

IN THE FIRST-TIER TRIBUNAL (PROPERTY CHAMBER)

BETWEEN:

FIRST CHOICE HOMES OLDHAM LIMITED

Applicant

and

THE LEASEHOLD OWNERS AND TENANTS OF 2015 PROPERTIES

Respondents

WITNESS STATEMENT OF CHLOE CHRISTIAN

I Chloe Christian of First Choice Homes Oldham Limited, First Place, 22 Union Street, Oldham, OL1 1BE WILL SAY AS FOLLOWS:-

1. I am employed by First Choice Homes Oldham Limited (“the Applicant”) and am based at the above address. I am employed as the Executive Director Corporate Services. I work in the Applicant’s Corporate Services Directorate. I am responsible for the management of procurement processes and ensuring value for money in the contracts entered into by the Applicant. I am authorised to make this statement on behalf of the Applicant in support of these proceedings.
2. The Applicant is seeking dispensation from all of the consultation requirements contained in s.20 of the Landlord and Tenant Act 1985, in respect of gas for communal heating and hot water supplies as part of service charges.
3. The Applicant operates 15 boiler houses for 2015 tenants and leaseholders. It has owned and operated the boiler houses since 7th February 2011 when it took over the housing stock of Oldham Metropolitan Borough Council via a Large Scale Voluntary Stock Transfer.

4. The boiler houses are fueled by gas and provide heat and hot water through underground external pipework and internal pipework to a Customer User Interface.
5. The Applicant's current framework term for Gas ends on 31st May 2020. Gas is currently provided to the Applicant by Gazprom.
6. The Landlord and Tenant Act 1985 requires landlords to consult with leaseholders and tenants before entering into a 'qualifying long term agreement' of more than 12 months. If the consultation requirements are not satisfied, then the landlord's ability to recover contributions from the leaseholders and tenants will be restricted unless the Tribunal makes an order dispensing with the consultation requirements.
7. Gas fuel contracts fall under the definition of a 'qualifying long term agreement' within the 1985 Act, where they exceed one year and the contribution from any one leaseholder might exceed £100 per annum.
8. As the Tribunal is no doubt aware, energy markets are both complex and volatile; making them liable to sudden price fluctuations that are often linked to real or perceived threats to supply that can significantly vary prices on a daily basis. The majority of the energy price payable is market-related. Therefore the key variant and influencing factor is the wholesale price. Due to its volatility, the energy market cannot be index linked and true cost savings accrue directly from a lower absolute outlay. Given the nature of the energy market and influencing factors such as the increasing move to renewables, carbon reduction measures, taxation, reduction in generating capacity and increased reliance on energy imports it is very unlikely that the opportunity for any absolute cost reduction will occur on a consistent basis. Currently it may be feasible to achieve 'one-offs' from a single-year move from a high price to a lower rate, but this would be short term and unsustainable.

Obtaining Value for Money

9. Apollo Energy is an established company of independent energy consultants who have more than 50 years' experience working within various parts of the utility industry. They offer an OJEU (Official Journal of the European Union) compliant framework that is procured every 2 years, the framework consists of the leading energy providers such as Gazprom, Centrica, Shell, EON, Swalec and others. Apollo will conduct a mini competition with the suppliers on the framework in order to obtain the best available price for the Applicant's customers. Prices will be requested for a 1 year, 2 year and 3 year deal.
10. The prices submitted to the Applicant will be provided within a three hour time slot between 12 noon and 3pm on the day of the offer. Essentially a spot price. This is an industry standard way of providing prices and is one of the key reasons why dispensation is sought. The Applicant will then need to confirm within that timescale which supplier it is going to contract with. I have been granted Delegated Authority from the Board of Directors in order to make that decision.
11. Other Registered Providers of Social Housing that buy energy via Apollo Energy include Onward Homes, Progress Housing, Alliance Homes, Your Housing Group & Fairhaven Housing Association.

Meetings with Tenants and Leaseholders

12. The Applicant will provide a telephone number for customers to contact. This will allow customers to receive an explanation of the procurement process being undertaken, with the chance to provide feedback and ask questions that the Applicant will be happy to address. The documents will also be made available on the Applicants website and upon request.

Gas supply for communal heating and hot water supplies

13. There are 2015 tenants and leaseholders who are required to pay for the provision of heating and hot water from a communal boiler system. The cost of gas used by these boilers forms part of the heating and hot water charge.

14. The Applicant's gas supply contract was signed following a similar process during 2017 with Apollo energy. The current supplier is Gazprom.

Value for Money


15. In order to seek value for money and a lower cost for the supply of gas the Applicant is intending to in effect shop around. Gas prices have increased under the existing arrangement and the Applicant believes that shopping around and conducting a competition is a positive development in the procurement of gas for the communal heating and hot water system.

Consultation

16. The Applicant is aware that it is required to give notice of its intention to make such an application to the Tribunal to affected tenants and leaseholders.
17. The Applicant proposes to instate a dedicated telephone number to allow tenants and leaseholders to discuss the application. All documents will be available on the Applicants website and upon request.
18. The Applicant proposes that a single page letter with supporting documents is sent to affected persons setting out the details of the application. The letter will also advise that the documents are available electronically and can be sent on request. The dedicated telephone number will be provided in the letter.

I believe the facts stated in this witness statement are true.

Signed


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Chloe Christian

Dated

21/1/20
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