

District Heating Service Charges

Housing Scrutiny Commission: 7th November 2022

Full Council: 24th November 2022

Assistant Mayor for Housing: Cllr. Elly Cutkelvin

Lead director: Chris Burgin

Useful information

■ Ward(s) affected: All

■ Report authors: Chris Burgin, Director of Housing

1. Purpose

1.1 Energy prices have been rising at unprecedented rates since August 2021, with households across the country facing gas and electricity bills that have more than doubled in the last 12 months. The purpose of this report is to present Full Council with an overview of the charging arrangements for tenants and leaseholders in receipt of heating and hot water through the District Heating network, and recommends an in-year increase to service charges.

2. Summary

- 2.1 On average, the charges paid by tenants and leaseholders on Leicester's district heating network are 35% cheaper than open market prices. Lower prices, along with the way in which the Council charges for heat, has allowed tenants and leaseholders to be protected from rising prices.
- 2.2 Despite being 35% cheaper than the open market, the unit price of the gas which feeds the network is **86%** higher in 2022/23 than in 2021/22. Current estimates are that this will rise in 2023/24 by up to a further 200%.
- 2.3 The escalation in gas prices means that the current service charges to tenants and leaseholders on the district heating scheme are significantly lower than the cost of providing the service. This will result in a budget shortfall to the Housing Revenue Account of £1.7m in 2022/23 and almost £8m in 2023/24 unless charges to tenants and leaseholders are increased.
- 2.4 The current average charge for heating and hot water is £14.65 per week. This report proposes an in-year increase of £10.31 per week from around 9th January 2023 (1st January 2023 for leaseholders) for the remainder of the 2022/23 financial year. This is a weekly increase of 70% compared to the current charges. Since the charge would be introduced part-way through the year, this represents an annual increase of 18%.
- 2.5 The average annual increase for households attached to the network is £134, which would be offset by the nationally available energy rebates being provided in 2022.
- 2.6 Since the proposed change to service charges would take place from the beginning of January, the shortfall to the Housing Revenue Account from April to December 2022 would not be borne by tenants or leaseholders. The HRA is also bearing increased fixed costs, which are linked to inflation and pay rates.

3. Recommendations

- 3.1 Full Council is recommended to:
 - i) Note the increasing fuel prices being incurred for the District Heating network;

ii) Approve a 70% increase in weekly charges to tenants and leaseholders from January 2023.

4. Report

4.1 Background

The Leicester District Energy scheme provides low carbon heat for c.2,500 housing tenants and leaseholders, Council administrative offices, De Montfort Hall, the University of Leicester and several other buildings, including schools. In addition to the city centre, it incorporates the St Matthews, St Marks, St Andrews, St Peters, Aikman Avenue and Beatty Avenue estates.

Due to the mechanism for recharging costs, non-domestic properties will already be paying higher rates for their utilisation of the district heating network. This report is focused solely on the proportion of costs that are attributable to domestic properties attached to the network. The proposal to increase charges to tenants and leaseholders would not result in any subsidy for non-domestic properties.

With the district heating network improved and extended by LDEC in 2011/12, the heat provided through the network is reliable, with carbon emissions being reduced by more than 73,000 tonnes in the 10-year period.

4.2 Heat Charges Mechanism

LDEC purchases its gas from a number of different sources as a way of balancing risk exposure to price changes, and the Council pays LDEC monthly for the heat consumed (a combination of LDEC's fixed costs and variable fuel charges).

The heat charge to households is set by Housing at a rate to recover only the cost of the fuel (gas) used by the network; fixed costs are assumed to be a standard housing cost covered by a tenant's rent (in the same manner as a boiler cost would be for someone not on the heating network). These service charges are set with the intention of recovering the variable costs on a rolling 3-year basis and serve to protect the tenants and leaseholders as much as possible from sudden gas price rises. This is unlike other community heat networks recently in the news, where all costs are passed on to consumers.

4.3 Fuel Prices

With fuel prices increasing at unprecedented rates since August 2021, residents across the City have seen significant rises in their energy bills – with the impact being greater on gas bills. According to BEIS, gas prices increased nationally by 95% between April 2021 and April 2022, with the average gas bill in the East Midlands standing at around £550¹ at the start of 2021 and doubling over a 12-month period to £1,103².

¹ Based on a usage of 13,600kWh of gas per annum

² Tariff increase to 0.81 pence per kWh (assumes a dual fuel direct debit customer – residents that do not pay by direct debit will be paying more)

The energy price cap, set by Ofgem increased by 54% in April 2022, and a further 27% from October 2022 under the Energy Price Guarantee. According to the House of Commons Library Research Briefing on Domestic Energy Prices (9 August 2022), CPI Index data, and Cornwall Insight's recent forecasts suggest that energy prices in 2022-23 could be just over 200% higher than in 2020-21.

On 8th September central government announced a 'price guarantee' which caps the price per unit of energy such that the average energy bill would not exceed £2,500 per year. This is based on an average consumption of gas and electricity. In addition, there will be a fund to support people who do not pay energy companies directly, although details of how those on district heating networks may benefit is currently unclear.

Increasing fuel prices have also affected the LDEC district heating network with gas prices rising by 86% for the year April 2022 to March 2023.

It should be noted however that, unlike other residents contracted with a private gas supplier, the service charges for tenants and leaseholders on district heating were unaffected between April 2021 and March 2022. Prices remained fixed throughout the 12-month period, at an average annual charge of £683³ (a weekly charge for 50 weeks of £13.65).

Had tenants and leaseholders been buying gas from a utility company, charges (for the same usage) would have been a typical £17.35 per week (£867 per year) in April 2021, rising throughout the year to reach £34.79 per week (£1,740 per annum) by April 2022.

4.4 Setting Heating Charges for 2022/23

When the HRA budget was prepared for 2022/23 in autumn 2021 market pricing forecasts anticipated that LDEC's cost of gas would rise by 20%. Rather than apply a full 20% increase to the service charge for 2022/23, an approach was adopted to set the rate based on average costs over a 3-year period. This had the effect of reducing the increase to 7.29% for 2022/23, with the HRA being expected to recoup the deficit in future years.

Unprecedented market conditions, including the war in Ukraine, have however continued to put pressure on the gas supply market and pushed prices significantly higher. This includes the price of fuel (gas) for district heating, with LDEC heat charges (the variable fuel element) having increased by 86% for the year from April 2022 to March 2023.

Whilst this approach to setting charges lessens the impact of sudden fuel price rises it is not viable when fuel prices and heat charges are rising at significant levels at regular intervals over a number of years.

4.5 Recommended Heat / Service Charges to Tenants and Leaseholders

Based on historic consumption levels, it is projected that the impact of the 86% price rise this year will be an annual increase in the gas element of residential district

³ Average annual usage of 21,450kWh of gas per annum (58% higher than the figure used by BEIS).

heating bills totalling just over £1.7 million. This would be the cost to the HRA if the gas charges are not passed on to tenants and leaseholders.

It is therefore recommended that an in-year increase in district heating service charges is introduced to recoup the full cost of the gas (with the fixed costs continuing to be covered by core rent). This would represent a 70% increase on current weekly charges.

The table below details the district heating charge for last year (2021/22) and the current charge to tenants and leaseholders for this year (2022/23), showing how this would change as a result of a 70% increase in the weekly charge.

Year	Average Weekly Charge	Average Annual Charge	Year on Year Increase (%)	Average Increase (£)	Cost of Living Support
2021/22	£13.65	£683	2.00%	-	-
2022/23 (Current Year)	£14.65	£733	7.29%	£50	-
2022/23 proposed from 9 January 2023	*£24.96	£1,248 (full year)	Weekly -70% Annual - 18%	Weekly - £10.31 Annual - £134 (as part year)	£550 (all) £1200 (based on eligibility)

The £24.96 proposed average weekly charge compares favourably to the £34.79 per week that would be paid to a utility company for the same level of usage. District heating gas unit prices would continue to be 35% lower than those charged by utility companies (although district heating tenants and leaseholders appear to use more than a typical resident paying bills directly).

The table below details the significant increases that are also projected for gas prices in 2023/24 and the impact it could have on district heating charges. It should be noted that these are only projections, with the charge for 2023/24 to be considered as part of the HRA budget setting report which will go to the Full Council meeting in February 2023.

Year	Average Weekly	Average	% Year on
	Charge	Annual Charge	Year Increase
2023/24 – Projected (as at Q2 2022)	£72.38	£3,619	190%

4.6 Rationale / Considerations

In making the recommendation to increase the charges from January 2023 the following has been taken into consideration:

i) Historically, the way in which LDEC procures its gas means that unit charges for heat, and the service charges to tenants and leaseholders, have remained lower than the cost of gas available through utility providers for the last decade – currently 35% lower.

- ii) The heat / service charge approach adopted by the Council smoothing out charges over a rolling three years has protected tenants and leaseholders from steep and sudden price increases.
- iii) Whilst the proposed service charge is **86%** higher than 2021/22 charges, since the proposed increase is being introduced part-way through the year the actual impact on tenants and leaseholders will be an annual increase in charges of **18%** compared to the current annual charge, and an increase of **27%** compared to 2021/22.
- iv) Tenants and leaseholders will receive a £400 energy rebate from government through their electricity supplier to help offset energy price increases, in addition to the £150 council tax energy rebate they should have already received. Lowincome households will also be eligible for a £650 payment to assist in the general rise in the cost of living applicable to 34% of households on district heating. These payments will offset the increase of £134 (average) for the remainder of the 2022/23 financial year.
- v) Fixed charges mean that tenants and leaseholders do not need to consider switching off their heating and hot water in order to save money. However, further consideration should be given to installing heat meters to allow tenants and leaseholders to control how much they pay for heat.
- vi) If the intention was to recoup the full £1.7 million shortfall in this financial year, service charges to leaseholders and tenants would need to increase to around £54 per week at the beginning of January 2023. This represents an increase of 270% compared to the current charge, and nearly 300% compared to the 2021/22 charges.
- vii) Whilst the fuel (gas) costs of district heating customers could be absorbed by the HRA more widely, with tenants' rent being used to effectively subsidise the energy costs of people on the heating network, there is no real justification for other tenants to lose out on other services which could have been provided using that money. The HRA is facing a range of unbudgeted cost pressures. Those other tenants will of course be experiencing much higher energy bills themselves for both electricity and gas. In addition, it would not be acceptable for tenants to subsidise leaseholders.
- viii) A further significant increase is likely to be required from April 2023, if gas supply prices continue to rise in line with current projections, although tenants and leaseholders on district heating are far better protected than tenants and leaseholders buying gas from utility companies, with open-market gas prices continuing to rise much faster and higher than district heating charges.

5. Financial, legal and other implications

5.1 Financial implications

As detailed within the report, the Housing Revenue Account is forecasting a shortfall in income of £1.7m as a result of the cost of gas exceeding the charges being made to households on the district heating network. The proposal to increase charges from the beginning of January would reduce this shortfall by £0.45m.

Stuart McAvoy - Acting Head of Finance

5.2 Legal implications

In reaching its decision, Full Council must have due regard to section 149 of the Equality Act 2010 (the Public Sector Equality Duty). This is addressed in section 5.4 and Appendix 3 of this report.

Consultation has taken place with the existing Tenant and Leaseholder Forum, a summary of which is at Appendix 2. Members must consider this feedback before making their decision.

Council Tenancies:

The conditions of tenancy allow the council to change the rent by giving a 28-day notice to tenants.

The council as a Housing Authority must comply with the Rent Standard set by the Regulator of Social Housing and comply with the Policy statement on rents for Social Housing issued by the DLUHC, including that service charges must be reasonable and transparent.

Leaseholders:

The council currently issues a service charge demand to its 1,631 leaseholders in March of each year. Of these, 889 are connected to the district heating network.

The council's standard Right to Buy lease requires leaseholders to pay on demand 'a fair proportion of the costs (reasonable or estimated) of any services incurred or to be incurred by the lessor in observing and performing...' the services provided under the lease.

It should be noted that the council does not have the option of subsidising the energy costs of leaseholders via the Housing Revenue Account.

The council is required to consult with leaseholders when entering into qualifying long-term agreements. The provision of heat for the purposes of residential district heating is subject to a 25-year contract with LDEC. Legal Services have been assured that the necessary consultation was undertaken with leaseholders at the time of entering into the contract with LDEC.

Kevin Carter, Head of Law - Commercial, Property & Planning

5.3 Climate Change and Carbon Reduction implications

The council's consumption of gas, electricity and district heating is responsible for around three quarters of its measured annual carbon footprint. The 2021/22 consumption outlined in this report (including district heating) equates to a footprint of 24,012tCO₂e from gas use and 4,451tCO₂e from electricity use. Following the council's declaration of a climate emergency in 2019 and its ambition for the city and the council to become carbon neutral by 2030, tackling emissions from our own energy consumption is essential to achieving that.

Both the council's Climate Emergency Strategy and the Carbon Neutral Roadmap highlight the importance of demand reduction in the council's approach to decarbonisation – by eliminating emissions from fossil fuel use and minimising the residual emissions from electricity use. As such, our approach to price risk mitigation therefore needs to begin with demand reduction. This potentially includes:

- improving the thermal performance of the building fabric through insulation, replacement of single glazed windows and improving air-tightness
- introducing improved controls on heating, cooling and hot water systems
- strengthening behavioural/procedural measures to reduce energy wastage including, for example, by switching off equipment promptly when not in use and ensuring that temperatures and timings for heating and cooling systems are set appropriately
- installing more renewable energy generation (principally PVs but could include solar thermal) along with battery storage.

Investment in demand reduction will achieve year-on-year increasing mitigation of price rise impacts/risks, although in the short term it won't prevent the need for budgetary provision also to be made to cover possible price increases.

Demand reduction is also an important enabling action in making buildings ready for heat pump installation – which is another key element of our Climate Emergency Strategy and Carbon Neutral Roadmap. The energy demand of our buildings needs to be reduced sufficiently before heat pumps are installed, to counteract the impact of higher per kWh prices of electricity compared to gas, as well as to ensure that the low temperature systems typically required to get the full efficiency benefit of heat pumps can cope during the coldest winter weather.

5.4 Equality Implications

When making decisions, the Council must comply with the public sector equality duty (PSED) (Equality Act 2010) by paying due regard, when carrying out their functions, to the need to eliminate unlawful discrimination, advance equality of opportunity and foster good relations between people who share a 'protected characteristic' and those who do not.

We need to be clear about any equalities implications of the course of action proposed. In doing so, we must consider the likely impact on those likely to be affected by the options in the report and, in particular, the proposed option; their protected characteristics; and (where negative impacts are anticipated) mitigating actions that can be taken to reduce or remove that negative impact.

Protected characteristics under the public sector equality duty are age, disability, gender re-assignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, sex and sexual orientation.

Increasing fuel prices have affected the LDEC district heating charges, the report sets out a proposal for an in-year increase in district heating / service charges to

tenants and leaseholders. Those affected by changes arising from the implementation of the increase should it be agreed, would be current tenants and leaseholders who will be from across a range of protected characteristics. Residents on low and/or fixed income will be affected by the changes.

In 2020, 19% of Leicester households were in fuel poverty – this is higher than the national average in England of 13% of households and the highest rate of all upper tier local authorities in the East Midlands. This does not take into account the impacts of recent energy price increases, but if this follows national estimates we could see 40% of Leicester households being in fuel poverty by October 2022.

It is important to ensure that information about the proposed increase is conveyed to all affected residents as a matter of urgency. This should include an unambiguous rationale of why the increase is necessary and information about where advice and support may be obtained.

In order to fully understand the impacts of the proposal, an Equality Impact Assessment is being undertaken to identify any potential disproportionate negative impacts on a particular protected characteristic. The Equality Impact Assessment, should influence decision making from an early stage and throughout the decision making process. The findings from any consultation should be used to further inform the Equality Impact Assessment and in identifying any mitigating actions that are required to lessen or remove any disproportionate negative impact.

Equalities Officer, Surinder Singh

6. Background information and other papers:

None

7. Summary of appendices:

Appendix 1 – Housing Scrutiny Commission Feedback Appendix 2 – Tenants and Leaseholder Forum Feedback

Appendix 3 - Equality Impact Assessment

8. Is this a private report (If so, please indicated the reasons and state why it is not in the public interest to be dealt with publicly)?

No

9. Is this a "key decision"?

n/a

Appendix 1 – Housing Scrutiny Commission Feedback

To be added after HSC 7th November

Appendix 2 – Tenant and Leaseholder Forum Feedback

Tenant and Leaseholder Forum consultation

A telephone consultation took place with Tenant and Leaseholder Forum representatives during week commencing 12th September 2022 to gain feedback on the proposal to increase District Heating charges.

An explanation was given as to the reasons for the proposed increase in charges, as outlined in this report. Forum members were also advised about the additional financial support that households would be given to help with the rising cost of energy bills and the general increase in the cost of living.

Two Forum members stated they were disappointed with the proposal, but they understood the reasons behind this in the context of needing to address energy price increases.

One of these members stated that the additional money was required, or services could be lost. They also stated that vulnerable people could be impacted upon by the proposal and support needed to be provided to ensure they did not suffer. This also applied to people who can't manage their money. It was stated there could be issues where there is an irresponsible member of a household who does not use the support money appropriately, causing the rest of the household to suffer.

Two of the Forum members were completely against the proposal.

One of these Forum members stated the Council should be making this money back through reducing void property numbers. It was also stated that the Council Tax rebate has nothing to do with energy price increases. They felt that over the course of a year people will be worse off as energy prices will continue to rise and even with support money this will not be enough. It was stated that the increase would deprive poor people who need the money. The benefits, rebates and support shouldn't go to everyone, but targeted at those in most need. Concerns were raised that money given through rebates and support payments may be misuse if these are a direct payment. A comment was made that households should get their district heating replaced by central heating because it will be cheaper. It was felt elderly people could be in danger. Concerns were raised that people would not use the rebates and support money appropriately, in particular those with chaotic lifestyles or substance misuse issues. It was suggested that vouchers are given to vulnerable people instead of money to reduce the risk of money being used inappropriately. Concerns were also raised about people being unable to afford their rent and will face eviction. It was stated that the proposal disproportionally affects the poor and some people won't turn on their gas or electricity. In 12 months, all the support money will be taken back in price rises unless there is more support.

The second Forum member opposed to the increase asked whether this increase was in addition to the 7.5% increase in district heating at the start of the financial year. The Forum member did not agree that district heating households were benefitting from cheaper heating. This form of supply was intended specifically for poorer households and

you can't compare this with what everyone else is paying. The Forum member thought that not all households will be entitled to the £400 energy rebate. Also the problem with this rebate is that it won't be paid as a lump sum, and so households will struggle until it comes through. The current average charge of £14.25 was questioned and in reality, this is a lot higher. Also, the average £10.31 proposed increase, did not take into account that the rise will be a lot higher for households in larger properties so they will be impacted upon more. Concerns were also raised that that there would be a further increase to charges in April 2023.

This Forum member also stated that more should be done to address issues with the number of void properties. This could offset some of the costs and shortfalls in the Housing Revenue Account.

It was stated that everyone on the St Marks and St Matthews estates will be affected. It was felt people who are on a key meter, already paying high bills will be badly affected. Also poorer households who may be working, but on low incomes and do not qualify for the cost of living payment. Other people also effected will be those using gas, electricity and district heating, along with households in larger properties.

Generally, Forum members fed back that it was hard to understand the support being offered to people. This is in terms of whether everyone would be receiving the financial support being offered. If not, who would be eligible, are payments made automatically or do people have to apply for these?

Appendix 1 - Equality Impact Assessment

Equality Impact Assessment (EIA) Tool:

Title of proposal	Increasing district heating charges for tenants and	
	leaseholders	
Name of division/service	Housing	
Name of lead officer completing this	Debbie White / Helen McGarry	
assessment		
Date EIA assessment completed	09 September 2022	
Decision maker	Full Council	
Date decision taken	29 September 2022	

EIA sign off on completion:	Signature	Date
Lead officer		09 September 2022
Equalities officer	Surinder Singh	13 September 2022
Divisional director	By	15 th September 2022

Please ensure the following:

a) That the document is understandable to a reader who has not read any other documents and explains (on its own) how the Public Sector Equality Duty is met. This does not need to be lengthy but must be complete and based in evidence.

- b) That available support information and data is identified and where it can be found. Also be clear about highlighting gaps in existing data or evidence that you hold, and how you have sought to address these knowledge gaps.
- c) That the equality impacts are capable of aggregation with those of other EIAs to identify the cumulative impact of all service changes made by the council on different groups of people.
- d) That the equality impact assessment is started at an early stage in the decision-making process, so that it can be used to inform the consultation, engagement and the decision. It should not be a tick-box exercise. Equality impact assessment is an iterative process that should be revisited throughout the decision-making process. It can be used to assess several different options.
- e) Decision makers must be aware of their duty to pay 'due regard' to the Public Sector Equality Duty (see below) and 'due regard' must be paid before and at the time a decision is taken. Please see the Brown Principles on the equality intranet pages, for information on how to undertake a lawful decision-making process, from an equalities perspective. Please append the draft EIA and the final EIA to papers for decision makers (including leadership team meetings, lead member briefings, scrutiny meetings and executive meetings) and draw out the key points for their consideration. The Equalities Team provide equalities comments on reports.

1. Setting the context

Describe the proposal, the reasons it is being made, and the intended change or outcome. Will the needs of those who are currently using the service continue to be met?

The Leicester District Energy scheme provides low carbon heat and hot water for around 2,500 housing tenant and leaseholder households (more than 4,000 individual tenants and leaseholders), incorporating households on the St Matthews, St Marks, St Andrews, St Peters, Aikman Avenue and Beatty Avenue estates. The Leicester district heating network is a proven, reliable, and cost-effective way of providing *heat and hot water to homes. Note*: Electricity is provided and billed separately by a utility company.

Leaseholders receive annual invoices with most opting to pay monthly by direct debit, whereas tenants pay for their heat as a fixed weekly service charge included as part of their rent. Payments can be made on-line via the Council's website, by direct debit, or at the Post Office.

Energy prices have been rising at unprecedented rates since August 2021, with households facing gas and electricity bills that have more than doubled in the last 12 months. Despite being 35% cheaper than current market prices, the fuel (gas) unit price for district heating is 86% higher in 2022/23 than in 2021/22.

The escalation in gas prices means that the current heat / service charges to tenants and leaseholders on the district heating scheme are significantly lower than the cost of providing the service. This will result in an HRA shortfall of £1.7m in 2022/23 and almost £8m in 2023/24 unless charges to tenants and leaseholders are increased.

The proposed in-year increase would result in a rise in district heating / service charges to tenants and leaseholders of £10.31 per week from the beginning of January 2023 for the remainder of the 2022/23 financial year. This is a weekly increase of 70% compared to the current charges for 2022/23 - representing an annual increase of 18% (as the increase is to be introduced partway through the year).

Tenants and leaseholders will receive a £400 energy rebate from government through their electricity supplier to help offset energy price increases, in addition to the £150 council tax energy rebate they should have already received. These payments will offset the increase of £134 (average) for the remainder of the 2022/23 financial year.

Electricity suppliers will apply the discount directly to household electricity bills, with those on pre-payment meters receiving vouchers to redeem. The £150 council tax energy rebate has already been distributed in the form of vouchers that can be exchanged for cash at the Post Office until 18 September 2022. See: www.gov.uk/guidance/getting-the-energy-bills-support-scheme-discount

Low-income households (those in receipt of Universal Credit and some other benefits / tax credits) will also be eligible for a £650 payment to assist in the general rise in the cost of living – applicable to 34% of households on district heating. These payments will be made in two lumps of £326 and £324 in the same way as the benefits and / or tax credits are paid. See: www.gov.uk/guidance/cost-of-living-payment

Delaying the increase in heat / service charge could therefore make it more difficult for tenants and leaseholders to afford the charges in the future; and weaken the perception of the charges increasing in the context of the price cap and financial support.

The Government announcement made on 08 September 2022 in relation to the price cap does not suggest that any additional support will be available to households at this stage. The council will ensure that those affected will be signposted to appropriate advice and support to help them avoid arrears and financial hardship, including through BetterOff Leicester

2. Equality implications/obligations

Which aims of the Public Sector Equality Duty (PSED) are likely be relevant to the proposal? In this question, consider both the current service and the proposed changes.

a. Eliminate unlawful discrimination, harassment and victimisation

- How does the proposal/service ensure that there is no barrier or disproportionate impact for anyone with a particular protected characteristic?
- Is this a relevant consideration? What issues could arise?

The Leicester District Energy scheme provides low carbon heat and hot water for around 2,500 housing tenant and leaseholder households (more than 4,000 individual tenants and leaseholders).

The proposed in-year increase would result in a rise in district heating / service charges to tenants and leaseholders.

Some of the potential barriers may relate to:

- Customer access to information about the changes
- How information is communicated to users
- The ease of use of information provided
- Availability in different language formats
- Information provided on rights and /or entitlements
- Information on which agencies can help with money/ debt advice (promotion of this to tenants)
- Physical access to services
- Monitoring of potential adverse impact on particular groups

b. Advance equality of opportunity between different groups

- How does the proposal/service ensure that its intended outcomes promote equality of opportunity for people?
- Identify inequalities faced by those with specific protected characteristic(s).
- Is this a relevant consideration? What issues could arise?
- The Leicester District Energy scheme provides low carbon heat and hot water for around 2,500 housing tenant and leaseholder households (more than 4,000 individual tenants and leaseholders) people will be from across all protected characteristics.

c. Foster good relations between different groups

- Does the service contribute to good relations or to broader community cohesion objectives?
- How does it achieve this aim?
- Is this a relevant consideration? What issues could arise?

The Leicester District Energy scheme provides low carbon heat and hot water for around 2,500 housing tenant and leaseholder households (more than 4,000 individual tenants and leaseholders) people will be from across all protected characteristics.

Who is affected?

Outline who could be affected, and how they could be affected by the proposal/service change. Include people who currently use the service and those who could benefit from, but do not currently access the service.

Residents on low and/or fixed income will be affected by the changes, and it is vital that residents are given appropriate advice to ensure that income is maximised and that residents do not accrue arrears.

2,904 tenants and 1,398 leaseholders (around 2,500 households) connected to district heating will be affected. The district heating charge cannot be claimed through Housing Benefit or Universal Credit. All of these tenants and leaseholders will need to pay the additional costs themselves. The impact of the increased charge will be dependent on tenants' and leaseholders' financial situation, rather than any protected characteristic. We do know a that high number of properties that are provided with district heating are located within the Centre area of the city. We also know that a higher proportion of BAME households live in this area. However, the impact of the district heating charge will still be dependent on a person's financial situation rather than their protected characteristics.

Whilst the price increase will have an impact, district heating fuel costs are currently 35% lower than gas costs from utility suppliers, and the £134 increase in the annual charge will be offset by the 2022 council tax and energy rebates totalling £550.

3. Information used to inform the equality impact assessment

- What data, research, or trend analysis have you used?
- Describe how you have got your information and what it tells you
- Are there any gaps or limitations in the information you currently hold, and how you have sought to address this? E.g. proxy data, national trends, equality monitoring etc.

Data relating to the profile of tenants and leaseholders connected to district heating was taken from the Tenancy Management IT systems. Appendix 1 provide a profile of our tenants and leaseholders on the district heating scheme, in terms of protected characteristics.

Data relating to energy / gas price trends was taken from BEIS, OFGEM and the House of Commons research libraries. See: Annual domestic energy bills - GOV.UK (www.gov.uk) for more information and links.

4. Consultation

What **consultation** have you undertaken about the proposal with people who use the service or people affected, people who may potentially use the service and other stakeholders? What did they say about:

- What is important to them regarding the current service?
- How does (or could) the service meet their needs? How will they be affected by the proposal? What potential impacts did they identify because of their protected characteristic(s)?
- Did they identify any potential barriers they may face in accessing services/other opportunities that meet their needs?

The communication plan is as follows:

Date	Activity
24/08/2022	Brief Lead Member (Housing)
26/08/2022	Brief Lead Member (Climate Emergency)
08/09/2022	City Mayor Briefing
Throughout September	Informal consultation with tenants' / residents' associations / groups

TBC	Letter to Ward Councillors
22 nd September 2022	Housing Scrutiny
TBC	Full Council
TBC	Notification letters to tenants and leaseholders

5. Potential Equality Impact

Based on your understanding of the service area, any specific evidence you may have on people who use the service and those who could potentially use the service and the findings of any consultation you have undertaken, use the table below to explain which individuals or community groups are likely to be affected by the proposal because of their protected characteristic(s). Describe what the impact is likely to be, how significant that impact is for individual or group well-being, and what mitigating actions can be taken to reduce or remove negative impacts. This could include indirect impacts, as well as direct impacts.

Looking at potential impacts from a different perspective, this section also asks you to consider whether any other particular groups, especially vulnerable groups, are likely to be affected by the proposal. List the relevant groups that may be affected, along with the likely impact, potential risks and mitigating actions that would reduce or remove any negative impacts. These groups do not have to be defined by their protected characteristic(s).

Protected characteristics

Impact of proposal:

Describe the likely impact of the proposal on people because of their protected characteristic and how they may be affected. Why is this protected characteristic relevant to the proposal? How does the protected characteristic determine/shape the potential impact of the proposal? This may also include **positive impacts** which support the aims of the Public Sector Equality Duty to advance equality of opportunity and foster good relations.

Risk of disproportionate negative impact:

How likely is it that people with this protected characteristic will be disproportionately negatively affected? How great will that impact be on their well-being? What will determine who will be negatively affected?

Mitigating actions:

For disproportionate negative impacts on protected characteristic/s, what mitigating actions can be taken to reduce or remove the impact? You may also wish to include actions which support the positive aims of the Public Sector Equality Duty to advance equality of opportunity and to foster good relations. All actions identified here should also be included in the action plan at the end of this EIA.

a. Age

Indicate which age group/s is/ are most affected, either specify general age group - children, young people working age people or older people or specific age bands

What is the impact of the proposal on age?

All tenants and leaseholders on the district heating scheme will be required to pay the additional charge, irrespective of their age.

Residents on low and/or fixed income will be affected by the changes,

What is the risk of disproportionate negative impact on age?

No group will be disproportionately impacted upon by this proposal

What are the mitigating actions?

Tenants and leaseholders will have received the £150 council tax energy rebate, as well as a £400 energy rebate payable from October 2022, which can be used to pay the increased costs for the financial year 2022/23. Low-income households will also be eligible for an additional payment of £650 to assist with the general rise in the cost of living. 34% of the households will receive the additional benefit.

Information and advice regarding energy use, rent payments, tenancy support and benefits support are available via the following:

Paying your rent (leicester.gov.uk)

Tenant support - STAR (leicester.gov.uk)

Benefits and other support (leicester.gov.uk)

Tenants and leaseholders have access to the Income Management Team or other financial support services in the city, who are able to provide support for households facing financial difficulties to maximise their income. See: Benefits and other support (leicester.gov.uk) for more information and links to other agency support.

In addition, access to information can be by phone, email, face to face at Neighbourhood Services buildings (such as New Parks Library, the Brite Centre, Beaumont Leys Library) or at tenants homes.

b. Disability

If specific impairments are affected by the proposal, specify which these are. Our standard categories are on our equality monitoring form - physical impairment, sensory impairment, mental health condition, learning disability, long standing illness or health condition.

What is the impact of the proposal on disability?

All tenants and leaseholders on the district heating scheme will be required to pay the additional charge, irrespective of whether they have a disability.

Residents on low and/or fixed income will be affected by the changes,

What is the risk of disproportionate negative impact on disability?

No group will be disproportionately impacted upon by this proposal

What are the mitigating actions?

Tenants and leaseholders will have received the £150 council tax energy rebate, as well as a £400 energy rebate payable from October 2022, which can be used to pay the increased costs for the financial year 2022/23. Low-income households will also be eligible for an additional payment of £650 to assist with the general rise in the cost of living. 34% of the households will receive the additional benefit.

Tenants and leaseholders have access to the Income Management Team or other financial support services in the city, who are able to provide support for households facing financial difficulties to maximise their income.

The council can do home visits for people who are housebound, or unable to contact by phone. We offer information in different formats and languages on request, through the Community Language service. We have a range of officers who speak different languages or will arrange for interpreters if needed.

c. Gender reassignment

Indicate whether the proposal has potential impact on trans men or trans women, and if so, which group is affected.

What is the impact of the proposal on gender reassignment?

All tenants and leaseholders on the district heating scheme will be required to pay the additional charge, irrespective of their gender reassignment.

What is the risk of disproportionate negative impact on gender reassignment?

No group will be disproportionately impacted upon by this proposal

What are the mitigating actions?

Tenants and leaseholders will have received the £150 council tax energy rebate, as well as a £400 energy rebate payable from October 2022, which can be used to pay the increased costs for the financial year 2022/23. Low-income households will also be eligible for an additional payment of £650 to assist with the general rise in the cost of living. 34% of the households will receive the additional benefit.

Tenants and leaseholders have access to the Income Management Team or other financial support services in the city, who are able to provide support for households facing financial difficulties to maximise their income.

d. Marriage and civil partnership

What is the impact of the proposal on marriage and civil partnership?

All tenants and leaseholders on the district heating scheme will be required to pay the additional charge, irrespective of marriage or civil partnership.

What is the risk of disproportionate negative impact on marriage and civil partnership?

No group will be disproportionately impacted upon by this proposal

What are the mitigating actions?

Tenants and leaseholders will have received the £150 council tax energy rebate, as well as a £400 energy rebate payable from October 2022, which can be used to pay the increased costs for

the financial year 2022/23. Low-income households will also be eligible for an additional payment of £650 to assist with the general rise in the cost of living. 34% of the households will receive the additional benefit.

Tenants and leaseholders have access to the Income Management Team or other financial support services in the city, who are able to provide support for households facing financial difficulties to maximise their income.

e. Pregnancy and maternity

What is the impact of the proposal on pregnancy and maternity?

All tenants and leaseholders on the district heating scheme will be required to pay the additional charge, irrespective of pregnancy or maternity.

What is the risk of disproportionate negative impact on pregnancy and maternity?

No group will be disproportionately impacted upon by this proposal

What are the mitigating actions?

Tenants and leaseholders will have received the £150 council tax energy rebate, as well as a £400 energy rebate payable from October 2022, which can be used to pay the increased costs for the financial year 2022/23. Low-income households will also be eligible for an additional payment of £650 to assist with the general rise in the cost of living. 34% of the households will receive the additional benefit.

Tenants and leaseholders have access to the Income Management Team or other financial support services in the city, who are able to provide support for households facing financial difficulties to maximise their income.

f. Race

Given the city's racial diversity it is useful that we collect information on which racial groups are affected by the proposal. Our equalities monitoring form follows ONS general census categories and uses broad categories in the first instance with the opportunity to identify more specific racial groups such as Gypsies/Travellers. Use the most relevant classification for the proposal.

What is the impact of the proposal on race?

All tenants and leaseholders on the district heating scheme will be required to pay the additional charge, irrespective of their race.

What is the risk of disproportionate negative impact on race?

No group will be disproportionately impacted upon by this proposal

What are the mitigating actions?

Tenants and leaseholders will have received the £150 council tax energy rebate, as well as a £400 energy rebate payable from October 2022, which can be used to pay the increased costs for the financial year 2022/23. Low-income households will also be eligible for an additional payment of £650 to assist with the general rise in the cost of living. 34% of the households will receive the additional benefit.

Tenants and leaseholders have access to the Income Management Team or other financial support services in the city, who are able to provide support for households facing financial difficulties to maximise their income.

We offer information in different formats and languages on request, through the Community Language service. We have a range of officers who speak different languages or will arrange for interpreters if needed.

g. Religion or belief

If specific religious or faith groups are affected by the proposal, our equalities monitoring form sets out categories reflective of the city's population. Given the diversity of the city there is always scope to include any group that is not listed.

What is the impact of the proposal on religion or belief?

All tenants and leaseholders on the district heating scheme will be required to pay the additional charge, irrespective of their religion or belief.

What is the risk of disproportionate negative impact on religion or belief?

No group will be disproportionately impacted upon by this proposal

What are the mitigating actions?

Tenants and leaseholders will have received the £150 council tax energy rebate, as well as a £400 energy rebate payable from October 2022, which can be used to pay the increased costs for the financial year 2022/23. Low-income households will also be eligible for an additional payment of £650 to assist with the general rise in the cost of living. 34% of the households will receive the additional benefit.

Tenants and leaseholders have access to the Income Management Team or other financial support services in the city, who are able to provide support for households facing financial difficulties to maximise their income.

h. Sex

Indicate whether this has potential impact on either males or females

What is the impact of the proposal on sex?

All tenants and leaseholders on the district heating scheme will be required to pay the additional charge, irrespective of their sex.

What is the risk of disproportionate negative impact on sex?

No group will be disproportionately impacted upon by this proposal

What are the mitigating actions?

Tenants and leaseholders will have received the £150 council tax energy rebate, as well as a £400 energy rebate payable from October 2022, which can be used to pay the increased costs for the financial year 2022/23. Low-income households will also be eligible for an additional payment of £650 to assist with the general rise in the cost of living. 34% of the households will receive the additional benefit.

Tenants and leaseholders have access to the Income Management Team or other financial support services in the city, who are able to provide support for households facing financial difficulties to maximise their income.

i. Sexual orientation

What is the impact of the proposal on sexual orientation?

All tenants and leaseholders on the district heating scheme will be required to pay the additional charge, irrespective of their sexual orientation.

What is the risk of disproportionate negative impact on sexual orientation?

No group will be disproportionately impacted upon by this proposal

What are the mitigating actions?

Tenants and leaseholders will have received the £150 council tax energy rebate, as well as a £400 energy rebate payable from October 2022, which can be used to pay the increased costs for the financial year 2022/23. Low-income households will also be eligible for an additional payment of £650 to assist with the general rise in the cost of living. 34% of the households will receive the additional benefit.

Tenants and leaseholders have access to the Income Management Team or other financial support services in the city, who are able to provide support for households facing financial difficulties to maximise their income.

6. Summary of protected characteristics

- a. Summarise why the protected characteristics you have commented on, are relevant to the proposal?

 All protected characteristics have been commented on because the additional district heating charge will need to be paid by all tenants and leaseholders on the scheme.
- b. Summarise why the protected characteristics you have not commented on, are not relevant to the proposal?

 Not applicable

7. Other groups

Other groups

Impact of proposal:

Describe the likely impact of the proposal on children in poverty or any other people who we may consider to be vulnerable, for example people who misuse substances, ex armed forces, people living in poverty, care experienced young people, carers. List any vulnerable groups likely to be affected. Will their needs continue to be met? What issues will affect their take up of services/other opportunities that meet their needs/address inequalities they face?

Risk of disproportionate negative impact:

How likely is it that this group of people will be negatively affected? How great will that impact be on their well-being? What will determine who will be negatively affected? Residents on low and/or fixed income will be affected by the changes.

Mitigating actions:

For negative impacts, what mitigating actions can be taken to reduce or remove this impact for this vulnerable group of people? These should be included in the action plan at the end of this EIA. You may also wish to use this section to identify opportunities for positive impacts. Residents will be signposted to appropriate advice and support to help them avoid arrears and financial hardship.

a. Children in poverty

What is the impact of the proposal on children in poverty?

Services will continue to be received. Households with children living in poverty are likely to face difficulties generally, with the rising costs of living.

What is the risk of negative impact on children in poverty?

There is a risk that an increasing number of households with children living in poverty are unable to afford all essential items for day-to-day living.

What are the mitigating actions?

Tenants and leaseholders will have received the £150 council tax energy rebate, as well as a £400 energy rebate payable from October 2022, which can be used to pay the increased costs for the financial year 2022/23. Low-income households will also be eligible for an additional payment of £650 to assist with the general rise in the cost of living. 34% of the households will receive the additional benefit.

Tenants and leaseholders have access to the Income Management Team or other financial support services in the city, who are able to provide support for households facing financial difficulties to maximise their income.

b. Other vulnerable groups

What is the impact of the proposal on other vulnerable groups?

No potential impacts

What is the risk of negative impact on other vulnerable groups?

Not applicable

What are the mitigating actions?

Not applicable

c. Other (describe)

What is the impact of the proposal on any other groups?

No potential impacts

What is the risk of negative impact on any other groups?

Not applicable

What are the mitigating actions?

Not applicable

8. Other sources of potential negative impacts

Are there any other potential negative impacts external to the service that could further disadvantage service users over the next three years that should be considered? For example, these could include:

- other proposed changes to council services that would affect the same group of service users;
- Government policies or proposed changes to current provision by public agencies (such as new benefit arrangements) that would negatively affect residents;
- external economic impacts such as an economic downturn.

With fuel prices increasing at unprecedented rates since August 2021, residents across the whole city have seen significant rises in their energy bills - with the impact greater on gas bills. According to BEIS gas prices increased nationally by 95% between April 2021 and April 2022.

According to the House of Commons Library Research Briefing on Domestic Energy Prices, 9 August 2022, CPI Index data on energy price rises between 2020-21 and March 2022, plus the overall 54% increase in the price cap in April 2022 and Cornwall Insight's recent forecast of increases in October 2022 and January 2023 suggest that energy prices in 2022-23 could be just over 200% higher than in 2020-21. Further increases are expected through 2022 and 2023 as a result of a further rise in the price cap announced at the end of August 2022.

Increasing fuel prices have affected the district heating charges with prices rising by 86% for the year April 2022 – March 2023.

It should be noted however that, unlike other residents contracted with a private gas supplier, the heat / service charges for tenants and leaseholders on district heating were unaffected between April 2021 and March 2022. Prices remained fixed throughout the 12-month period, at an average annual charge of £683 (a weekly charge for 50 weeks of £13.65).

Had tenants and leaseholders been buying gas from a utility company, charges (for the same usage) would have been a typical £17.35 per week (£867 per year) in April 2021, rising throughout the year to reach £34.79 per week (£1,740 per annum) by April 2022.

Tenants and leaseholders will receive a £400 energy rebate from government through their electricity supplier from October 2022 to help offset energy price increases, in addition to the £150 council tax energy rebate they should have already received. Low-income households will also be eligible for a £650 payment to assist in the general rise in the cost of living – applicable to 34% of households on district heating. These payments will offset the increase of £134 (average) for the remainder of the 2022/23 financial year.

Delaying the increase in heat / service charge could therefore make it more difficult for tenants and leaseholders to afford the charges in the future; and weaken the perception of the charges increasing in the context of the price cap and financial support.

Fixed weekly charges (over 50 weeks) also mean that tenants and leaseholders do not need to consider switching off their heating and hot water in order to save money. However, further consideration should be given to installing heat meters to allow tenants and leaseholders to control how much they pay for heat. It is likely that metering would reduce overall usage.

9. Human rights implications

Are there any human rights implications which need to be considered and addressed (please see the list at the end of the template), if so please outline the implications and how they will be addressed below:

None

10. Monitoring impact

You will need to ensure that monitoring systems are established to check for impact on the protected characteristics and human rights after the decision has been implemented. Describe the systems which are set up to:

- monitor impact (positive and negative, intended and unintended) for different groups
- monitor barriers for different groups
- enable open feedback and suggestions from different communities
- ensure that the EIA action plan (below) is delivered.

If you want to undertake equality monitoring, please refer to our <u>equality monitoring guidance</u> and templates.

Our IT system allows us to monitor tenants rent accounts, including district heating payments and see when accounts go into arrears. Our Income Management Team carries out this monitoring on a daily basis. We are also able to monitor increased arrears for people on the district heating scheme for most of the protected characteristic groups. Through this monitoring we will be able to identify any increases in rent arrears, relating to the increased district heating charge and provide support to tenants to reduce these and maximise their income.

11. EIA action plan

Please list all the equality objectives, actions and targets that result from this assessment (continue on separate sheets as necessary). These now need to be included in the relevant

service plan for mainstreaming and performance management purposes.

Equality Outcome	Action	Officer Responsible	Completion date
All tenant and leaseholders are able to pay the district heating charges.	The service needs to ensure that the provision of information about the increase in charges as well what advice and assistance is available to tenants, so they are able to access benefits and entitlements.	Chris Burgin – Director of Housing	September / October 2022
Households have access to financial help and assistance if they find they are unable to pay for the additional charge	Referrals to the Income Management Team and financial support services in the city	Zenab Valli – Income Collection Manager	Ongoing
Communicate changes to all tenants and leaseholders	 Informal consultation with tenants and residents' associations throughout September 2022 Letters to residents with notification of increase in charge to be issued on 30 September 2022 	Helen McGarry Kevin Wheeler	September 2022

Equality Outcome	Action	Officer Responsible	Completion date

Human rights articles:

Part 1: The convention rights and freedoms

Article 2: Right to Life

Article 3: Right not to be tortured or treated in an inhuman or degrading way

Article 4: Right not to be subjected to slavery/forced labour

Article 5: Right to liberty and security

Article 6: Right to a fair trial

Article 7: No punishment without law

Article 8: Right to respect for private and family life

Article 9: Right to freedom of thought, conscience and religion

Article 10: Right to freedom of expression

Article 11: Right to freedom of assembly and association

Article 12: Right to marry

Article 14: Right not to be discriminated against

Part 2: First protocol

Article 1: Protection of property/peaceful enjoyment

Article 2: Right to education

Article 3: Right to free elections

Tenant and Leaseholder protected characteristics profile

<u>Gender</u>

	Tenants	Leaseholders	Total	Percentage
Male	1350	439	1789	41.6%
Female	1550	538	2088	48.5%
Transgender	2	0	2	0.0%
Not Recorded	0	423	423	9.8%
Total	2902	1400	4302	

<u>Age</u>

	Tenants	Leaseholders	Total	Percentage
Not recorded	7	419	426	9.9%
18 to 21	39	2	41	1.0%
22 to 30	249	26	275	6.4%
31 to 40	549	204	753	17.5%
41 to 50	637	320	957	22.2%
51 to 60	516	189	705	16.4%
61 to 65	220	74	294	6.8%
66 to 74	374	105	479	11.1%
75 and over	311	61	372	8.6%
Total	2902	1400	4302	

Ethnicity

	Tenants	Leaseholders	Total	Percentage
Unknown / not recorded	0	490	490	11.4%
Any other ethnic group	84	12	96	2.2%
Any other heritage	18	7	25	0.6%
background				
Asian/Asian British or	168	72	240	5.6%
other Asian Background				

Asian/Asian British of	66	49	115	2.7%
Bangladeshi origin				
Asian/Asian British of	693	371	1064	24.7%
Indian origin				
Asian/Asian British of	50	13	63	1.5%
Pakistani origin				
Black/Black British of	263	79	342	7.9%
African origin				
Black/Black British of	57	1	58	1.3%
Caribbean origin				
Black/Black British of	37	2	39	0.9%
Other Black backgrnd				
Black/Black British of	107	26	133	3.1%
Somali origin				
Chinese or Chinese	6	0	6	0.1%
origin				
Chinese of other	1	0	1	0.0%
Chinese background				
Dual/multiple heritage	6	4	10	0.2%
Asian and White				
Dual/ multiple heritage	12	1	13	0.3%
Black African and White				
Dual/multiple heritage	19	0	19	0.4%
Black Caribbean and				
White				
Ethnicity unknown	423	218	641	14.9%
Other ethnic group	12	0	12	0.3%
Gypsy/Romany/Irish				
Traveller				
Prefer not to say	87	44	131	3.0%
White British	696	6	702	16.3%
White of European origin	45	2	47	1.1%
White of Irish origin	14	0	14	0.3%

White of other White	38	3	41	1.0%
Background				
Total	2902	1400	4302	

Sexual orientation

	Tenants	Leaseholders	Total	Percentage
Not recorded	1235	1147	2382	55.4%
Bisexual	37	17	54	1.3%
Gay (female) / Lesbian	4	1	5	0.1%
Gay (Male)	3	2	5	0.1%
Heterosexual / Straight	1300	161	1461	34.0%
Other	47	6	53	1.2%
Prefer not to say	276	66	342	7.9%
Total	2902	1400	4302	

Religion

	Tenants	Leaseholders	Total	Percentage
Not recorded	1211	1141	2352	54.7%
Atheist	38	0	38	0.9%
Christian	326	10	336	7.8%
Hindu	207	71	278	6.5%
Jain	1	0	1	0.0%
Jewish	1	0	1	0.0%
Muslim	653	170	823	19.1%
No religion	280	1	281	6.5%
Other	33	0	33	0.8%
Prefer not to say	138	5	143	3.3%
Sikh	14	2	16	0.4%
Total	2902	1400	4302	

Disability

	Tenants	Leaseholders	Total	Percentage
Yes	256	7	263	6.1%
No / not recorded	2646	1393	4039	93.9%
Total	2902	1400	4302	