

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY 17TH SEPTEMBER 2013**

REPORT BY: **DIRECTOR OF COMMUNITY SERVICES**

SUBJECT: **COMMUNITY HEATING CHARGES 2013/2014**

1.00 PURPOSE OF REPORT

- 1.01 To outline and seek agreement of Cabinet for the proposed heating charges to the communal HRA properties in 2013/14, the treatment of amounts not recovered and to propose changes to the way the council recovers any deficits or surpluses to the heating account in future years.

2.00 BACKGROUND

- 2.01 Community Services currently operate a number of communal heating schemes. The cost of fuel used within these schemes is paid for by the Authority, and collected from tenants in addition to their weekly rent. The charges and income received are paid into a holding account, and it is anticipated this account should be in a break even position at each financial year end.
- 2.02 At Cabinet in February 2013 it was agreed that proposals for communal heating charges for 2013/14 would be moved to July to enable an accurate picture to be gathered on the previous year's costs and any corresponding surplus or deficit on the heating account. In previous years, the charges have been applied from April.
- 2.03 Communal heating does not have to be increased at the same time as the rent from a legal perspective and nor is a 4 week notice period required. We notified tenants in the rent increase letter that there would be an increase to heating charges in 2013/14 and that we would be writing to them with more detail once we had the final bills for the 2012/13 year.
- 2.04 Any proposed changes to current charges are intended to ensure that each communal heating scheme recovers the full energy cost charged in respect of individual schemes and aims to keep a nil balance on the heating reserve account.
- 2.05 At the 2012/13 budget it was projected that there would be a surplus balance of £110k as at the 31 March 2013, on the communal heating account built up over two years and it was agreed by Executive that this surplus would be redistributed to tenants.

2.06 This was achieved by not applying the 2012/13 heating increase to tenants. Effectively this meant that tenants paid an average of £165 per annum less in 2012/13 than their actual heating bill cost.

2.07 Although this achieved the aim of reimbursing tenants the surplus on the heating account, it also resulted in delaying the increases in heating bills which tenants would have faced in 2012/13 to 2013/14. It is proposed therefore that this current method of reimbursing tenants should change.

3.00 **CONSIDERATIONS**

3.01 The table below sets out two options for heating charge increases for 2013/14, which are based on actual costs to the Council in 2012/13 and estimates for 2013/14.

Communal Area	Current Avg. Weekly Charge	Option 1 Full Increase in year	Estimated weekly charge to fully cover heating costs 13/14	Option 2 Phased Increase	Amended weekly charge proposed for Oct - Mar 13/14
Bolingbroke Heights, Flint	£6.91	2.27	£9.18	£1.70	£8.61
Richard Heights	£6.91	2.27	£9.18	£1.70	£8.61
Earls Lea	£8.24	2.70	£10.94	£2.02	£10.26
Feathers Lea	£8.24	2.70	£10.94	£2.02	£10.26
Hills Lea	£8.24	2.70	£10.94	£2.02	£10.26
Castle Heights, Flint	£8.73	2.27	£10.99	£1.70	£10.43
Mumforth Walk	£9.73	2.52	£12.25	£1.89	£11.62
Swan Walk	£9.82	2.55	£12.37	£1.91	£11.73
Sydney Walk	£9.66	2.51	£12.17	£1.88	£11.54
Rosemary Walk	£9.82	2.55	£12.37	£1.91	£11.73
Perrins Walk	£9.82	2.55	£12.37	£1.91	£11.73
Muspratt Walk	£9.75	2.53	£12.29	£1.90	£11.65
Mount Walk	£9.77	2.54	£12.30	£1.90	£11.67
Duke Walk	£9.29	2.41	£11.70	£1.81	£11.10
Llwyn Beuno, Holywell	£7.94	3.11	£11.05	£2.33	£10.27
Llwyn Aled, Holywell	£8.38	3.84	£12.22	£2.88	£11.26
Panton Place, Holywell	£6.54	4.23	£10.77	£3.17	£9.72
Acacia Close, Mold	£8.85	4.65	£13.50	£3.49	£12.33
Glan-y-Morfa Court, Buckley	£6.01	2.75	£8.76	£2.06	£8.07
Chapel Court, Connahs Quay	£6.16	3.83	£9.99	£2.88	£9.03

3.02 The proposed charges reflect the following annual bills for tenants:-

- 1 bedroom flat £458.31 p.a
- 2 bedroom flat £524.05 p.a

- 3 bedroom flat £590.43 p.a

3.03 The council has obtained data from the North Wales energy advice centre to compare tenants heating charges with the average local private household. This data shows that the average price of a 2 bed flat in similar condition to council stock should expect to pay between £518 and £691 per annum for heating bills, based on current prices. This data shows that although Flintshire tenants in communal properties are seeing large increases in their heating compared to previous years the costs are lower than other tenants who pay their own bills directly to the energy company.

3.04 As discussed earlier the current method of applying tenants heating charges is not the most effective way and it is proposed to apply heating increases to tenant's each year based on previous years usage and energy cost increases/decreases regardless of whether there is a surplus or deficit on the heating account.

3.05 In the event that there is also an under recovery of costs from the previous year then Cabinet will be asked to consider:-

- Whether the tenants should incur in year additional charges to recover these costs.
- Whether the costs should be met through the HRA.

In the event that that there is an over recovery of costs in any year, then it is proposed that these charges are reimbursed to tenants by way of a heating credit on their rent account.

3.06 The increases in this report, if agreed, will take effect from October 2013 and tenants this year will only pay for 6 months of the heating charge increase. This will result in a deficit on the heating account at the end of the year of an estimated £58.5k which it is recommended is covered by the HRA.

3.07 Option 1 proposes implementing the full increase in year and option two spreads the increase over 2 years paying 75% of the increase in year 1 and inflation plus the remaining 25% in year 2. The phasing of these charges over 2 years will mean that the tenants will incur an additional charge of £0.68 (on average), on top of the standard inflationary increase in 2014/15.

3.08 An amendment to previous bills for Castle Heights and the Walks covering heating over the period of 2010/11 and 2011/12 was also received in year to the amount of £77k. As this relates to previous years and recovery is not possible in most cases in the Walks as properties are now vacant, it is proposed that this should not be recharged to tenants but met through the HRA.

4.00 RECOMMENDATIONS

4.01 Cabinet is asked to consider and agree the following:-

- Implementation of Option 2 for heating increases in 2013/14, as

described in this report.

- That the resultant under recovery occurring from the delayed October implementation date is met via the HRA in year.
- That there is no recovery for 2010/11 and 2011/12 for Castle Heights and the Walks in Flint and the costs met from the HRA.
- The proposed changes to the way the council recovers any deficits or surpluses to the heating account in future years.

5.00 FINANCIAL IMPLICATIONS

5.01 As detailed above.

6.00 ANTI POVERTY IMPACT

6.01 Any increase in charges is a concern for residents at the moment. These increases are no greater than those all households have been facing.

7.00 ENVIRONMENTAL IMPACT

7.01 Not applicable.

8.00 EQUALITIES IMPACT

8.01 Not applicable.

9.00 PERSONNEL IMPLICATIONS

9.01 Not applicable.

10.00 CONSULTATION REQUIRED

10.01 Not applicable.

11.00 CONSULTATION UNDERTAKEN

11.01 The Directorate Management Team has been fully consulted and the Cabinet Member for Housing, all of whom support the proposals.

12.00 APPENDICES

12.01 None.

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985 BACKGROUND DOCUMENTS

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