



Title of meeting: Cabinet Member for Housing and Tackling Homelessness

Date of meeting: 13th July 2023

Subject: Management of energy provision in local authority housing whilst void

Report by: James Hill - Director Housing, Neighbourhood and Buildings

Author: Mark Fitch - Head of Local Authority Housing
Meredydd Hughes – Assistant Director Building Services

Wards affected: All

Key decision: No

Full Council decision: No

1. Purpose of report

1.1. The purpose of the report is to recommend an improved system of managing gas and electricity supplies in local authority social housing dwellings when the property is void. This report will highlight the benefits a new system would offer tenants and the Housing Revenue Account (HRA).

2. Recommendations

2.1. That the Cabinet Member for Housing and Tackling Homelessness notes the positive impact of the pilot with Utilita which includes, benefits to tenants and a more efficient process for officers and contractors.

2.2. That the Cabinet Member for Housing and Tackling Homelessness agrees to a large scale pilot encompassing all of the housing stock for a maximum period of 2 years and requests a report to be brought back evaluating the impact of the pilot with a view to making the scheme permanent.

2.3. That the Cabinet Member for Housing and Tackling Homelessness delegates to the Director of Housing, Neighbourhood and Building Services to undertake all necessary and procedural actions to formalise the process for void energy management with a single supplier in the long term, undertaking a suitable procurement process if and when required.

2.4. That the Cabinet Member for Housing and Tackling Homelessness note that a review of Utilita's tariff rates will be undertaken on a quarterly basis, in line with the Energy Price Cap updates, to ensure that their rates meet or beat other available rates.

3. Background

- 3.1. Portsmouth City Council (the City Council), through the Housing Revenue Account (HRA), is a social landlord with approximately 15,000 properties in Portsmouth and the Havant areas. Typically, it has between 700-900 properties become empty (known as a 'void') each year. Whilst a property is empty, the council is responsible for the gas and electric supply to a void until a new tenancy begins.
- 3.2. When a tenant leaves a property, the supply may be with one of a large number of suppliers currently trading in the UK at the present time. Under the current system, the HRA takes on responsibility for the payment of bills to this incumbent supplier.
- 3.3. The outgoing tenant should ensure they contact the energy supplier to advise they are moving out and submit the latest meter reading. However, we have learnt during the Voids and Allocations systems thinking review, subsequent Roll in, and through the Covid 19 Pandemic, that in a significant number of cases this does not happen, meaning that the incoming tenant often doesn't know the energy supplier for the new property, and therefore has difficulty in making contact with the energy supplier to take on responsibility of the supply. This creates unnecessary confusion and disruption and is time consuming for the new tenant.
- 3.4. In February 2021 a pilot with Utilita was undertaken to improve the management of gas and electric supplies and the report in section 5 outlines the positive impact of that pilot.
- 3.5. In September 2021 a report was written and ready to present to Housing Cabinet, to recommend the roll out of the pilot across the whole of PCC social housing stock. The report was withdrawn on the day of the Housing Cabinet meeting, due to the crisis in the Energy Market. Utilita were unable to support an expansion of the scheme at that time and withdrew the service from the market.
- 3.6. Utilita reintroduced the service in April 2023 and officers were able to revisit the discussions and bring forward this report for consideration.

4. Current system

- 4.1. As part of systems thinking work around how the voids process can be managed in a better way, it was identified that there are significant issues with the current system. These are split into four broad categories, all of which have an impact on the customer journey and cost to the HRA as demonstrated below:
 - 4.1.1. Credit meters: bills continue to be sent to the property in the council's name after the new tenant has moved in. This creates an administrative burden of moving utility accounts into tenants' names. In addition human error is often encountered when transferring final meter readings onto various supplier portals.



Customers often have to provide their tenancy agreement to the energy supplier to evidence they have moved in, sometimes taking numerous days and multiple phone calls to get the account liability changed.

Where the City Council receives a bill it is not liable for, it has to make contact with the customer to gain permission to share a copy of their tenancy agreement with the energy supplier. This process can take between 30 minutes and a number of hours, assuming that the customer gives permission.

If the customer does not give permission, the bills continue to be sent to the City Council. If the City Council cannot get a resolution it may be required to pay the ex-tenant's outstanding bill, which ultimately becomes a cost to the rest of the HRA.

- 4.1.2. Key and card meters: A large amount of time is spent by staff and contractor operatives when replacing key cards from the utility suppliers via a local retailer. Time is spent topping up meters to clear debt and to enable works to be undertaken during the void period. If the previous tenant has left a large debt on the meter, the incoming tenant often has a lengthy negotiation with the energy supplier to get this debt removed. The energy provider often has to make a visit to the property to remove the debt, and they will not do this until such time as a tenant has moved in.
- 4.1.3. Pre-payment smart meters: An administrative burden is created as suppliers are contacted to switch the liability into the City Council's name when the ex-tenant has moved out. This is needed to ensure the property has a gas and electric supply to undertake works in the property during the void period. Each call takes approximately an hour. When the new tenant moves in, they have to follow the same procedure, spending a further hour trying to get through to the correct supplier.
- 4.1.4. Standing charges: the majority of suppliers charge 'standing charges', with the July 2023 Price Cap setting charges at 58.08p/day for electricity, and 37.80p/day for gas for Prepayment meters, and 52.97p/day for electricity, 34.34p/day for gas for credit meters. The average void period is 45 days.
- 4.2. In the financial year 2022/23, the HRA spent approximately £51,000 paying for gas and electric in void properties for credit meters; largely in standing charges.
- 4.3. In 2022/23, repairs and maintenance contractors spent £22,790 topping up gas and electric meters.
- 4.4. Dealing with each property takes on average of two hours of officer time to collect meter readings, contacting the energy supplier, physically going to a shop and topping up the meter and dealing with the clerical side of paying a bill. This equates to a total of 1,800 hours spent dealing with this issue, equating to approximately £40,000 based on a Band 7 Housing Officer scale.



- 4.5. Therefore the total budgetary impact on the service is approximated to be £113,800 per annum.
- 4.6. The incoming tenant is further impacted by having to contact the energy supplier when they move into their new home so the liability can be changed over. This takes at least an hour once they know who their energy supplier is.

5. Pilot of a new scheme - February 2021

- 5.1. In February 2021 a pilot project began to provide a different way of handling gas and electricity supplies during a void. This was working with a company called Utilita Energy Limited to offer a solution for these issues, and no commitment requiring a formal procurement process has been undertaken at this time.
- 5.2. Starting in the Paulsgrove area, new voids, long term voids and those undergoing improvement projects have their energy supply switched using the online Utilita portal. When the property is void, the meter resets to 50p credit with £15 emergency credit usage for the void period. The account is switched into City Council's name.
- 5.3. If the property doesn't have a compatible smart meter at the start of the void, Utilita schedule an appointment whilst the property is void to change the meter.
- 5.4. When the new tenant accepts the property and a new tenancy start date is agreed, the name and tenancy start date is inputted into the Utilita portal and the account is switched into their name. £5 is credited to both gas and electric for when the customer moves in.
- 5.5. Importantly, the new tenant is under no obligation to stay with Utilita and are free to switch to alternate energy suppliers at any time. The Switched On Portsmouth service includes an energy switching website, which can assist tenants to find the best possible tariff for their circumstances. Additionally, the Switched On Portsmouth team can provide support to residents when undertaking an energy supplier switch.
- 5.6. As of the 6th September 2021, a total of 519 properties have been switched to Utilita during the pilot. Of these, properties;
 - 5.6.1. 84 were project voids (saving the City Council money in standing charges)
 - 5.6.2. 57 new tenants have moved in and switched to a new energy supplier (away from Utilita)
 - 5.6.3. 345 additional smart meters have been installed in local authority properties.
- 5.7. Customer feedback has been positive as they have one less bill to deal with when moving into their new home and can address their energy supply at a time suitable for them.
- 5.8. From the pilot it has been learnt that there is the required amount of time between the ex-tenant ending and the property becoming void to enable Utilita to get the



switch facilitated in a timely manner. This also gives Utilita more time to schedule an appointment for switching the meter if required.

5.9. The amount of time spent on the phone to gas and electricity suppliers in the voids process has significantly reduced.

5.10. As, in the non-pilot system there is a time lag between the tenant moving out and the energy supplier sending the City Council the bill, it is difficult to measure the financial impact.

6. Roll out across the whole Social Housing Stock - applying the scheme to all void properties

6.1. In order to continue to learn the effectiveness of the large scale pilot for tenants and the City Council, it is recommended that all HRA dwelling stock should be added to the pilot, for a minimum period of two years. This will enable full understanding of:

- 6.1.1. the impact on the bills coming through to finance,
- 6.1.2. the ability for Utilita to service the level of demand, and
- 6.1.3. the ongoing needs of our customers.

6.2. This large scale pilot will continue to benefit the incoming tenant by:

- 6.2.1. The customer moves into their new property knowing their energy supplier
- 6.2.2. The gas and electric has £5 credited on each meter
- 6.2.3. Vulnerable customers are immediately supported by being placed on the Priority Services Register with Utilita to ensure they are dealt with as a priority should there be a disruption to the service.
- 6.2.4. Installation of SMART meters with in-home display to help households better understand their energy consumption.
- 6.2.5. Residents being able to remotely top up their meters 24/7.
- 6.2.6. Residents will be eligible for the Warm Homes Discount.

6.3. This large scale pilot will continue to benefit the City Council, and therefore onto the HRA, by:

- 6.3.1. Utilita providing a single business partner for all query management.
- 6.3.2. Providing access to a single customer portal to make switches simply and easily.
- 6.3.3. Timescales for switches being having a fixed maximum period of time of 21 days for gas and 14 days for electric.
- 6.3.4. Providing the HRA with a referral fee per fuel switched, which will go toward the offset of costs.
- 6.3.5. There being no standing charges for the City Council or the tenants.
- 6.3.6. There being no requirement on the City Council to undertake debt clearance.

- 6.3.7. A reduction in the volume of bills being handled by the City Council's purchase to pay team.
- 6.4. The council understands that many of the tenants coming into the new properties following the void period will be sensitive to high energy bills. A cost analysis of Utilita's prepayment tariff before the Energy Crisis was undertaken in 2021 to assess the rates of Utilita against other options available, to ensure that a customer who chose to stay with Utilita would not be adversely affected by high bills. Details were correct as of the 9th September 2021 and represented a property with annual fuel consumption of 2,900 kWh of electricity and 12,000 kWh of gas:
- 6.4.1. Utilita's prepayment tariff would have resulted in an annual bill of £1,136.
- 6.4.2. The UK's largest energy supplier's prepayment tariff would have resulted in bills of £1,309.
- 6.4.3. The Prepayment Meter Cap, set by the energy regulator, Ofgem, was £1,309 from the 1st October 2021.
- 6.4.4. Ogem's Default Tariff Cap (standard variable tariffs), which applies to credit meters, was £1,277
- 6.5. Following the crash of the energy market in 2021, energy suppliers are currently unable to offer a competitive unit rate. All are bound by the Ofgem Price Cap, which sets a maximum charge per unit of electricity and gas.
- 6.5.1. The Energy Price Cap is reviewed quarterly, in order to reflect the fast-paced nature of the energy market.
- 6.5.2. From 1st July 2023 the Energy Price Cap will set unit rates for prepayment meters at 29.06p/kWh for electricity and 7.11p/kWh for gas
- 6.5.3. The Energy Price Cap for credit meters will be 31.72/kWh for electricity and 7.91p/kWh for gas, where bills are paid on receipt of a bill.
- 6.5.4. The average cost households can expect to pay under this Price Cap is £2,075 p/a.
- 6.6. The next quarterly review is due in October 2023, so these rates are subject to change. Following recent reductions in wholesale costs, it is possible that this rate will reduce, and that energy suppliers will be able to offer more competitive rates.
- 6.7. A review of Utilita's tariff rates will be undertaken on a quarterly basis, in line with the Energy Price Cap updates, to ensure that their rates meet or beat other available rates, to continue to ensure that tenants will not be adversely affected by high bills should they continue to stay with Utilita as their Energy Supplier after moving into a void.

7. Reasons for recommendations



- 7.1. Under the current non-pilot system, the customer moving into a Local Authority Housing managed property has the burden of finding who their new energy provider is, making contact, and then switching the account into their name, sometimes taking multiple phone calls and hours of time.
- 7.2. It is additional, without a formalised process for managing voids' energy requirements, there is a financial impact upon the HRA.
- 7.3. Utilita's void process agreement ensures that neither the Council nor the tenant are tied into a contract; and can move away with no penalty.
- 7.4. The pilot has been a success in terms of turning a time-consuming and costly process into a much more streamlined protocol, which is actually cost positive to the service. The early results are positive for the tenant and the City Council.
- 7.5. As a result of the positive pilot, officers now wish to enact a wider rollout to all of the housing stock. This expansion would begin immediately following the approval.
- 7.6. Once the Large Scale pilot period is complete, consideration will be given to the results, and if a full procurement is required, this can be implemented.

8. Integrated impact assessment

- 8.1 An integrated impact assessment has been completed and is attached at Appendix 1.

9. Legal implications

- 9.1. Depending on the nature and the value of the arrangement proposed in the main body of this report, this arrangement may be subject to public procurement under the Public Concessions Regulations 2016. In addition, this arrangement may also be subject to the Council's Contract Procedure Rules which govern procurement matters.
- 9.2. It is understood that once the property becomes "void" and the account is put into the Council's name, Utilita also becomes the Council's gas and electricity provider and, as a result, this arrangement becomes a contract potentially subject to procurement. Legal and procurement advice shall be sought to ensure compliance with any internal and external rules and the relevant legislation.
- 9.3. Regarding the passing of the tenants' details to Utilita, the instructing officer shall seek advice from Legal Services and the Data Protection Team to ensure that the Council complies with the relevant legal obligations under the UK GDPR and the Data Protection Act 2018 (and all other relevant legislation and guidance as may be applicable from time to time in relation to data processing). It should be noted that relying on a consent given in a tenancy agreement may not be sufficient due to unequal bargaining powers between the parties hence it is important to ensure appropriate advice is sought at a timely manner and in any event before this



arrangement with Utilita materialises and any personal data is shared with the company.

10. Director of Finance's comments

- 10.1 The SMART meter system allows the Council to more accurately measure a meter reading on a particular day, this will ensure that when one tenancy ends and another begins the Council can accurately assess the cost of electricity or gas used and therefore the cost associated with utilities should be more accurate.
- 10.2 This also means that there is no requirement for the contractor to try and load a meter with credit which uses up the time of an operative and causes additional administration which should help the Repairs and Maintenance budget realise efficiency savings.
- 10.3 In addition, if the revised process is extended across the whole housing portfolio efficiency savings in the form of staff resources of £40,000 per annum may be achieved.
- 10.4 For each fuel which is switched in a void, the Council are paid £20, there are around 900 voids a year so that could total £36,000 in additional income a year. However this will only materialise if a customer is not with Utilita prior to the property becoming void.

.....
Signed by: James Hill - Director of Housing, Neighbourhood and Building Services

Appendices:

Appendix 1: Integrated impact assessment

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by on

.....
Signed by: