

 <b>Executive 13<sup>th</sup> February 2013</b> <b>Council 20<sup>th</sup> February 2013</b>		<b>Agenda Item No.</b> <b>7</b>
<b>Title</b>	Approval of Heating, Lighting and Water Charges 2013/14 – 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Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006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>	Yes, Ref 426
<b>Equality &amp; Sustainability Impact Assessment Undertaken</b>	No

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	29-Jan-2013	Bill Hunt
Head of Service	n/a	Finance Report
CMT	29-Jan-2013	CMT
Section 151 Officer	1-Feb-2013	Mike Snow
Monitoring Officer		
Finance	n/a	Finance Report
Portfolio Holder(s)	1-Feb-2013	Councillor Vincett
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 2013/14, for the provision of communal heating, lighting and water supply.

## **2. RECOMMENDATIONS (TO COUNCIL)**

- 2.1 To recommend to Council to agree the revised recharges for Council tenants relating to heating, lighting, water and miscellaneous charges for the year commencing 1<sup>st</sup> April 2013, as set out in Appendix 1 & Appendix 2.
- 2.2 To agree that the increase to fully recover the costs of heating, lighting, water and miscellaneous charges are phased in over a five year period.
- 2.3 That the Head of Housing and Property report back to Executive on proposals to improve the energy efficiency of sheltered and very sheltered housing schemes.

## **3. REASONS FOR THE RECOMMENDATIONS**

- 3.1 Recharges are levied to recover costs of electricity, gas and water supply usage to individual properties within 2 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 benefiting 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.
- 3.3 To fully recover costs the weekly Heating/Lighting charges at each scheme would need to increase by a significant amount; the necessary increase varies for each scheme, from £1.50 up to £4.30 per week. This is considered unaffordable for tenants living at these sheltered and very sheltered schemes, who are typically older and more vulnerable.
- 3.4 Therefore it is recommended that this price increase is spread over a 5 year period in order to keep these charges affordable.
- 3.5 This will not significantly impact on the resources available within the Housing Business Plan for the development of new homes and maintaining service quality. The full review of the energy requirements of all of these assets will enable the council to significantly reduce energy costs into the future. Hence the policy of spreading changes for cost increases over a longer period is affordable for both the customers concerned and the Housing Business Plan.
- 3.6 Housing and Property Services have programmed a full review of the heating and lighting systems at these sheltered and very sheltered housing schemes where utility costs are pooled and then recharged to customers, to identify improvements that may reduce future costs.
- 3.7 The proposed increases for Water charges are significantly lower, therefore it is recommended to fully recharge the projected costs.

- 3.8 The changes in the proposed charges range from 4% to 8% (30p to 85p per week) increases for Heating/Lighting Charges, and from a 1% decrease (-5p per week) to a 26% increase (55p per week) for Water Charges. Full details are shown in Appendix 1 and Appendix 2.

#### **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 It has previously been 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 In light of the greater financial freedom from Self Financing, the Council has more scope to vary this approach where the policy of keeping charges affordable for tenants takes priority.

##### **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 Service charges form part of the Housing Revenue Account, which is a key component of the Council's budgetary framework.
- 5.2 The 2013/14 Heating/Lighting recharges are recommended at a level which recovers one fifth of the increase necessary to fully recover the additional energy costs of providing these services. It is anticipated that an additional fifth will added to the charges each year, so after 5 years the full cost is again being recovered.
- 5.3 This will cost £23,200 in 2013/14; over 5 years the total cost is £57,700. This cost will be met from Housing Revenue Account resources, and so effectively funded from all rents; however if future energy costs are significantly reduced by investment in renewable energy and more efficient heating systems, it may be appropriate to gradually recover this cost from Heating/Lighting charges in future years. This will be reviewed each year.

#### **6. ALTERNATIVE OPTION CONSIDERED**

- 6.1 If Heating/Lighting charges were set to fully recover the costs from the utility suppliers in line with the policy followed in previous years, this would eliminate any cost to the HRA. Compared to the recommendation in this report it would increase HRA resources by £23,200 in 2013/14, and potentially £57,700 over 5 years. To achieve this weekly Heating/Lighting charges would have to increase

by between 22% and 43% for the various sites (£1.50 to £4.30 per week) from 2012/13 charges, which is felt to be unaffordable for affected tenants.

- 6.2 Heating/Lighting charges could be set at any level between those proposed and the charges required to fully recover costs. This would reduce the cost to the HRA, but increase the cost to tenants in receipt of this service.
- 6.3 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.

## **7. BACKGROUND**

- 7.1 Costs for electricity, gas, water and laundry facilities provided at some housing schemes are recovered as a weekly service charge.
- 7.2 These utility charges are not eligible for Housing Benefit.
- 7.3 Tenants are notified of these Service Charges at the same time as the annual rent increase.
- 7.4 The gas and electricity used to deliver communal heating and lighting is supplied under the provisions of the Council's energy supply contracts.
- 7.5 Members will be aware that Fetherston Court is due to be redeveloped meaning that the full energy costs of the existing Fetherston Court are unlikely to be recovered.

**Heating, Lighting and Miscellaneous Charges**

It is recommended that from 1<sup>st</sup> April 2013 charges covering heating, lighting and miscellaneous charges should be varied as follows :-

<b>Heating, Lighting and Miscellaneous Charges</b>	<b>Current Charge per Week 2012/13</b>	<b>Charge to Fully Recover Costs 2013/14</b>	<b>Proposed Charge per Week 2013/14</b>	<b>Proposed Increase/Decrease per Week 2013/14</b>	<b>Proposed % Change 2013/14</b>
<b>Acorn Court, Pound Lane, Lillington</b>					
Nos. 1 - 12, 14 - 41	£8.30	£11.25	<b>£8.90</b>	+£0.60	+7.2%
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	£8.40	£11.25	<b>£8.95</b>	+£0.55	+6.5%
No. 3 (Warden's accommodation)	£12.30	£16.60	<b>£13.15</b>	+£0.85	+6.9%
<b>Yeomanry Close, Priory Road, Warwick</b>					
Nos. 1 - 12, 14 - 32	£7.05	£8.80	<b>£7.40</b>	+£0.35	+5.0%
<b>James Court, Weston Close, Warwick</b>					
Nos. 1 - 12, 14 - 26	£7.20	£10.30	<b>£7.80</b>	+£0.60	+8.3%
<b>Chandos Court, Chandos Street, Leamington Spa</b>					
Nos. 1 - 12, 11a, 25a, 14 - 46	£9.05	£11.05	<b>£9.45</b>	+£0.40	+4.4%
<b>Radcliffe Gardens, Brunswick Street, Leamington Spa</b>					
Bedsits and 1 bedroom flats	£5.65	£7.15	<b>£5.95</b>	+£0.30	+5.3%
2 bedroom flats	£9.00	£11.35	<b>£9.45</b>	+£0.45	+5.0%
<b>Fetherston Court, Tachbrook Road, Leamington Spa</b>					
Nos. 1 - 9	£12.85	£16.90	<b>£13.65</b>	+£0.80	+6.2%

**Water Charges**

It is recommended that from 1<sup>st</sup> April 2013 water charges should be varied as follows :-

<b>Water Charges</b>	<b>Current Charge per Week 2012/13</b>	<b>Proposed Charge per Week 2013/14</b>	<b>Proposed Increase/ Decrease per Week 2013/14</b>	<b>Proposed % Change 2013/14</b>
<b>Acorn Court, Pound Lane, Lillington</b>				
Nos. 1 - 12, 14 - 41, 43 - 47	£3.20	<b>£3.45</b>	+£0.25	+7.8%
<b>Tannery Court, Bertie Road, Kenilworth</b>				
Nos. 1, 2, 3, 4 - 6, 7a, 8 - 12, 22a, 14 - 40	£3.70	<b>£3.65</b>	-£0.05	-1.4%
<b>Yeomanry Close, Priory Road, Warwick</b>				
Nos. 1 - 12, 14 - 32, 33 and 34	£2.15	<b>£2.70</b>	+£0.55	+25.6%
<b>James Court, Weston Close, Warwick</b>				
Nos. 1 - 12, 14 - 28	£2.85	<b>£3.05</b>	+£0.20	+7.0%
<b>Chandos Court, Chandos Street, Leamington Spa</b>				
Nos. 1 - 12, 11a, 25a, 14 - 46, 47	£2.35	<b>£2.90</b>	+£0.55	+23.4%