



CAERPHILLY HOMES TASK GROUP – 4TH APRIL 2013

SUBJECT: SHELTERED HOUSING SERVICE – GAS AND ELECTRIC UTILITIES CHARGES

REPORT BY: ACTING CHIEF EXECUTIVE

1. PURPOSE OF REPORT

- 1.1 The Council has committed to undertaking a review of the gas and electricity service utilities charges together with water rate charges as part of the overall sheltered housing review.
- 1.2 This report provides Members of the Housing Task Group with details of the current arrangements for gas and electricity charges and proposals for a future charging policy.

2. SUMMARY

- 2.1 On 17th February 2012, the stock transfer ballot resulted in a majority vote from the tenants in favour of their homes remaining with the Council.
- 2.2 As part of the offer within its Stock Transfer proposals, the Council promised to undertake a review of the sheltered housing service with the aim of developing improved services for sheltered housing tenants and other older tenants following full consultation within twelve months of the ballot, i.e. 17th February 2013. This includes a commitment to undertake a full review of the service utilities charges.
- 2.3 The current arrangements for the collection of gas and electricity utilities charges in sheltered housing vary from scheme to scheme. This report seeks to address any anomalies and to recommend the application of equitable arrangements across the county borough.

3. LINKS TO STRATEGY

- 3.1 The proposed changes to the service utilities charges would apply to sheltered housing tenants and would provide equitable arrangements for all Council tenants. The report therefore links to the following strategic objectives:
 - Improvement Plan 2009/12, Building Better Communities for All - *To improve the provision of housing for our tenants;*
 - Community Strategy Living Environment Objective 1 – *Encourage the development and maintenance of high quality, well designed and efficient, sustainable homes and environments which can meet all needs;*
 - People, Property & Places: A Local Housing Strategy for Caerphilly County Borough (2008/2013) Strategic Aim 6 – *Our aim is to provide good quality, well managed homes in*

communities where people want to live, and offer people housing choices which meet their needs and aspirations, and

- The National Housing Strategy - Improving Lives and Communities - Homes in Wales (WG 2010) priority – *Provide housing-related advice, guidance and support, including financial and debt management advice, to help people stay in their homes and to help them to make best use of their income.*
- Older Persons Strategy
- Strategic Equality Plan – Objectives 3, 4, and 5

4. THE REPORT

4.1 Background Information

4.1.1 The Council owns and manages 37 sheltered housing schemes. In total there are 1090 sheltered housing units throughout the county borough. Schemes generally fall into one of the following categories:

- **Category 1 Schemes**
Schemes comprising blocks of flats without communal facilities
- **Category 2 Schemes**
 - (a) Schemes where all flats and communal facilities, such as communal lounge, kitchen, laundry, guest room are under one roof.
 - or
 - (b) Schemes where the dwellings are bungalows, usually grouped around a communal block housing the warden's office and communal facilities.
- **Category 3 Combined**
Sheltered housing schemes where flats and communal facilities are under one roof and where there are blocks of flats/bungalows within the boundary of the scheme. Tenants in the external flats/bungalows share the communal facilities housed in the main building.

4.1.2 Appendix 1 provides a list of schemes within each of the above categories.

4.2 Current Arrangements – Gas and Electricity Utility Costs

4.2.1 Historically, there have been different arrangements in place for gas and electricity meters. The majority of Category 2 schemes under one roof have single meter systems and Category 1 grouped dwellings having individual meters. Full details on the different types of systems are provided below:

4.2.2 Type 1 - Single Metered Schemes

In a number of category 2 schemes there is one meter for gas and another for electricity supplying the whole scheme, i.e. the communal areas (where these exist) and individual sheltered housing units.

Tenants in these schemes pay a standard weekly charge of £15.21 as a contribution towards the total cost of gas and electricity used within the scheme.

It may not be technically feasible to install individual meters in these schemes but this option would be considered.

4.2.3 *Type 2 - Schemes with Individual Electricity and Gas Meters where tenants pay a standard weekly charge*

There are a number of schemes where tenants have their own individual gas and electricity meters but historically it has been agreed that they should pay the same weekly charge of £15.21 as tenants in single metered schemes.

This arrangement usually applies to category 3 combined schemes where tenants in the external flats / bungalows (category 1 schemes) have individual meters and tenants in the main building (category 2 schemes) within the same scheme are on single metered systems.

In these schemes, gas and electricity costs for communal areas are paid centrally and tenants contribute towards these costs in their service charge.

4.2.4 *Type 3 - Schemes with Individual Electricity and Gas Meters where tenants pay their own bills*

In some schemes where tenants have their own individual gas and electricity meters they pay their own bills directly to the utility providers. The costs payable are actual costs.

Tenants who pay their own individual gas and electricity bills contribute towards the cost of gas and electricity consumption in the communal areas in their service charge. Invoices for communal areas are paid centrally.

4.2.5 *Type 4 - Schemes where some tenants have individual meters and others are on single metered systems*

In some schemes, tenants in external blocks have their own individual gas and electricity meters and pay their own bills directly to the utilities providers. The tenants within the main building in these schemes on the single metered system pay the standard weekly charge of £15.21 for gas and electricity.

All tenants also pay a contribution towards the cost of gas and electricity in the communal areas in the main building as part of their service charge.

4.2.6 *Type 5 - Single Metered Schemes – Gas Only*

There are some schemes where tenants have individual electricity meters and pay their invoices directly to the utility provider. However, gas is on a single metered system and the tenants pay a standard weekly charge as a contribution towards the cost.

Tenants in these schemes also pay a contribution towards the cost of gas and electricity in the communal areas of the main building, as part of their service charge.

4.3 Sheltered Housing – Service Charge for Communal Areas

- 4.3.1 All sheltered housing tenants pay a contribution towards the cost of gas and electricity consumption in communal areas within their weekly service charge. Based on the total amount payable for the communal areas, where these costs are clearly identified, the average cost per tenant per week for the financial year 2011/2012 was £2.47. However, it should be noted that the amount may fluctuate annually depending on consumption and any utilities services price increases.

4.4 Housing Benefit

- 4.4.1 The sheltered housing service charge is eligible for Housing Benefit and 80% of tenants are in receipt of this payment. However, heating and lighting costs are not eligible for Housing Benefit and for those tenants who pay a standard weekly utility charge, where the full costs

are not met, these costs are being subsidised by the Housing Revenue Account, which is predominantly funded from tenants rental income. This situation cannot be allowed to continue, as the HRA should be prioritised for managing and maintaining our properties and contributing towards achieving WHQS.

4.5 Housing Revenue Account Charges

- 4.5.1 In a report on Housing Revenue Account Charges to the Policy and Resources Scrutiny on 30th January 2013, it was recommended that utility charges in sheltered housing schemes where tenants pay a standard weekly charge be increased by 12% to £17.03 based on a 48-week basis from April 2013. This recommendation, together with the other recommendations contained within the report were endorsed by the Scrutiny Committee on the 30th January and approved by Cabinet on the 5th February for the reasons contained within the report.
- 4.5.2 The 12% increase is in line with the increase for tenants who pay their own bills. It should be emphasised that all tenants, with the exception of those sheltered housing tenants mentioned above, are responsible for paying any increases applied by the energy companies, whereas these increases have not been passed on in full over the years to sheltered housing tenants. This has resulted in the HRA, via other tenants' rental income, subsidising the costs in a number of our schemes.
- 4.5.3 Based on a review of the past 2 financial years, the total shortfall was around £207,000 in 2009/2010 and £66,000 in 2011/12. The annual increase of 12% referred to in 4.5.1 above, will further reduce the subsidy in 2012/2013. However, an increase in the standard charge would still need to be considered each year as utility costs continue to rise to catch up and keep pace.

4.6 Winter Fuel Payments

- 4.6.1 Tenants receive between £100 and £300 tax-free to help pay their heating bills if they were born before 5th July 1951 (NB: this date changes annually). This is known as a 'Winter Fuel Payment' and the payments are made automatically between November and December each year.

4.7 Cold Weather Payments

- 4.7.1 Older persons receiving certain benefits may also be entitled to a Cold Weather Payment. These payments will be made when the local temperature is either recorded as, or forecast to be, an average of zero degrees Celsius or below, over 7 consecutive days. A payment of £25.00 for each 7-day period of very cold weather is paid between 1st November and 31st March. The Department for Work and Pensions has been notified of 2 periods of very cold weather in most parts of South East Wales between 1st November 2012 and the current date and payments will be made to people who qualify within fourteen days of the very cold weather being identified.
- 4.7.2 It should be noted that both winter fuel payments and cold weather payments are paid directly to tenants irrespective of where they live. These payments do not generate any additional income to the Authority for sheltered housing tenants paying the standard weekly charge to offset the shortfall in these costs currently met by the Housing Revenue Account.

4.8 Utilities – Upward Trend in Fuel Costs

- 4.8.1 Members will be aware of the significant increases in utility charges over recent years. Gas costs increased by 47% between April 2004 and April 2012, and electricity costs increased by 21% between October 2010 and October 2011. Utility suppliers are suggesting a further increase from January 2013 of around 8.8% for gas and 9.1% for electricity. Since October 2009/2010 the standard charge has increased by 19.8% so those tenants have not had the full impact of the utility increases passed on to them, unlike the majority of tenants who pay their own bills.

4.8.2 Information from the Council's Energy and Water Conservation Officer confirms the significant increase in costs and inflation to date as well as the upward trend in fuel costs between 2011 and 2020.

4.9 PROPOSALS

4.9.1 In order to address any further shortfalls and to ensure a consistent and fair approach to all tenants, an Equalities Impact Assessment has been undertaken to ensure that the following principles put forward for consideration meet the requirements of the Council's Equalities policy prior to the implementation of any changes. If this approach is agreed, the following principles could be adopted:

1. In schemes where one gas and electric meter supplies the whole scheme (Type 1 – paragraph 4.2.2 and Type 4 – 4.2.5 refers), the actual usage for each scheme be charged retrospectively based on the previous year's charge.
2. In schemes where tenants have their own gas and electricity meters installed (Type 2 – paragraph 4.2.3) and currently pay a standard weekly charge, they should pay their own bills directly to the gas and electricity utilities providers. The council would offer support to those tenants who may have difficulty in administering this process.
3. In schemes where tenants have their own gas and electricity meters installed (Type 3 – paragraph 4.2.4 and Type 4 - 4.2.5 refers) and currently pay their own bills directly to the gas and electricity utilities providers, this arrangement should continue.
4. In schemes where tenants have their own electricity meters installed but where there is a single gas meter (Type 5 - 4.2.6 refers), they should pay their own bills directly to the electricity utility provider and be charged retrospectively for gas based on the previous year's charge.
5. All tenants should continue to contribute towards the cost of electricity and gas consumption in communal areas within their service charge. The amount payable may fluctuate each year depending on consumption and price increases. As promised in the sheltered housing review, the Housing Department is working towards the provision of a complete breakdown of costs included in the service charge. When this is available, it will include details of the contribution payable towards gas and electricity costs for communal areas each year.
6. Tenants should be fully consulted before any changes are introduced.

4.9.2 A feasibility study should also be undertaken to supply gas/electric meters to those schemes that could accommodate them. If the costs are acceptable, funding could be identified to cover this work and a phased approach could be considered.

4.10 Energy Efficiency Options

4.10.1 To mitigate against any increased costs that sheltered housing tenants may face as a consequence of this review, the Council will undertake an assessment to establish energy efficiency options including the availability of grant funding to reduce the consumption at our sheltered housing schemes. Such works would include loft insulation upgrades, cavity wall insulation, voltage optimisers, solar panels, new energy efficient boilers, energy advice and renewable energy technology. To date, 22 schemes have had cavity wall insulation and 18 schemes have had loft insulation of between 200 – 250 mm fitted. The remaining schemes will be prioritized for loft insulation and an assessment of their suitability for cavity wall insulation.

5. EQUALITIES IMPLICATIONS

- 5.1 Caerphilly County Borough Council is opposed to discrimination in any form and aims to ensure that all sections of the community have access to and benefit from the full range of services it provides.
- 5.2 The current arrangements for the payment of gas and electricity in our sheltered housing schemes require review to ensure consistency and fairness for all sheltered housing tenants regardless of their individual or family backgrounds.
- 5.3 In particular, we know that older people's health is particularly at risk during cold weather and we need to ensure that we do not discriminate between older people living in sheltered housing and older people living in non sheltered designated older persons housing or general needs accommodation.
- 5.4 Older people living in non-sheltered housing may be struggling to pay for their heating and lighting but apart from the Winter Fuel Payment and Cold Weather Payment, they have to meet the actual costs of the gas and electricity used. However, older persons in sheltered housing accommodation who pay the standard weekly charge for utilities also receive the Winter Fuel Payment and Cold Weather Payment although these payments are not used to offset the energy costs. In addition, because of the shortfall in income for utilities, their costs are being subsidised by all council tenants including those older people who may be facing hardship in meeting those costs.

6. FINANCIAL IMPLICATIONS

- 6.1 The 12% increase in utility charges for 2013/14 will generate additional income of £9.2K but this will be passported directly to the utility providers. Although this reduces the shortfall at the present time, the HRA is still under recovering these costs and this under recovery will increase as gas and electricity costs continue to rise. If new arrangements are agreed, there would be no shortfall in income collected and payments made to gas and electricity suppliers and no expectation that the majority of tenants would continue to subsidise sheltered housing tenants in the future.
- 6.2 If tenants in single metered schemes (Type 1) are required to pay the actual costs retrospectively each year, based on the financial information available for 2011/2012, the actual cost varies between £12.00 and £22.00 per week over a 48-week period per scheme.
- 6.3 In one scheme only the actual cost would be £36.00 per week based on costs for the 2011/2012 financial year. This is significantly higher than in any other scheme of similar size and number of units and the Housing Department has therefore made a commitment to carry out an immediate investigation at this scheme with the utilities providers.
- 6.4 Although the costs vary considerably depending on the size of individual schemes, the Housing Department would prefer to introduce a retrospective average charge across all single metered schemes to ensure all tenants within these schemes share any increase equally. Based on the financial year 2011/2012, this would equate to an average weekly cost of £17.83 per scheme.

7. PERSONNEL IMPLICATIONS

- 7.1 This report has no direct personnel implications.

8. LEGAL IMPLICATIONS

- 8.1 Prior to any changes being made, advice should be sought from Legal Services and tenants may have to be served with a notice of variation to their tenancy agreement

9. CONSULTATIONS

9.1 Consultation has taken place with Officers listed as consultees.

10. RECOMMENDATIONS

10.1 Members of the Caerphilly Homes Task Group consider the contents of the report and recommend to the Housing Cabinet Sub-Committee that:

10.2 The principles proposed in paragraph 4.9 as set out below be adopted at the earliest opportunity subject to full consultation with sheltered housing tenants.

1. In schemes where one gas and electric meter supplies the whole scheme (Type 1 – paragraph 4.2.2 and Type 4 – 4.2.5 refers), that the actual usage for each scheme be charged retrospectively based on the previous year's charge.
2. In schemes where tenants have their own gas and electricity meters installed (Type 2 – paragraph 4.2.3) and currently pay a standard weekly charge, they should pay their own bills directly to the gas and electricity utilities providers. The council would offer support to those tenants who may have difficulty in administering this process.
3. In schemes where tenants have their own gas and electricity meters installed (Type 3 – paragraph 4.2.4 and Type 4 - 4.2.5 refers) and currently pay their own bills directly to the gas and electricity utilities providers, this arrangement should continue.
4. In schemes where tenants have their own electricity meters installed but where there is a single gas meter (Type 5 - 4.2.6 refers), they should pay their own bills directly to the electricity utility provider and be charged retrospectively for gas based on the previous year's charge.
5. All tenants should continue to contribute towards the cost of electricity and gas consumption in communal areas within their service charge. The amount payable may fluctuate each year depending on consumption and price increases. As promised in the sheltered housing review, the Housing Department is working towards the provision of a complete breakdown of costs included in the service charge and when this is available, it will include details of the contribution payable towards gas and electricity costs for communal areas each year.

10.3 Subject to confirmation from Legal Services, tenants be served with a variation to their tenancy immediately prior to any changes being introduced.

10.4 A full investigation be undertaken in relation to the higher than average utilities costs in one sheltered housing scheme to identify the reasons for the costs being significantly higher than in schemes of a similar size and similar number of units.

11. REASONS FOR THE RECOMMENDATIONS

11.1 The Council made a commitment within the formal offer document to tenants to undertake a full review of the sheltered housing service with the aim of ensuring a consistent and fair approach. This included a review of the current arrangements for the payments of utility charges.

11.2 The recommendations above would ensure that tenants are responsible for covering the actual cost of the energy they use instead of a proportion of these costs being subsidised within the HRA.

11.3 In view of the significant increases in utilities charges over recent year and in the knowledge that the charges are likely to continue to increase in future years, it is essential for the Council to attempt to fully recover these charges. Furthermore, it will resolve the differential approach existing across all the sheltered housing schemes and other older tenants who currently pay their own bills and who have to fund any increases themselves.

12. STATUTORY POWER

12.1 Housing Acts and Local Government Acts. This is a Cabinet Sub-Committee function.

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Consultees:

Shaun Couzens	-	Chief Housing Officer
Graham North	-	Public Sector Housing Manager
Councillor Gerald Jones	-	Deputy Leader and Cabinet Member (Housing)
Nigel Barnett	-	Deputy Chief Executive
Lesley Allen	-	Principal Accountant
David A Thomas	-	Senior Policy Officer (Equalities and Welsh Language)
John Rogers	-	Principal Solicitor
Sandra Isaacs	-	Senior Rents Officer
Mandy Betts	-	Housing Strategy Manager
Gail Taylor	-	Tenant Participation Officer
Helene Day	-	Sheltered Housing Manager
Older Persons Housing Group		

Appendices:
Appendix 1 Schedule Of Sheltered Housing Schemes By Category