HNM&B Regs.
- 8.21. There is no statutory Code of Practice applying to Debt Management and Disconnection in relation to heat supplies; the Policy appearing at Appendix 2 is however intended to provide similar protections to residents as would be provided to consumers of gas and electricity in this connection.
- 8.22. When considering the proposal for establishing a Hardship Fund within the HRA, Cabinet should consider and take into account the fact that, if rent or service charge relief is granted to some individuals, then this will effectively be subsidised by rents paid by the generality of council tenants. Cabinet should also pay due regard to any pertinent implications arising in connection with its Public Sector Equality Duty contained in section 149 of the Equality Act 2010.
- 8.23. The power in s.24(1) of the Housing Act 1985 to make reasonable charges for the occupation of council houses has been interpreted as being very wide, and differential rent schemes under which lower and higher income tenants are charged different rents for equivalent properties have been upheld in a number of cases. In *Smith v Cardiff Corp (No. 2)* [1955] Ch 159 the power to charge differential rents was specifically attributed to what is now s.24(1) of the 1985 Act. Accordingly, it is considered that if a local authority can charge differential rents, it can also write off rents for tenants in financial difficulties. Equally, the general power of competence in s.1 of the Localism Act 2011 provides local authorities with the power to provide financial assistance to promote the welfare of people living in their area, and a number of cases have upheld such schemes both under the general power of competence and the previous well-being powers in s.2 of the Local Government Act 2000.
- 8.24. If Cabinet takes into account relevant factors as well as the legal framework (as noted in the paragraphs above), a decision to establish a Hardship Fund within the HRA would be lawful. It should also be noted that rent and service charge credits in relation to Council district heating and communal lighting charges may be treated in the same way as other rent and service charge credits. Where rent or service charges have been charged but the Council then decides to write them off, this must be included in the HRA as a debit item. Accordingly, where a tenant is in arrears, the Council may

consider whether or not to effectively write-off those arrears, which it may do by applying a credit to rent accounts and then including the write-off as a debit to the HRA, which would be in accordance with the provisions of Item 7 in Part 2 of Schedule 4 to the Local Government and Housing Act 1989.

8.25. The Protection from Eviction Act 1977 (“the 1977 Act”) prohibits withdrawal of services from residential occupiers either:

- i. with intent to cause the occupier to give up occupation or refrain from exercising any right or remedy in relation to the premises; or
- ii. knowing or having reasonable cause to believe that the occupier will in consequence either give up occupation or refrain from exercising such a right or remedy – unless there are reasonable grounds for such withdrawal.

8.26. If disconnection of the heat supply is the last resort, subject to clear and reasonable safeguards and not linked to broader tenancy issues, it is officers’ view that disconnection for non-payment will not infringe the prohibitions imposed by the 1977 Act.

8.27. Because the change proposed by this report relates to charges for services supplied, no statutory consultation is required under s105; and in any event the change is mandated by the HNM&B Regs. Prior to implementation of the proposed new charging regime, the Council shall serve notices upon effected secure tenants and comply with the requirements prescribed in section 103 of the Housing Act 1985.

8.28. It is open to Cabinet to take the decisions recommended in this report.

Procurement

8.29. Strategic Procurement notes the contents of this report and confirms there are no procurement implications relating to the recommendations in paragraph 3 above.

Equalities

8.30. The council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
- Advance equality of opportunity between people who share protected characteristics and people who do not
- Foster good relations between people who share those characteristics and people who do not

8.31. The three parts of the duty apply to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and

sexual orientation. Marriage and civil partnership status applies to the first part of the duty.

- 8.32. Although it is not enforced in legislation as a protected characteristic, Haringey Council treats socioeconomic status as a local protected characteristic.
- 8.33. A detailed EQIA on the introduction of metered charges has been prepared and is attached at Appendix 3. Given that the introduction of metered charges will initially only impact on tenants at Broadwater Farm, this group has been considered in the Equalities Impact Assessment. The findings will also apply to any future tenants who move from flat rate to metered charges.
- 8.34. Given that the Council is legally required to introduce metered charging, the EQIA focuses on any mitigating action the Council will take to ensure that any residents sharing protected characteristics are not disproportionately negatively affected.
- 8.35. The introduction of metered charges means that people who use less heat than average will pay less for their heat and hot water, and those who use more heat will pay more for their heat and hot water. The two factors which will influence whether someone uses more or less heat and hot water are a) the size of the home and the size of the household and b) the amount of time spent at home.
- 8.36. Older people, people with disabilities and households with young children are groups who share protected characteristics and who may be higher energy users. The EQIA notes the mitigations in place via the debt management policy to support those who find themselves with higher bills than previously, which focus of signposting to the Council's financial inclusion team and external support services, as well as advice on safely using less energy.
- 8.37. Finally, the Council treats socioeconomic status as a local protected characteristic. This proposal will have both a positive and negative impact on those from lower socio-economic backgrounds. People paying for their heat based on usage will mean that people who use less heat will pay less and people who use more heat will pay more. This is likely to mean that some people from lower socio-economic backgrounds will have lower heat bills and some will have higher. The proposed debt management policy and process sets out the support that the Council and partner organisations will offer people, which will help people who are struggling to pay their bills. This includes noting tenants who are struggling to pay their bills and signposting them to internal and external financial inclusion services.
- 8.38. An EQIA on the significant rise in heat costs has also been prepared, and is attached at appendix 4. Given that the significant rises in the cost of gas are out of the Council's control, the EQIA focuses on any mitigating action the Council will take to ensure that

any residents sharing protected characteristics are not disproportionately negatively affected.

8.39. A rise in heat charges will have a negative impact on anyone who is already struggling financially. Groups sharing protected characteristics who are most likely to be struggling financially include older people, people who have young children and people who are unemployed or in lower paying work, who may share the same socio-economic status. There are mitigating actions for this, at both a national level through targeted support, for example winter fuel payments for older people, and at a local level by the Council only recovering 75% of its costs for 2023/24 and more broadly through the Council's financial inclusion offer.

8.40. Most notable of this financial inclusion offer is a proposal for a £300k hardship to ensure that those under the most pressure from the cost-of-living crisis can avoid falling into crippling debt. The fund will be open to all Haringey Council tenants and given the over-representation of those who share protected characteristics in our social housing, this should have a positive equality impact.

9. Use of appendices

- Appendix 1: Calculation of tariff methodology
- Appendix 2: Debt management policy and process
- Appendix 3: EQIA – metered charges
- Appendix 4: EQIA – rise in heat charges

10. Local Government (Access to Information) Act 1985

https://www.minutes.haringey.gov.uk/documents/s112464/Council%20Energy%20Contract%20Award%20Cabinet%20November%202019_20.10.pdf