

Report To: Policy and Resources Committee **Date:** 22 September 2009
Report By: Chief Financial Officer **Report No:** FIN/49/09/AP/CF
Contact Officer: Jan Buchanan **Contact No:** 01475 712225
Subject: Heat with Rent Balance

1.0 PURPOSE

- 1.1 The purpose of this report is to request that Committee approve the recommendation to transfer the Heat with Rent balance to the Strategic Housing Reserve.

2.0 SUMMARY

- 2.1 Prior to Inverclyde Council transferring the Housing Stock to River Clyde Homes certain tenants and owners were able to participate in the Heat with Rent scheme allowing them to pay their gas or electricity as part of their rent.
- 2.2 The Council negotiated the contracts with the utility companies and administered the scheme. The HRA made an annual contribution to the scheme to cover infrastructure costs whilst utility costs were met by tenants/owners.
- 2.3 The Council has now settled all the outstanding liabilities with the utility companies and there remains a credit in the Heat with Rent account of around £560,000.
- 2.4 As the HRA contributed significantly to the credit balance by subsidising the cost of the scheme for many years the most appropriate treatment of this balance is to transfer it to the Strategic Housing Reserve.

3.0 RECOMMENDATION

- 3.1 It is requested that Committee approve the recommendation to transfer the balance to the Strategic Housing Reserve.

4.0 BACKGROUND

- 4.1 Prior to Inverclyde Council transferring the Housing Stock to River Clyde Homes certain tenants and owners were able to participate in the Heat with Rent scheme allowing them to pay their gas or electricity as part of their rent. This scheme had almost 4000 participants. Tenants who subsequently bought their house were allowed to remain in the scheme.
- 4.2 The Council negotiated contracts with the utility companies and administered the scheme on behalf of the tenants. The HRA made an annual contribution to the scheme by paying all infrastructure and non utility consumption costs. All contracts were with the Council, not the participants whilst billing, collection of debts and paying invoices was carried out by the Council on behalf of the participants. No recharges were made to the fund to cover the administration costs. All liabilities at 3 December 2007 were Council liabilities. During negotiations with River Clyde Homes it was agreed that all outstanding debts on tenant's accounts prior to stock transfer would be met from the account. No liability or asset for the Heat with Rent Scheme was transferred to River Clyde Homes.
- 4.3 The Council has now settled all the outstanding liabilities with the utility companies and recovered or fully provided from the account any debit balances on participants accounts. The Heat with Rent Account currently has a balance of around £560,000.
- 4.4 The HRA contributed to the credit balance and had the HWR balance been a deficit the Strategic Housing Reserve would have been used to pay the liability to the utility companies. The risks and administration of the scheme were funded by the HRA whilst the levels paid by the participants were appropriate to the bills levied by the utility companies. The Housing Revenue Account's contribution to the scheme was in excess of what was required and therefore it is appropriate that this balance be returned to the Housing Revenue Account Balance which is now ring-fenced under the Strategic Housing Reserve.
- 4.5 Officers considered other options including transferring the credit balance to River Clyde Homes however this balance was accrued prior to RCH being a formed and no liability was transferred to them at stock transfer this option was deemed inappropriate. Another option was to return the balance to the participants of the scheme however it would be very difficult to identify the participants at 3 December 2007. The surplus balance is due to the considerable subsidy provided by the HRA since 2002 it would not be equitable therefore that only a small number of the tenants/owners should benefit from any credit balances paid for by all tenants.

5.0 IMPLICATIONS

5.1 Legal
None

5.2 Financial Implications – One off Impact

Cost Centre	Budget Heading	Budget Year	Proposed Spend this Report	Virement From	Other Comments
Balance Sheet	Creditors	2009/10	£(560,000)	-	Decrease in balance
Earmarked Reserves	Strategic Housing Reserve	2009/10	£560,000	-	Increase in balance

5.3 Human Resources
None.

5.4 Equalities
None.

6.0 CONSULTATIONS

6.1 CMT have been fully consulted and approve this recommendation.

7.0 LIST OF BACKGROUND PAPERS

7.1 None.