

Report to the Cabinet

Report reference: C-018-2010/11

Date of meeting: 19 July 2010



**Epping Forest
District Council**

Portfolio: Housing

Subject: Reduction of Heating Charges - Ninefields, Waltham Abbey

Responsible Officer: Sandy Lindsay (01992 564035)

Democratic Services Officer: Gary Woodhall (01992 564470)

Recommendations/Decisions Required:

(1) That the heating charge in respect of 216 one-bedroom properties at Ninefields, Waltham Abbey be reduced from £22.19 per week for 2010/11 to the amount charged in 2009/10 of £16.69 per week until new, individual boilers can be installed; and,

(2) That the Council be requested to approve a supplementary estimate of £57,000 to fund the cost of the reduction in 2010/11.

Executive Summary:

The heating systems in many of the Council-owned blocks of flats on the Ninefields Estate still date from the 1960's and have now become costly to run. As a result, in 2010/11 the Council has had to make a £22.19 per week heating charge to tenants and leaseholders just to cover costs, a charge that is clearly disproportionate for a one-bedroom flat.

The Council is undertaking a programme of work to replace the boilers in the 216 affected properties but this work will not be fully completed until 2011/12. Until each occupier has their new system installed they will have to continue to pay these high charges. It is considered that it would be reasonable to reduce the charge to £16.69 a week, the amount paid by tenants and leaseholders in 2009/10, until they each have their own boiler installed. The cost of making this reduction is estimated as being £57,000.

Officers have tried to find this funding from potential shortfalls in existing budgets but at this relatively early point in the financial year, this has not been possible. Members are being asked, therefore, to agree that a request for a supplementary estimate of £57,000 be made to Council.

Reasons for Proposed Decision:

The current heating charge of £22.19 per week, per property, is disproportionate and excessive in comparison to heating charges for similar sized, and even larger properties. The Council will shortly be starting a programme of work to replace the boilers in all of the 216 properties affected, but it will not be possible to complete this work until 2011/12. In order to compensate tenants and leaseholders for having had to pay these high costs since April 2010, it is proposed to reduce the charge to the amount charged in 2009/10 of £16.69 per week until such time as each resident has a new heating system installed.

Other Options for Action:

The option not to reduce the charges has been discounted as it is inappropriate to charge £22.19 per week for a one bedroom property.

The option to reduce the charges by an alternative amount has also been discounted as it is considered more appropriate to reduce the charge to the same level as last year, rather than setting an arbitrary reduction.

Report:

1. Some of the blocks of flats on the Ninefields Estate in Waltham Abbey have communal gas heating systems that were installed when the buildings were first constructed around 1965. The heating systems in the individual flats are supplied from centrally-located, communal boilers that serve each block of four properties. As you would expect from a heating system of this age, the boilers, radiators and supply pipe work are nearing the end of their lifespan and have become uneconomical to maintain and costly to use. In addition to this, the residents of the individual flats are not able to control their own heating systems, and therefore their own heating costs, as these are controlled centrally from the boiler.

2. Tenants pay the heating charge with their fortnightly rent. Leaseholders are recharged an estimated monthly amount and then the actual costs are calculated at the end of each year. Occupants are notified of the charges for the forthcoming year by letter at the start of each financial year. These are calculated from the previous year's costs adjusted by any overpayment or shortfall that may have arisen. In respect of the 216 one bedroom properties at Ninefields, Waltham Abbey, there was a shortfall estimated at £63,000 in 2009/10 which had to be included in this year's charges. As a result, the weekly charge for 2010/11 was set at £22.19, an increase of £5.50 per week over the previous year.

3. When the notification letters were sent out there were numerous enquiries and complaints, both from residents and Members, about the level of the heating charge. As a result of this, and as already planned, the Council undertook a feasibility study into a number of options for future provision and this included a consultation with all the tenants and leaseholders concerned to determine their preferences. 52% of the residents completed and returned the consultation questionnaire before the deadline.

4. Four options were consulted on and the results were as follows:

Type of System	Heating and Hot Water	Percentage of residents in favour
Option 1 Power flush the system and upgrade the heating controls	To include both	3%
Option 2 Convert the existing system to put control into each property	To include both	3%
Option 3 Installation of individual	To include both	82%

Option 4 Replacement of the existing heating communal system	To include both	12%
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5. The results from consultation exercise suggested that the residents were strongly in favour of having their own heating system, allowing them to control their own heating and, therefore, costs. This would have the added benefit that the Council would no longer need to collect the heating charge.

6. Although the residents are aware that the Council has acted promptly to try and resolve these issues and that they will benefit from the new arrangements, the financial benefits will not be immediate for all the tenants and leaseholders. Those tenants and leaseholders who are not included at the start of the programme will not be able to control their own heating system, and therefore benefit from the lower costs, until possibly the start of the next financial year. Tenants will still have to pay £22.19 per week and leaseholders their share of the actual account at year end. Therefore, it seems inappropriate to expect them to pay for an uneconomical system, compared to average heating costs for a one bedroom property.

7. As a short term measure and as a gesture of goodwill, it would seem reasonable to reduce the costs for this financial year and the start of next financial year, where appropriate, up to the time that the individual boilers are up and running.

8. A timetable has been drawn up for the installation of the individual boilers in each of the blocks. However, there has been a delay to the original timescale due to the fact that each property in the different blocks has to have a meter fitted first. Until everyone in the same block has been fitted with this meter, therefore, the installation of the individual boilers cannot take place in accordance with the original timetable. It is proving extremely difficult to get access to all the properties at the same time. The timing for fitting the meters in the various blocks will determine when the individual boilers are installed and this may not necessarily be the order of the provisional timetable. Therefore, as it is difficult to estimate which properties will benefit from the installation of the new boilers first, the estimated cost of the loss of income as a result of reducing the charges from April 2010 can only be based on the original timetable at this point in time.

9. Based on the original timetable the estimated cost to reduce the charge from £22.19 to £16.69 per week for each property from the start of the current financial year until the new systems are running is estimated at £57,000 over the period of implementation in 2010/11 and early 2011/12. If the costs are reduced, the tenant and leaseholders' accounts can be credited, backdated to the start of the financial year. This will apply to 175 tenants and 41 leaseholders making a total of 216 properties.

10. Consideration has been given to whether the reduction in charge could be funded from an underspend on other budgets. However, as it is still relatively early in the current financial year, this has not been possible. For this reason Members are asked to agree that a request be made to the Council for a supplementary estimate of £57,000 to fund the reduction, which would be funded from HRA balances. Once the work is underway it will be apparent whether there will be further slippage that might result in £57,000 being an insufficient amount to fund the shortfall. Should this be the case, an adjustment will be made in budget setting for 2011/12 accordingly.

Resource Implications:

An estimated loss of income totalling £57,000 is anticipated.

Legal and Governance Implications:

Housing Act 1985 and Commonhold and Leasehold Reform Act 2002

Safer, Cleaner and Greener Implications:

Installation of new boilers will be more energy efficient and produce less CO₂.

Consultation Undertaken:

All 216 residents were consulted and 52% responded within the deadline set.

All Ward Members for the blocks affected were consulted on this report, and their views were as follows:

Cllr Wyatt expressed a concern that the gas company might start reading the new individual meters as soon as they are installed. As, for some flats, this might be before all of the flats in the block have been 'converted', there might then be the risk that some occupiers might be charged for their supply as indicated by their own meter and also receive an apportioned charge as indicated by the communal meter.

Officers have assured Cllr Wyatt that this will not happen as heating charges will be removed from tenants and leaseholders accounts as soon as their own boiler has been installed.

Background Papers:

Letters from residents.

Impact Assessments:

Risk Management

Risk of not being able to collect the costs on the individual residents' ability to pay.

There is a risk of adverse publicity, since the costs are very high, albeit based on gas consumption measured at the meter.

Equality and Diversity

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties; reveal any potentially adverse equality implications? Yes

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken? No

What equality implications were identified through the Equality Impact Assessment process?

An equality issue has been identified as not all tenants and leaseholders in the 216 properties affected will benefit immediately from the replacement programme. Those tenants and leaseholders who are not included at the start of the programme will not benefit from the economic benefits of being able to control their own heating system until later this year, or the start of next year. The proposal that all the residents in the properties affected should benefit from the reduced heating charge from the beginning of the current financial year, 2010/11, will compensate for this inequality.

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?

In order to be fair to everyone it would seem appropriate to reduce the charges for this financial year to the same level as last financial year. Those tenants and leaseholders who remain on the communal system the longest will benefit more from the reduction in costs than those tenants and leaseholders who are at the start of the replacement programme.