

 Executive & Council, 7 February 2018		Agenda Item No. <div style="font-size: 2em; text-align: center;">6</div>
Title	Heating, Lighting and Water Charges 2018/19 – Council Tenants	
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Wards of the District directly affected	All	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No	
Date and meeting when issue was last considered and relevant minute number		
Background Papers	Previous annual 'Approval of Heating, Lighting and Water Charges' reports, every February	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	Yes
Included within the Forward Plan? (If yes include reference number)	Yes (ref 887)
Equality & Sustainability Impact Assessment Undertaken	No

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	22/01/2018	Bill Hunt
Head of Service	22/01/2018	Lisa Barker (Head of Housing Services) & Mike Snow (Finance)
CMT	22/01/2018	
Section 151 Officer	22/01/2018	Mike Snow
Monitoring Officer	22/01/2018	Andrew Jones
Finance	22/01/2018	Andrew Rollins
Portfolio Holder(s)	22/01/2018	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 2018/19.

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 2nd April 2018, as set out in Appendix 1 & Appendix 2.
- 2.2 To recommend to Council that from 2019/20 the agreement of the heating lighting and water charges are delegated to the Head of Housing and Head of Finance in consultation with the relevant portfolio holders, with charges calculated in accordance with the methodology within paragraphs 3.2 and 3.4.

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 last three years, updated for current costs and adjusted for one third of any over-recover or under-recovery in previous years. The charges for 2018/19 are calculated on the basis of average consumption from December 2014 to November 2017. 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 From 2016/17, the council moved towards a policy of full recovery of costs and to achieve this it adopted a policy whereby the charges be increased by the lower of, the full amount to achieve full cost recovery or an amount equivalent to 1% of the rent due for the property. This approach enables full costs recovery to be phased in gradually and ensures that no excessive increases to the charges are made in one year. This is a fair approach as it facilitates the council implementation of full costs recovery and it ensures tenants are no worse off financially (Appendix 1).
- 3.5 The Gas and Electricity contracts for the authority were renegotiated in 2016/17, with savings achieved on the gas contract but an increase agreed on the electricity contract. Any savings / increases will be passed on to tenants in future years through the process detailed above.

- 3.6 As the heating, lighting and water charges are intended to be cost recovery, following the methodology outlined in paragraph 3.2, it is proposed that from 2019/20 the charges are agreed following this methodology by the Head of Housing and Head of Finance, in consultation with the relevant portfolio holders. Any changes in the income budgets will be reflected in the HRA Rent setting report.

4. Policy Framework

- 4.1 The Heating, Lighting and Water Charges Report forms part of the Budgetary Framework, which is the resource strategy for implementing Fit for the Future.

4.2 Fit for the Future

The Council's FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects. This report shows the way forward for implementing a significant part of one of the Council's Key projects.

The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy.

FFF Strands		
People	Services	Money
External		
Health, Homes, Communities	Green, Clean, Safe	Infrastructure, Enterprise, Employment
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities	<u>Intended outcomes:</u> Area has well looked after public spaces. All communities have access to decent open space. Improved air quality. Low levels of crime and ASB	<u>Intended outcomes:</u> Dynamic and diverse local economy. Increased employment and income levels. Vibrant town centres. Improved performance/productivity of local economy.
Impacts of Proposal		
Ensure housing and services are suitable for occupiers, meeting their needs and contributing to their health and well-being.	Utility rates set to ensure full recovery of costs over a phased period at a manageable rate.	Phased recovery of utility charges enables tenants to have financial stability, allowing more money to be spent in the wider economy.
Internal		
Effective Staff	Maintain or Improve Services	Firm Financial Footing over the Longer Term
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools. All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours.	<u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services	<u>Intended outcomes:</u> Better return/use of our assets. Full Cost accounting Continued cost management. Maximise income earning opportunities. Seek best value for money.
Impacts of Proposal		
The HRA budgets provide the necessary resources to achieve these outcomes	Enable tenants' needs to be met, and support improvement of services relating to Council Housing Stock.	Utility rates proposed ensure full recovery of costs, enabling other income to service HRA debt alongside the strategy outlined in the HRA Business Plan.

- 4.3 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 and water 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. For instance, at Tannery Court, tenants could be charged a further £3.82 per week (£198.64 per year). However, this would be above 1% of rent, which is the agreed maximum increase (as per paragraph 3.4).
- 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, providing environmental benefits of using a more sustainable fuel. The capital cost of installation was partly repaid by the Government's Renewable Heat Incentive scheme.

Heating, Lighting and Miscellaneous Charges

It is recommended that from 2nd April 2018 charges covering heating, lighting and miscellaneous charges should be varied as follows:

Heating, Lighting and Miscellaneous Charges	Current Charge per Week 2017/18 £	Charge To Fully Recover Costs 2018/19 £	Proposed Charge per Week 2018/19 £	Proposed Increase/ (Decrease) per Week 2018/19 £	Proposed Change 2018/19 %
Acorn Court, Stockton Grove, Lillington, Royal Leamington Spa					
Nos. 1 - 12, 14 - 41	£11.60	£10.25	£10.25	-£1.35	-11.6%
Nos. 43, 44, 46 and 47 (Misc. Charge only)	£0.60	£0.60	£0.60	+£0.00	+0.0%
Tannery Court, Bertie Road, Kenilworth					
Nos. 1, 2, 4 - 6, 7a, 8 - 12, 22a, 14 - 40	£8.35	£13.40	£9.58	+£1.23	+14.7%
No. 3	£12.25	£19.80	£13.48	+£1.23	+10.0%
Yeomanry Close, Priory Road, Warwick					
Nos. 1 - 12, 14 - 32	£9.15	£9.56	£9.56	£0.41	4.5%
James Court, Weston Close, Warwick					
Nos. 1 - 12, 14 - 26	£10.35	£8.35	£8.35	-£2.00	-19.3%
Chandos Court, Chandos Street, Royal Leamington Spa					
Nos. 1 - 12, 11a, 25a, 14 - 46	£11.20	£10.15	£10.15	- £1.05	-9.4%
Radcliffe Gardens, Brunswick Street, Royal Leamington Spa					
Bedsits and 1 bedroom flats	£7.80	£7.38	£7.38	-£0.42	-5.4%
2 bedroom flats	£11.62	£11.44	£11.44	-£0.18	-1.6%

Water Charges

It is recommended that from 2nd April 2018 water charges should be varied as follows:

Water Charges	Current Charge per Week 2017/18 £	Proposed Charge per Week 2018/19 £	Proposed Increase/ (Decrease) per Week 2018/19 £	Proposed Change 2018/19 %
Acorn Court, Stockton Grove, Lillington, Royal Leamington Spa				
Nos. 1 - 12, 14 - 41, 43 - 47	£3.95	£4.30	+£0.35	+8.8%
Tannery Court, Bertie Road, Kenilworth				
Nos. 1, 2, 3, 4 - 6, 7a, 8 - 12, 22a, 14 - 40	£4.20	£3.85	-£0.35	-8.3%
Yeomanry Close, Priory Road, Warwick				
Nos. 1 - 12, 14 - 32, 33 and 34	£2.65	£2.80	+£0.15	+5.6%
James Court, Weston Close, Warwick				
Nos. 1 - 12, 14 - 28	£2.90	£2.90	+£0.00	+0.0%
Chandos Court, Chandos Street, Royal Leamington Spa				
Nos. 1 - 12, 11a, 25a, 14 - 46, 47	£3.30	£3.30	+£0.00	+0.0%