

Cabinet Addendum Sheet

20 April 2023

Classification: Public



ITEM 8 - MONTHLY BUDGET MONITORING REPORT

Additional recommendation:

2(d) – Approve a reduction in the 2023/24 uplift in service charges for district heating schemes and gas supplies from 213% to 123% with effect from 3 April 2023 to passport the benefit of lower gas prices through to tenants and leaseholders.

Supporting information

Recommendation 2(d) seeks approval to amend service charges relating to district heating and gas supplies for tenants and leaseholders, passporting the benefit of the Council securing lower than anticipated prices on gas supplies for the 2023/24 year. This will reduce the service charges payable by circa. 1,000 tenants accessing these shared services across the Uxbridge Town Centre, Hayes Town Centre and Peter Fagan House estates, and 22 sheltered housing schemes.

Service charges are set in February of each year as part of the Council's overall budget ahead of the start of the new financial year, with the level of charges being determined by the projected costs of delivering the relevant services to tenants and leaseholders – ensuring that such services are not subsidised from general rental income or vice versa. In the case of shared gas supplies and district heating schemes, these costs are ultimately driven by the cost at which the Council is able to purchase gas.

With geopolitical events driving significant increases and volatility in gas prices, the Council has continued to adopt an approach of forward purchasing energy through its corporate contracts which provides a mechanism for fixing prices in such uncertain times. For both the 2022/23 and 2023/24 financial years, this process of forward purchasing was completed after the setting of budgets and, therefore, service charges were set on the basis of estimated prices.

For the 2022/23 financial year, service charges effective from the 4 April 2022 were uprated by 67.5% while sharp increases in gas prices during March 2022 resulted in the price paid by the Council increasing by 128.1%. During 2022/23, service charges were held at the lower level, with the higher cost of gas purchased being borne by the Council's Housing Revenue Account and therefore effectively subsidised by other tenants to a value of circa £500k.

The Council is prohibited by legislation from recovering the previous year's subsidy, therefore it was necessary in the 2023/24 financial year, to propose an increase of 213% with effect from 3 April 2023 to catch up with the higher than anticipated increase in costs, and in anticipation of further

increases in the new year. Having now locked in gas prices for the 2023/24 financial year at a lower rate than previously anticipated, the Council is able to step down the expected increase to 123% while eliminating the £500k subsidy from other tenants.

In order to passport these lower than anticipated costs through to tenants and leaseholders as soon as possible, recommendation 2(d) seeks authority to make the necessary amendments to service charges in place from 3 April 2023. Should Cabinet agree this, officers will make the resulting changes to service charge accounts and notify tenants and leaseholders directly of the lower charges.

The table below sets out the specific service charges to be amended by recommendation 2(d):

	2022/23 Charge	Previous Approved 2023/24 Charge	Previously Approved Uplift	Proposed 2023/24 Charge	Proposed Uplift	Proposed Reduction
Sheltered Heating - Communal Element (per week)	£6.26	£19.59	213%	£13.96	123%	-£5.63
Sheltered Heating - Property Element (Bedsit) (per week)	£9.80	£30.67	213%	£21.85	123%	-£8.82
Sheltered Heating - Property Element (One Bedroom) (per week)	£14.78	£46.26	213%	£32.96	123%	-£13.30
Sheltered Heating - Property Element (Two or More Bedrooms) (per week)	£16.90	£52.90	213%	£37.69	123%	-£15.21
District Heating - Communal Element (minimum) (per week)	£2.39	£7.48	213%	£5.33	123%	-£2.15
District Heating - Communal Element (maximum) (per week)	£7.57	£23.69	213%	£16.88	123%	-£6.81
District Heating - Property Element (minimum) (per week)	£10.82	£33.87	213%	£24.13	123%	-£9.74
District Heating - Property Element (maximum) (per week)	£26.14	£82.82	217%	£58.29	123%	-£24.53
Aged Person Heat-Aged Persons Central Heat (per week)	£11.45	£35.84	213%	£25.53	123%	-£10.31
Chapel lane Gas (per week)	£1.22	£3.82	213%	£2.72	123%	-£1.10
Colley Hse Heat-Colley House Heat Charge Bedsit (per week)	£9.60	£30.05	213%	£21.41	123%	-£8.64
Colley Hse Heat-Colley House Heat Charge 2Bed (per week)	£11.19	£35.02	213%	£24.95	123%	-£10.07