

CABINET

Date of Meeting	Tuesday, 18 th June 2024
Report Subject	Communal Heating Charges 2024/25
Cabinet Member	Cabinet Member for Housing
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 2024/25 as the previous contract ended in March 2024.

The rate chargeable for gas is expected to decrease by approximately 51% over the next 12 months. Communal contract holders are billed based on the Council's Industrial and Commercial Contract rate and although electricity and gas market prices remain two times higher than historic average market prices, the Council contracted gas rates are now reducing from their high point in 2022/23.

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. To recover the projected heating charges in full we will need to align our communal heating charges to ensure full cost recovery.

The proposed recharges for 2024/25 are set out within this report.

RECOMMENDATIONS

1	Cabinet approves the 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 2024.
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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. Contract holders 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 2024. The tariff for gas is expected to reduce by approximately 51% 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 contract holders 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 contract holders for the energy consumed within each block. This is a basic flat rate charge irrespective of individual usage. The method of applying heating charges is to apply uplifts or decreases to contract holders each year, based on previous year's usage plus energy rate costs. Steps are in place to start charging contract holders for their individual usage within the next 12 months.</p>
1.06	<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 most of our properties.</p>
1.07	<p><u>2022/23</u></p> <p>In 2022/23, the total energy usage reduced slightly in most 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 in all but one of our properties, which is factored into the 2023/24 recharge calculations.</p> <p>Contract holders 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.</p>
	<p><u>2023/24</u></p>

For 2023/24, we reduced the amount charged to contract holders on the communal heating scheme, based on the “heat loss estimate” in communal areas as shown below.

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, we ‘annualised’ the charge to contract holders for one year only (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) to be recouped in future years as utility prices stabilised. This was estimated at a £0.080m deficit but due to additional energy support the Council received in 2023/24 this has reduced to £0.029m which will need to be recovered in 2024/25 charges.

1.08

2024/25

If we continued to calculate the charge in the same way as previous years, contract holders who are on the communal heating systems would be subject to reductions of circa 51% for 2024/25, based on the newly agreed gas tariff of £0.057 per kWh and dependant on their prior years usage.

The charges proposed would be as follows:

Communal Area		Weekly Charge 2023/24	Increase/ (Decrease) 2024/25	Revised Weekly Charge 2024/25	% Decrease
Bolingbroke Heights, Flint	1 Bedroom	£ 12.65	-£ 7.70	£ 4.95	-61%
	2 Bedroom	£ 15.18	-£ 9.24	£ 5.94	-61%
Richard Heights	1 Bedroom	£ 12.65	-£ 7.70	£ 4.95	-61%
	2 Bedroom	£ 15.18	-£ 9.24	£ 5.94	-61%
Castle Heights, Flint	1 Bedroom	£ 12.90	-£ 6.40	£ 6.50	-50%
	2 Bedroom	£ 15.48	-£ 7.68	£ 7.80	-50%
Llwyn Beuno, Holywell	1 Bedroom	£ 20.80	-£ 14.30	£ 6.50	-69%
	2 Bedroom	£ 24.96	-£ 17.16	£ 7.80	-69%
Llwyn Aled, Holywell	1 Bedroom	£ 22.25	-£ 17.55	£ 4.70	-79%
	2 Bedroom	£ 26.70	-£ 21.06	£ 5.64	-79%

	Acacia Close, Mold	1 Bedroom	£ 19.90	-£ 15.25	£ 4.65	-77%
		2 Bedroom	£ 23.88	-£ 18.30	£ 5.58	-77%
		3 Bedroom	£ 26.87	-£ 20.59	£ 6.28	-77%
	Glan-y-Morfa Court1, Connahs Quay	1 Bedroom	£ 19.00	-£ 8.70	£ 10.30	-46%
		2 Bedroom	£ 22.80	-£ 10.44	£ 12.36	-46%
	Glan-y-Morfa Court2, Connahs Quay	1 Bedroom	£ 18.20	-£ 7.80	£ 10.40	-43%
	Chapel Court, Connah's Quay	1 Bedroom	£ 18.85	-£ 9.65	£ 9.20	-51%
		2 Bedroom	£ 22.62	-£ 11.58	£ 11.04	-51%

1.09 The energy contract prices are fixed for a 12-month period only due to the volatility of the markets.

1.10 We will be implementing a phased approach in 2024/25 to individual billing for all communal contracts based on actual usage rather than a proportional charge due to triggering the requirements of The Heat Network (Metering and Billing) Regulations.

The Council have commenced with the installation of individual meters to all Council owned dwellings within the HRA, which are served by a communal heating system. This will include linking the new meters to a portal so the Council can accurately provide our contract holders with a statement of their energy usage and bill them accordingly. The Council are also in the process of installing additional heating controls to our contract holders' homes where feasible, so that their heating can be individually controlled and regulated. These works will be completed within the 2024/25 financial year.

In addition, works are also planned to replace any communal heating system that is reaching the end of its life cycle, replacing them with new and more efficient heating systems.

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.

2.00 RESOURCE IMPLICATIONS

2.01 As identified above.

3.00 IMPACT ASSESSMENT AND RISK MANAGEMENT

3.01 Contract holders cannot claim Housing Benefit for the cost of domestic heating.

3.02 Estimates have been based on energy usage during 2023/24. A severe winter could lead to higher costs which may lead to an increased charge during 2024/25.

3.03	Contract holders have previously benefitted from preferential rates due to the Council having secured a low fixed rate for fuel up to March 2023. Due to energy price increases, it is likely that contract holders will be liable for higher energy costs which could impact individuals' ability to pay.
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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	Contact Officer: Rachael Corbelli, Strategic Finance Manager Telephone: 01352 703363 E-mail: rachael.corbelli@flintshire.gov.uk

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>Contract holder: 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 contract holders.</p>