

CABINET

Date of Meeting	Tuesday, 20 th June 2023
Report Subject	Communal Heating Charges 2023/24
Cabinet Member	Cabinet Member for Housing and Regeneration
Report Author	Chief Officer (Housing and Communities)
Type of Report	Operational

EXECUTIVE SUMMARY

The Housing and Communities portfolio currently operates eight communal heating schemes within Flintshire, with 417 properties on communal heating systems. The Council has recently renegotiated the fuel tariff to be charged for 2023/24 as the previous contract ended in March 2023. The rate chargeable for gas is increasing by approximately 420% for the next 12 months. To date, communal tenants have benefitted from the Council's Industrial and Commercial Contract rate and have been protected from the energy price increases which our other social tenants have been impacted by. However, this increase in the tariff will now also impact on those tenants who live in the properties on the communal heating systems. When notifying tenants of their communal heating charges for 2022/23 notice was given of the likely increase in charges in 2023/24 to reflect global energy costs.

New communal heating charges are based on the prior year's energy use which ensures an accurate assessment of costs and impacts on the heating reserve account. In order to recover the projected heating charges in full we will need to increase communal heating charges in line with our tariff increases.

The proposed recharges for 2023/24 are set out within this report.

RECOMMENDATIONS

1	That Cabinet approve the proposed changes to the current heating charges at council properties with communal heating schemes, as outlined in the report. All changes to take effect from 31 st July 2023.
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REPORT DETAILS

1.00	EXPLAINING THE COMMUNAL HEATING RECHARGES
1.01	<p>The Housing and Communities portfolio currently operates eight communal heating schemes within Flintshire, with 417 properties on communal heating systems. Tenants are recharged based on the Council's Industrial and Commercial Contract rate which has recently been renegotiated by the Council as the previous contract ended in March 2023. The tariff for gas has increased by approximately 420% for the next 12 months.</p>
1.02	<p>The cost of fuel used within these communal heating schemes is paid for initially by the Authority through a heating reserve account and then collected from tenants in addition to their weekly rent.</p>
1.03	<p>Each year the new communal heating charges are calculated based on the previous year's energy use which enables us to project the costs and impacts (negative or positive) on the heating reserve account.</p>
1.04	<p>Any proposed changes to charges are intended to ensure that each communal heating scheme recovers the full energy cost charged in respect of each scheme.</p>
1.05	<p>Currently, the Council charges tenants for the energy consumed within each block. This is a basic flat rate charge irrespective of individual usage. The method of applying tenants heating charges is to apply uplifts or decreases to tenants each year, based on previous year's usage plus energy rate costs.</p>
1.06	<p><u>2020/21</u></p> <p>In April 2020, the energy rates decreased by an average of 14% and in some properties, the energy usage fluctuated against the estimated usage used to calculate 2020/21 charges.</p> <p>The majority of tenants saw a reduction in their Communal Heating charges in 2020/21. However, at the properties which saw an increase in energy usage, this resulted in a small deficit on the heating reserve at the end of 2020/21. This was recovered through the 2021/22 charges.</p>
1.07	<p><u>2021/22</u></p> <p>In 2021/22 on average, the total energy usage reduced slightly across our Communal Heating schemes and there was a further reduction in costs of 14%. This resulted in a small surplus on the heating reserve in the majority of our properties.</p>
1.08	<p><u>2022/23</u></p> <p>In 2022/23, the total energy usage reduced slightly in the majority of our Communal Heating schemes and the rate per kWh remained the same as the previous year. This resulted in a small surplus on the heating reserve</p>

in all but one of our properties, which will be factored into the 2023/24 recharge calculations.

Tenants at these properties were eligible to apply for the Energy Bills Support Scheme (£400 for winter 2022/23) if they had not already received the support on another of their utility bills.

1.09

2023/24

If we continued to calculate the charge in the same way as previous years, tenants who are on the Communal Heating systems would be subject to increases of up to 515% for 2023/24, based on the newly agreed gas tariff of £0.095 per kWh.

This is higher than the overall tariff increase of 420% as the revised communal charges come into effect for tenants from 31st July 2023 and therefore the Council needs to recover the full year price change over 8 months in order to recover the heating costs in full. The charges would be as follows:

Communal Area		Weekly Charge 2022/23	Increase/ (Decrease) 2023/24	Revised Weekly Charge 2023/24
Bolingbroke Heights, Flint	1 Bed	£ 3.75	£ 18.45	£ 22.20
	2 Bed	£ 4.50	£ 22.14	£ 26.64
Richard Heights	1 Bed	£ 3.75	£ 18.45	£ 22.20
	2 Bed	£ 4.50	£ 22.14	£ 26.64
Castle Heights, Flint	1 Bed	£ 4.20	£ 19.70	£ 23.90
	2 Bed	£ 5.04	£ 23.64	£ 28.68
Llwyn Beuno, Holywell	1 Bed	£ 7.10	£ 34.40	£ 41.50
	2 Bed	£ 8.52	£ 41.28	£ 49.80
Llwyn Aled, Holywell	1 Bed	£ 7.80	£ 37.10	£ 44.90
	2 Bed	£ 9.36	£ 44.52	£ 53.88
Acacia Close, Mold	1 Bed	£ 7.10	£ 32.70	£ 39.80
	2 Bed	£ 8.52	£ 39.24	£ 47.76
	3 Bed	£ 9.59	£ 44.15	£ 53.73
Glan-y-Morfa Court1, Connahs Quay	1 Bed	£ 8.10	£ 16.60	£ 24.70
	2 Bed	£ 9.72	£ 19.92	£ 29.64
Glan-y-Morfa Court2, Connahs Quay	1 Bed	£ 5.65	£ 26.85	£ 32.50
Chapel Court, Connahs Quay	1 Bed	£ 6.20	£ 31.90	£ 38.10
	2 Bed	£ 7.68	£ 38.04	£ 45.72

Based on the increasing tariff and the requirement to recover any deficit, we have further considered how to calculate the 2023/24 communal heating charges, to minimise the increases to tenants. The proposal is set out below:

- Currently the recharge to tenants recovers the full cost of heating the buildings at the Heat Network sites. Flintshire County Council have made a provision of £0.090m in the 2023/24 budget to allow for tenants to be billed based on individual usage once the correct infrastructure has been installed. This will result in a “shortfall” on the heating reserve account, which is effectively the cost of the energy used to heat communal areas.

- For 2023/24, we have the option to reduce the amount charged to tenants on the communal heating scheme by an estimated percentage, based on the “heat loss” in communal areas, as follows:

Site Address	Heat Loss (%)
Acacia Close, Mold	30%
Bolingbroke & Richard Heights, Flint	20%
Castle Heights, Flint	25%
Chapel Court, Connahs Quay	30%
Glan Y Morfa Court, Connahs Quay	20%
Llwyn Aled, Holywell	30%
Llwyn Bueno, Holywell	30%

- In addition to this, it is proposed that we “annualise” the charge to tenants (i.e., calculate the weekly cost for the full year, excluding the shortfall that is building up between 1st April and 30th July 2023 due to the 2022/23 recharge rates being applied in this period). This would mean that there would be a deficit remaining on the heating reserve of approximately £0.080m at the end of 2023/24 (estimated based on the assumptions applied on usage etc), which would need to be recovered in future years as utilities prices recover and stabilise.

The table below sets out the heating charges for 2023/24 based on these proposals.

Communal Area		Weekly Charge 2022/23	Increase/ (Decrease) 2023/24	Revised Weekly Charge 2023/24
Bolingbroke Heights, Flint	1 Bed	£ 3.75	£ 8.90	£ 12.65
	2 Bed	£ 4.50	£ 10.68	£ 15.18
Richard Heights	1 Bed	£ 3.75	£ 8.90	£ 12.65
	2 Bed	£ 4.50	£ 10.68	£ 15.18
Castle Heights, Flint	1 Bed	£ 4.20	£ 8.70	£ 12.90
	2 Bed	£ 5.04	£ 10.44	£ 15.48
Llwyn Beuno, Holywell	1 Bed	£ 7.10	£ 13.70	£ 20.80
	2 Bed	£ 8.52	£ 16.44	£ 24.96
Llwyn Aled, Holywell	1 Bed	£ 7.80	£ 14.45	£ 22.25
	2 Bed	£ 9.36	£ 17.34	£ 26.70
Acacia Close, Mold	1 Bed	£ 7.10	£ 12.80	£ 19.90
	2 Bed	£ 8.52	£ 15.36	£ 23.88
	3 Bed	£ 9.59	£ 17.28	£ 26.87
Glan-y-Morfa Court1, Connahs Quay	1 Bed	£ 8.10	£ 10.90	£ 19.00
	2 Bed	£ 9.72	£ 13.08	£ 22.80
Glan-y-Morfa Court2, Connahs Quay	1 Bed	£ 5.65	£ 12.55	£ 18.20
Chapel Court, Connahs Quay	1 Bed	£ 6.20	£ 12.65	£ 18.85
	2 Bed	£ 7.68	£ 14.94	£ 22.62

Based on the proposal, the average increase to tenants is 197%. In monetary terms, the maximum weekly charge is £26.87 for a 3 bedroom

	<p>flat in Acacia Close (which would equate to £112 per calendar month; £1,343 per annum).</p> <p>This proposal would be at a cost of £0.112m to the HRA for 2023/24, against a budget of £0.090m.</p>
1.10	<p>The proposed costs are still subject to change as the commercial tariff for 2023/24 has only very recently been agreed and Flintshire County Council may be eligible to apply for the Energy Bills Discount Scheme – any discounts would also be passed on to tenants on the Heat Networks.</p> <p>The energy contracts are only on 12-month contracts currently due to the volatility of the markets.</p>
1.11	<p>Going forward, we are required to bill tenants for actual usage rather than a proportional charge due to triggering the requirements of The Heat Network (Metering and Billing) Regulations 2014. The infrastructure to enable this will be put into place during 2023/24 to allow this to happen from 2024/25 onwards.</p> <p>Based on this, it may prove difficult to recover any deficit remaining on the heating reserve and this will need to be considered when looking at the 2024/25 recharges.</p>

2.00	RESOURCE IMPLICATIONS
2.01	As identified above.

3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT
3.01	Tenants cannot claim Housing Benefit for the cost of domestic heating.
3.02	Estimates have been based on energy usage during 2022/23. A severe winter could lead to higher costs which may lead to an increased charge during 2024/25.
3.03	Tenants have previously benefitted from preferential rates due to the Council having secured a low fixed rate for fuel up to March 2023. Due to the recent energy price increases, it is likely that tenants will be liable for much higher energy costs which could impact individuals' ability to pay.
3.04	<p>Tenants on the heat networks were eligible to apply for the Energy Bills Support Scheme (£400 for winter 2022/23), if they had not already received the support on another of their utility bills.</p> <p>If further support for individuals is identified in 2023/24, where required, tenants will be supported in applying for this financial assistance.</p>

4.00	CONSULTATIONS REQUIRED / CARRIED OUT
4.01	No formal consultation required.

5.00	APPENDICES
5.01	None.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	None.

7.00	CONTACT OFFICER DETAILS
7.01	<p>Contact Officer: Rachael Corbelli, Strategic Finance Manager Telephone: 01352 703363 E-mail: rachael.corbelli@flintshire.gov.uk</p>

8.00	GLOSSARY OF TERMS
8.01	<p>Housing Revenue Account: records all revenue expenditure and income relating to the provision of council dwellings and related services.</p> <p>Tenant: a person who occupies land or property rented from a landlord (in this instance Flintshire County Council).</p> <p>Heating Reserve Account: the account which records all expenditure on communal heating and all income from tenants.</p>