



Report to Policy Committee

Author/Lead Officer of Report: Fiona Orr – Service Manager, Home Ownership and Revenues Unit

Tel: 07718134172

Report of: Executive Director, Operational Services
Report to: *Housing Committee*
Date of Decision: *September 2022*
Subject: *Community Heating Prices Increases*

Has an Equality Impact Assessment (EIA) been undertaken?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
If YES, what EIA reference number has it been given? (<i>Insert reference number</i>)				
Has appropriate consultation taken place?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Has a Climate Impact Assessment (CIA) been undertaken?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Does the report contain confidential or exempt information?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-				
<p><i>“The (report/appendix) is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended).”</i></p>				

Purpose of Report:

The purpose of this paper is to propose a price increase in October 2022 for Community heating charges; to mitigate the risk that the significant price changes over the last 6 months has now put on the Housing Revenue Account.

The current energy crisis puts Sheffield City Council and many other authorities in a very challenging position, the point at which we forecast costs for this year was at a point at which the true cost of gas was still largely unknown. Forecasts ranged daily with a lack of any certainty at a fixed point. A price increase was recommended to full cabinet based on the information at the time which was an assumed increase of 37%. The actual increase is now 107%. Charges are still fluctuating as the crisis is ongoing and further increase will be needed next year.

If charges to tenants are not increased, the current forecast estimates that there will be a short fall of more than £1 million, by the end of the current financial year in the community heating account, which will need to be subsidised by the HRA.

Recommendations:

It is recommended that the Housing Policy Committee: -

- Approve that the standing rate change remains fixed at £4.90 per week for the duration of the financial year and the kWh charge is increased from 5.69p per kWh to 12p per kWh from October 2022.

Background Papers:

None

Lead Officer to complete:-							
1	<table border="1"> <tr> <td rowspan="4">I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.</td> <td>Finance: Tina Sharp</td> </tr> <tr> <td>Legal: Stephen Tonge</td> </tr> <tr> <td>Equalities & Consultation: <i>Louise Nunn</i></td> </tr> <tr> <td>Climate: TBC</td> </tr> </table>	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: Tina Sharp	Legal: Stephen Tonge	Equalities & Consultation: <i>Louise Nunn</i>	Climate: TBC	
I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: Tina Sharp						
	Legal: Stephen Tonge						
	Equalities & Consultation: <i>Louise Nunn</i>						
	Climate: TBC						
<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>							
2	<table border="1"> <tr> <td>EMT member who approved submission:</td> <td>Ajman Ali (Executive Director, Operational Services)</td> </tr> </table>	EMT member who approved submission:	Ajman Ali (Executive Director, Operational Services)				
EMT member who approved submission:	Ajman Ali (Executive Director, Operational Services)						
3	<table border="1"> <tr> <td>Committee Chair consulted:</td> <td><i>Councillor Douglas Johnson</i></td> </tr> </table>	Committee Chair consulted:	<i>Councillor Douglas Johnson</i>				
Committee Chair consulted:	<i>Councillor Douglas Johnson</i>						
4	<table border="1"> <tr> <td colspan="2">I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Committee by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.</td> </tr> <tr> <td>Lead Officer Name: <i>Fiona Orr</i></td> <td>Job Title: Service Manager</td> </tr> <tr> <td colspan="2">Date: 6th September 2022</td> </tr> </table>	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Committee by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.		Lead Officer Name: <i>Fiona Orr</i>	Job Title: Service Manager	Date: 6th September 2022	
I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Committee by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.							
Lead Officer Name: <i>Fiona Orr</i>	Job Title: Service Manager						
Date: 6th September 2022							

1. PROPOSAL

- 1.1 The “Community Heating” scheme operated by the Sheffield City Council, supplies heating and hot water to almost 6,000 homes. The system provides heat and hot water to groups of properties from central boiler houses rather than using individual property boilers.
- 1.2 Running costs relating to Community Heating are paid by the Council and charged to a separate account within the overall Housing Revenue Account (HRA). Any annual savings or overspends on this account are charged to a separate accumulated Community Heating reserve.
- 1.3 Over the last few years due to the level of reserves that had been built up before meters were introduced, the decision has been made annually to not implement any increases to the kWh rate, keeping the cost to customers low and utilising the reserves to support any short fall. That model of operation is no longer viable in the current climate, the Heating Reserve Balance is currently in deficit by £137,044.
- 1.4 SCC have entered a purchasing model which means that the energy we need is bought over a period of 30 months, allowing us to access the best prices. This is a different model to previous years whereby gas has been purchased at a fixed price. Moving to this model allows greater purchasing power and the ability to reduce risk of having to buy at a set price at a given point in the year. However, this year, due to unprecedented prices, it has meant forecasting is incredibly challenging due to the unknown cost at any fixed point.
- 1.5 In April 2022 we increased the price for community heating customers from 3.04p per kWh to 5.69p per kWh in line with what we understood to be the price increases at the time. A letter was sent to all customers a month before the increase was implemented to advise that the increase reflected the rising utility costs and that due to the instability in wholesale prices that it would be monitored as further increases may well be needed.
- 1.6 It is important to note that non community heating customers have faced significant increases in the costs of their energy bills. Whilst the official increases this year have been 54% so far, households have seen prices rise by over 100% and they are set to rise again. If we do not increase the community heating rate, we will in effect be subsidising these tenants over all other tenants who have also had dramatic increases in their costs.
- 1.7 The proposal is to increase the charge for community heating in October 2022 to allow us to mitigate the impact that increasing gas prices have put on the Housing Revenue Account. This is the first time that we have proposed a mid-year increase and this proposal is purely required due to the ongoing energy crisis and the significant increase in the cost of gas.

2. HOW DOES THIS DECISION CONTRIBUTE?

- 2.1 These proposals are consistent with the current One Year Plan priorities around High-Quality Safe Homes for our Citizens. The Council have developed a new set of strategic priorities for 2023/24 with the intention for these priorities to form the basis of the new medium term Corporate Plan which is currently in development. As the new Corporate Plan emerges from these administration priorities, we will continue to ensure that our own priorities link and feed into to broader corporate priorities where relevant.
- 2.2 This proposal will reduce inequalities between tenants who have their own boilers and pay for gas and electricity with their own energy provider and those on community heating. Tenants with their own boilers have seen significant price increases and will face further increases in October. This proposal will mean that community heating tenants will face similar price increases.

3. HAS THERE BEEN ANY CONSULTATION?

- 3.1 The council is not required to consult on this proposal.

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality Implications

- 4.1.1 In progress

4.2 Financial and Commercial Implications

- 4.2.1 This proposal is to mitigate the risk to the HRA. The HRA utilised reserves of £137k last financial year to support the deficit in the Community Heating Account. The impact of increasing energy prices will see a further anticipated shortfall of £1,076k over the two years. It should be noted that any temporary contribution from the HRA must be recovered in full, from the Community Heating Account.

4.3 Legal Implications

- 4.3.1 There is no statutory or regulatory bar preventing the Council changing consumption charges for a second time mid-year. Furthermore, the contractual position in the tenancy agreement does not bar further mid-year increases although 4 weeks' notice must be provided.

4.4 Climate Implications

- 4.4.1 There are no immediate implications arising from this report

4.5 Other Implications

4.5.1 There are no other implications arising from this report

5. ALTERNATIVE OPTIONS CONSIDERED

5.1 Consideration was given to either not increasing the prices, or only increasing them a smaller amount now to minimise impact on tenants who have community heating. This was rejected as this would in effect mean we are subsidising community heating tenants over all other tenants. There is also the risk that prices will continue to rise and that a smaller increase now would just mean needing an even larger increase later.

6. REASONS FOR RECOMMENDATIONS

6.1 It is widely documented that the energy price cap will be increased again in October, whilst community heating does not fall under the price cap at this time, it is a clear point for all other customers that at this stage they can expect to see prices increase. Consumption is also at the lowest in the summer months and changing prices now will not have as much impact. The recommendation to increase the prices is required to relieve the pressure on the Housing Revenue Account and to ensure that tenants on community heating are not subsidised for the increase in energy costs that all other tenants are experiencing.

This page is intentionally left blank