

 <b>Executive &amp; Council 10<sup>th</sup> February And 25<sup>th</sup> February respectively</b>		<b>Agenda Item No.</b>  <b>6</b>
<b>Title</b>	Heating, Lighting and Water Charges 2016/17 – Council Tenants	
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<b>Wards of the District directly affected</b>	All	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>		
<b>Background Papers</b>	Previous annual 'Approval of Heating, Lighting and Water Charges' reports, every February	

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	Yes
<b>Included within the Forward Plan? (If yes include reference number)</b>	
<b>Equality &amp; Sustainability Impact Assessment Undertaken</b>	No

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	25-Jan-2016	Bill Hunt
Head of Service	25-Jan-2016	Andy Thompson ( Housing and Property Services ) & Mike Snow ( Finance)
CMT		
Section 151 Officer	25-Jan-2016	Mike Snow
Monitoring Officer	25-Jan -2016	Andy Jones
Finance	25-Jan -2016	Finance/Housing & Property Report
Portfolio Holder(s)	25-Jan-2016	Councillor Phillips
Consultation Undertaken		
None		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

## **1. Summary**

- 1.1 This report sets out the proposed recharges to Council housing tenants for the provision of communal heating, lighting and water supply during 2016/17.

## **2. Recommendation**

- 2.1 To recommend to Council to agree the revised recharges for Council tenants relating to heating, lighting, water and miscellaneous charges for the rent year commencing 4<sup>th</sup> April 2016, as set out in Appendix 1 & Appendix 2.

## **3. Reasons for the Recommendation**

- 3.1 Recharges are levied to recover costs of electricity, gas and water supply usage to individual properties within one of the sheltered and the 5 very sheltered housing schemes, which are provided as part of communal heating and water supplies. The costs of maintaining communal laundry facilities are also recharged at those sites benefitting from these facilities under the heading of miscellaneous charges.
- 3.2 The charges necessary to fully recover costs are calculated annually from average consumption over the past three years, updated for current costs and adjusted for one third of any over-recover or under-recovery in previous years. The charges for 2016/17 are calculated on the basis of average consumption for 2013/14, 2014/15 and 2015/16. The use of an average ensures that seasonal and yearly variations are reflected in the calculation.
- 3.3 For reference, in February 2013 the increase required to meet projected Heating & Lighting costs was deemed unaffordable for tenants, so it was agreed to implement a lower increase and aim to fully recover costs within a 5 year period. In 2015/2016 it was recommended that where the increase to fully recover costs was higher than 95p per week, the increases be constrained to 95p to ensure the increase is affordable for tenants and continue to move towards full recovery over future years.
- 3.4 For 2016/17, the council is moving towards a policy of full recovery and to achieve this it is recommending that the charges be increased by the lower of, the full amount or an amount commensurate to the decrease in rent arising from the 1% reduction. This approach will phase in gradually the full costs recovery and will ensure that no excessive increases to the charges are made in one year.
- 3.5 The proposed increase in weekly charges is equivalent to the 1% decrease in average rent to tenants. This is a fair approach as it facilitates the council implementation of full costs recovery and it doesn't make tenants worse off (Appendix 1).
- 3.6 The Gas and Electricity contracts for the authority are currently being renegotiated and reduction in costs is expected to materialise in 2016/17, with savings being passed on to tenants in future years.

## **4. Policy Framework**

### **4.1 Policy Framework**

- 4.1.1 The Heating, Lighting and Water Charges Report forms part of the Budgetary Framework, which is the resource strategy for implementing Fit for the Future.
- 4.1.2 Until 2013/14, it was the policy of this council to set recharges to tenants for the electricity, gas and water supplied to certain properties at the level that will fully recover these costs without 'rent pooling', that is without subsidising from other HRA income.
- 4.1.3 As described in paragraph 3.3, from 2013/14 when increases were deemed unaffordable lower charges have been set to mitigate the immediate cost to tenants, recovering these costs gradually over subsequent years.

### **4.2 Fit for the Future**

A key element of Fit for the Future is ensuring that the Council achieves the required savings to enable it to set a balanced budget whilst maintaining service provision. The Housing Revenue Account is subject to the same regime to ensure efficiency within the service.

## **5. Budgetary Framework**

- 5.1 Recharges to tenants for the provision of communal heating, lighting and water form part of the Housing Revenue Account (HRA), which is a key component of the Council's budgetary framework.
- 5.2 If charges are set so as not to fully recover costs, this will present an additional cost to all housing tenants by way of the rent they are charged, unless costs are recouped in future years.

## **6. Risks**

- 6.1 It would be impossible to predict fuel and water costs over the next year completely accurately. Therefore the charges tenants pay in a year will either over-recover or under-recover the costs.
- 6.2 This is mitigated by adjusting charges for one third of any over-recover or under-recovery in previous years. This ensures that over time what tenants pay will meet the costs of heating, water and lighting.

## **7. Alternative Options Considered**

- 7.1 If any proposed charges are thought to be unaffordable for tenants, charges could be set at any level between no increase and the proposed charges, with the understanding that this means that the shortfall will either be funded from the rents of all tenants, the majority of whom will also be paying their own electricity and gas costs directly, or recovered from charges in future years when some flats may be occupied by new tenants who have not benefited from the reduced charges.

- 7.2 For those Heating/Lighting charges which have been set below the level necessary to recover the full cost, a higher charge could be set to better reflect the costs. This will mean a number of tenants will be paying an increase in charges of up £3.40 per week (£176.8 per year), while other tenants will see a reduction in the charges they pay by up to 80 pence per week (£41 per Year).
- 7.3 Charges could be set above the real costs of recovery. This would mean tenants of these schemes would have no choice but to pay above the real cost of these utilities, as the communal nature of these services means they cannot choose their own energy suppliers. This would not be fair.

## **8. Background**

- 8.1 Costs for electricity, gas, water and laundry facilities provided at some housing schemes are recovered as a weekly charge.
- 8.2 These utility charges are not eligible for Housing Benefit.
- 8.3 Tenants are notified of these charges at the same time as the annual rent increase.
- 8.4 The gas and electricity used to deliver communal heating and lighting is supplied under the provisions of the Council's energy supply contracts.
- 8.5 Photovoltaic cells (solar panels) were installed on James Court, Tannery Court and Yeomanry Court in April 2012. The electricity generated reduces consumption from the national grid.
- 8.6 A biomass heating system has been installed in Tannery Court. In addition to the environmental benefits of using a more sustainable fuel, the capital cost of installation will be partly repaid over time by the Government's Renewable Heat Incentive scheme. Proposed charges are based on historical costs, but 2016/17 charges will be based on data from the first year of operation of the new system.

## Heating, Lighting and Miscellaneous Charges

It is recommended that from 6<sup>th</sup> April 2015 charges covering heating, lighting and miscellaneous charges should be varied as follows:

Heating, Lighting and Miscellaneous Charges	Current Charge per Week 2015/16 £	Charge To Fully Recover Costs 2016/17 £	Proposed Charge per Week 2016/17 £	Proposed Increase/ (Decrease) per Week 2016/17 £	Proposed Change 2016/17 %
<b>Acorn Court, Stockton Grove, Lillington, Royal Leamington Spa</b>					
Nos. 1 - 12, 14 - 41	£10.55	£11.60	<b>£11.35</b>	+£0.80	+7.6%
Nos. 43, 44, 46 and 47 (Misc. Charge only)	£0.60	£0.60	<b>£0.60</b>	+£0.00	+0.0%
<b>Tannery Court, Bertie Road, Kenilworth</b>					
Nos. 1, 2, 4 - 6, 7a, 8 - 12, 22a, 14 - 40	£8.85	£8.35	<b>£8.35</b>	-£0.50	-5.6%
No. 3	£13.00	£12.25	<b>£12.25</b>	-£0.75	-5.8%
<b>Yeomanry Close, Priory Road, Warwick</b>					
Nos. 1 - 12, 14 - 32	£7.60	£10.10	<b>£8.37</b>	+£0.77	+10.1%
<b>James Court, Weston Close, Warwick</b>					
Nos. 1 - 12, 14 - 26	£9.35	£10.35	<b>£10.12</b>	+£0.77	+8.2%
<b>Chandos Court, Chandos Street, Royal Leamington Spa</b>					
Nos. 1 - 12, 11a, 25a, 14 - 46	£10.70	£11.20	<b>£11.20</b>	+£0.50	+4.7%
<b>Radcliffe Gardens, Brunswick Street, Royal Leamington Spa</b>					
Bedsits and 1 bedroom flats	£6.45	£8.40	<b>£7.14</b>	+£0.69	+10.7%
2 bedroom flats	£10.05	£13.45	<b>£10.15</b>	+£0.75	+7.5%

## Water Charges

It is recommended that from 4<sup>th</sup> April 2016 water charges should be varied as follows:

Water Charges	Current Charge per Week 2015/16 £	Proposed Charge per Week 2016/17 £	Proposed Increase/ (Decrease) per Week 2016/17 £	Proposed Change 2016/17 %
<b>Acorn Court, Stockton Grove, Lillington, Royal Leamington Spa</b>				
Nos. 1 - 12, 14 - 41, 43 - 47	£3.45	<b>£3.70</b>	+£0.25	+6.7%
<b>Tannery Court, Bertie Road, Kenilworth</b>				
Nos. 1, 2, 3, 4 - 6, 7a, 8 - 12, 22a, 14 - 40	£4.00	<b>£4.10</b>	+£0.10	+2.3%
<b>Yeomanry Close, Priory Road, Warwick</b>				
Nos. 1 - 12, 14 - 32, 33 and 34	£2.65	<b>£2.65</b>	+£0.00	+0.0%
<b>James Court, Weston Close, Warwick</b>				
Nos. 1 - 12, 14 - 28	£2.90	<b>£2.90</b>	+£0.00	+0.0%
<b>Chandos Court, Chandos Street, Royal Leamington Spa</b>				
Nos. 1 - 12, 11a, 25a, 14 - 46, 47	£3.10	<b>£3.20</b>	+£0.10	+3.2%