

**January DMC: Addendum on Heating Pool
11 January 2023**

1. As noted in the main report, confirmed gas & electricity prices up to end of September 2023 are showing an increase of 261% and 83% respectively. This has created a forecasted deficit in the heating pool for 2022/23 of £4.9m. The report sets out a proposal to increase costs by 220% for 2023/24 and to defer repayment of the 2022/23 deficit to future years (from 2024/25 onwards).

2. It is recognised that 220% is a significant increase therefore officers have been working on alternative options (175%, 150% and 125%):
 - **Option 1: 175% increase**
Prices from LASER are fixed up to end September 2023. The 220% increase is predicated on an assumed 20% increase in gas prices during the period Oct 23 to Mar 24. However, the Council could assume that prices will remain flat for that duration reducing the gas forecast by £3m and enabling the base case option to be limited to 175%.

 - **Option 2: 150% increase (175% increase with one-off credit to limit increase to 150%)**
The Council could take the base case of a 175% increase then cap this increase temporarily for 2023/24 to a 150% increase. This would be funded by applying one-off funding of £1.7m in credits to tenants rent accounts. (*)

 - **Option 3: 125% increase (175% increase with one-off credit to limit increase to 125%)**
The Council could take the base case of 175% increase then cap this increase temporarily for 2023/24 to a 125% increase. This would be funded by applying one-off funding of £3.5m in credits to tenants rent accounts. (*)

(*) For options 2 and 3, the credits will not be applied to leaseholders or tenants with heat meters.

Illustration

3. The table below shows the impact of these options, using A1 scale (heating, hot water, cooking gas 365 days 24/7) for a two-bedroom property.

2022/23 A1 scale 2 bed: £19.71/week

Options	Weekly increase	Revised weekly charge	Funding
Option 1- 175% increase	£34.49	£54.20	£0m
Option 2- 150% increase	£29.57	£49.28	£1.7m
Option 3- 125% increase	£24.64	£44.35	£3.5m
Current report 220%	£43.36	£63.07	£0m

Risks and mitigations

4. The options above seek to strike a balance between ensuring that the HRA budget is balanced for the gas/electricity costs in 2023/24 by the income from residents in the heating pool and the impact on the household's ability to pay the increased cost.
5. We are currently operating in a volatile energy market meaning all the options set out carry some risk. Much of this risk is unpredictable as it is based on future unknown energy prices and our tenant's ability to pay. It is likely that this uncertainty will be carried through to at least the latter part of the year when prices from Oct 23 onwards are confirmed and the national economic picture becomes clearer.
6. It is therefore recommended that Cabinet consider an in-year review of charges, rather than waiting until next January 2024. In addition to the one-off credits required to implement the alternative options above the council is exploring strategies that could release value from our under-utilised commercial assets and held as a backstop to protect against future energy price risks. This would be held back as a contingency and only drawn upon as a last resort if required.
7. On the 9 January 2023 the government announced that there will be an Energy Bills Discount Scheme (EBDS) for 2023/24. Initial review of this shows it may provide some risk mitigation should prices continue to climb steeply but that our current LASER prices are below this cap. [Energy Bills Discount Scheme - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/energy-bills-discount-scheme)
8. The options at 150% and 125% involve applying one-off credits to heating pool tenants who pay based on scales to their rent accounts. From 2024/25, the base scales would no longer include the credit, but these charges will be subject to separate consideration next year.
9. As DMCs are being asked to vote on these three proposals, a revised form has been created replacing the Appendix D in the report.