

**Manchester City Council  
Report for Resolution**

**Report To:** Communities and Neighbourhoods Overview and Scrutiny  
Committee – 2 February 2010  
Executive – 10 February 2010

**Subject:** Communal and District Heating Charges 2010 - 2011

**Report of:** Director of Housing and City Treasurer

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**Summary**

To seek approval from Executive to implement the annual change to the price of heat supplied to tenants and residents with shared or communal heating systems.

**Recommendations**

Agree the changes to the weekly heating charge.

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**Wards Affected:**

Ancoats and Clayton (part), Charlestown, Cheetham, Crumpsall, Harpurhey, Higher Blackley and Miles Platting and Newton Heath (part), Moston and Ardwick  
Ardwick

| <b>Community Strategy Spine</b>                         | <b>Summary of the contribution to the strategy</b>   |
|---|--|
| Performance of the economy of the region and sub region | N/A  |
| Reaching full potential in education and employment     | N/A  |
| Individual and collective self esteem – mutual respect  | N/A  |
| Neighbourhoods of Choice                                | A reduction in the cost of the weekly heating charge will help to ensure that tenants can remain in the community. Recent increases in the heating charge have led to a number of tenants defaulting on payments and either abandoning properties with arrears or being subject to legal action. |

**Full details are in the body of the report, along with any implications for:**

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

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**Financial Consequences – Revenue**

Due to the reduction in the costs of gas, which have been negotiated through the Council's contracts, we are able to pass these savings onto tenants who use this gas as part of the communal heating system.

**Financial Consequences – Capital**

There are no direct capital implications as a result of this report.

**Contact Officers:**

Name: Paul Beardmore  
Position: Director of Housing  
Telephone: 0161-234-4811  
E-mail:

Name: Paul Hindle  
Position: Finance Officer, Chief Execs  
Telephone: 0161-234-3025  
E-mail:

**Background documents (available for public inspection):**

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

Report by the Director of Housing on District Heating 1991/92 to Housing Committee, July 1991

Report by the Director of Housing on District Heating 1997/98 to Housing and Environmental Services, Finance and Policy and Resources Committee, 24 February 1997.

Report by the Director of Housing on District Heating Charges 2005/06 to Executive Committee, 10 February 2005.

Report by the Strategic Director of Neighbourhood Services on Heating Charges 2006/07 to Executive Committee, 13 September 2006.

Report by the Director of Housing/City Treasurer on Annual Increase in Communal District Heating System Charges to Executive, 19 November 2008.

## **1.0 Introduction**

- 1.1 The purpose of this Report is to seek Members agreement to the changes in the weekly charge for communal domestic heating.

## **2.0 Background**

- 2.1 Communal heating systems are those in which one or more heating boiler supplies heat and hot water to two or more properties. The Council is responsible for setting the weekly heating charge for tenants in a variety of situations where there is a communal heating system as follows:

- 1) Large scale district heating systems eg Grove Village; Longsight
- 2) Multi-storey blocks
- 3) Sheltered Housing Schemes (including Victoria Square)
- 4) Low-rise flats where 2 or 4 flats share one boiler (known as 2/4 blocks)

- 2.2 The Council retained responsibility for the provision of heat and hot water to tenants on the Longsight district heating scheme after the transfer of homes to Eastlands Homes last March. The Council is working with Eastlands Homes and the district heating contractor, Utilicom, to facilitate transfer of the responsibility for providing heat and hot water to Eastlands Homes.

- 2.3 The Council purchases gas via two different contracts. The first three types of communal heating scheme above use gas purchased on the Council's Industrial and Commercial Contract. Gas for tenants in 2/4 Blocks is purchased through the Council's Domestic Gas Contract.

- 2.4 The Council also charges most tenants in the 2/4 blocks for gas consumed within the flat. This is a basic flat rate charge irrespective of usage.

- 2.5 The Council currently negotiates gas prices for approximately 12 months.

## **3.0 Setting the revised heating charge**

- 3.1 The following factors must be taken into account when determining the unit price for heat and the weekly heating charge:

- o prevailing contract prices for gas and projected future energy market trends
- o the need to balance future annual heating accounts
- o management of the district heating schemes and associated administrative costs

- 3.2 Last year the weekly heating charge increased for all tenants by a flat rate of 31% in order to balance the heating charge account.

3.3 As the gas price has fallen this year Members are asked to agree a decrease in the weekly heating charge across communal heating schemes which averages out at 27.7 %.

3.4 Members are asked to agree the weekly heating price changes specified in Appendix 1 to be implemented from Monday 5 April 2010.

#### **4.0 Conclusion**

4.1 The Council has been able to purchase gas, this year, at a significantly reduced price. Accordingly the weekly heating charge has been reduced for tenants across the city.

#### **5.0 Contributing to the Community Strategy**

##### **(a) Performance of the economy of the region and sub region**

N/A

##### **(b) Reaching full potential in education and employment**

N/A.

##### **(c) Individual and collective self esteem – mutual respect**

N/A

##### **(d) Neighbourhoods of Choice**

A reduction in the cost of the weekly heating charges for most tenants will help to ensure that tenants can remain in the community. Recent increases in the heating charges have led to an increasing number of tenants defaulting on payments and either abandoning properties with arrears or being subject to legal action.

With regard to the Council's policies on energy efficiency and climate change, the fact that a number of communal heating systems remain unmetered, may remove incentives for some residents to conserve energy. A medium term strategy will be to consider whether the remaining City Council homes within communal heating schemes, can be connected to efficient infrastructure and boilers, which use renewable energy sources where possible, with fully functioning metering and heating control systems.

Through the Council's Housing Energy Team and the Greater Manchester Energy Saving Trust Advice Centre (ESTAC), which is hosted by Manchester City Council, there are a range of services providing advice and practical assistance for all residents, but with a particular focus on reducing fuel poverty.

The Council's Affordable Warmth Strategy provides a strategic framework for this range of activities. We continue to have very successful partnerships with the Government's Warmfront scheme and energy utility companies, to deliver a range of free or subsidised products such as loft and cavity wall insulation, to reduce energy bills. We are also in discussion with Government to take advantage of recent changes in the Carbon Emissions Reduction Target (CERT) regulations, to explore external insulation measures suitable for non-traditional and older pre-1919 properties which cannot benefit from cavity insulation.

## **7.0 Key Polices and Considerations**

### **(a) Equal Opportunities**

Communal Heating is provided in all sheltered housing schemes including Victoria Square. A reduction in the weekly charge will benefit this group of elderly tenants.

Tenants cannot claim housing benefit for the cost of domestic heating. Any reduction in the charge will therefore have a positive effect on all tenants' disposable incomes.

### **(b) Risk Management**

Not applicable

### **(c) Legal Considerations**

Not applicable

## Appendix 1

### PROPOSED WEEKLY HEATING CHARGES AS FROM 5th APRIL 2010

|                                   |                    | <u>2009/10</u> | <u>2010/11</u> |
|-----------------------------------|--------------------|----------------|----------------|
| <b>Victoria Square.</b>           |                    |                |                |
| Flat Type                         | A                  | 9.92           | 8.05           |
|                                   | B                  | 10.66          | 8.65           |
|                                   | C                  | 11.47          | 9.30           |
|                                   | D                  | 11.91          | 9.66           |
|                                   | E                  | 15.27          | 12.38          |
|                                   | Caretaker          | 18.29          | 14.83          |
| <b>Sheltered Housing</b>          |                    |                |                |
| <b>Northwards</b>                 |                    |                |                |
| Flat                              | 1 Person           | 14.51          | 8.71           |
|                                   | 2 Person           | 17.81          | 10.69          |
|                                   | Warden             | 25.68          | 15.41          |
| <b>Miles Platting</b>             |                    |                |                |
| Flat                              | 1 Person           | 14.51          | 8.71           |
|                                   | 2 Person           | 17.81          | 10.69          |
|                                   | Warden             | 25.68          | 15.41          |
| <b>Brunswick</b>                  |                    |                |                |
| Flat                              | 1 Person           | 14.51          | 8.71           |
|                                   | 2 Person           | 17.81          | 10.69          |
|                                   | Warden             | 25.68          | 15.41          |
| <b>Collyhurst</b>                 |                    |                |                |
| Flat                              | 1 Person           | 14.51          | 8.71           |
|                                   | 2 Person           | 17.81          | 10.69          |
|                                   | Warden             | 25.68          | 15.41          |
| <b>Gas Heated Domestic Tariff</b> |                    |                |                |
| <b>Northwards</b>                 |                    |                |                |
|                                   | 2 and 4 Block Flat | 15.31          | 11.45          |
| <b>Brunswick</b>                  |                    |                |                |
|                                   | 4 Block Flat       | 15.31          | 11.45          |
| <b>Collyhurst</b>                 |                    |                |                |
|                                   | 2 Block Flat       | 15.31          | 11.45          |
| <b>Beswick</b>                    |                    |                |                |
|                                   | 4 Block Flat       | 15.31          | 11.45          |
| <b>West Gorton</b>                |                    |                |                |
|                                   | 4 Block Flat       | 15.31          | 11.45          |

|                           |  |      |      |
|---------------------------|--|------|------|
| <b>Gas Cooking Charge</b> |  | 1.59 | 0.98 |
|---------------------------|--|------|------|

**Metered District Heating (including MECo)**

|                     |  |      |      |
|---------------------|--|------|------|
| KW/h charge (pence) |  | 6.59 | 5.05 |
|---------------------|--|------|------|

**Grove Village PFI scheme**

|       |         |       |       |
|-------|---------|-------|-------|
| Flat  | 1 Bed   | 13.80 | 8.28  |
| House | 2 Bed   | 17.05 | 10.23 |
|       | 3 Bed   |       |       |
| House | (small) | 21.55 | 12.93 |
|       | 3 Bed   |       |       |
| House | (large) | 23.25 | 13.95 |
| House | 4 Bed   | 24.85 | 14.91 |

**Eastlands Homes (stock transferred but Utilicom contract retained by MCC)**

|       |         |       |       |
|-------|---------|-------|-------|
| Flat  | 1 Bed   | 13.80 | 8.28  |
| House | 2 Bed   | 17.05 | 10.23 |
|       | 3 Bed   |       |       |
| House | (small) | 21.55 | 12.93 |
|       | 3 Bed   |       |       |
| House | (large) | 23.25 | 13.95 |
| House | 4 Bed   | 24.85 | 14.91 |