

Summary Sheet

Council Report

Cabinet and Commissioners' Decision Making Report - 9 January 2017

Title

District Heating Scheme Charges 2017/18

Is this a Key Decision and has it been included on the Forward Plan?

Yes

Strategic Director Approving Submission of the Report

Anne Marie Lubanski, Strategic Director Adult Care & Housing

Report Author(s)

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Ward(s) Affected

All

Executive Summary

The purpose of the report is to seek approval for the proposed charges for the Council's District Heating schemes for 2017-18.

Recommendations

1. That the Cabinet note the content of the report.
2. That Cabinet resolve to recommend to Council:-
 - a) That there is no increase to the unit charge for the pooled district heating schemes.
 - b) That there is no increase to the pre-payment weekly charge for the pooled and unmetered scheme at Beeverleigh.
 - c) That there is no increase to the unit KWh charge at the Swinton district heating scheme
 - d) That a further review of the performance of the pooled schemes will be undertaken in 2017/18 including the extent to which full cost recovery has been achieved.

List of Appendices Included

None

Background Papers

Self-Regulation Select Commission – Review of RMBC’s District Heating Schemes (November 2012).

District Heating Scheme Charges 2016/17 (January 2016)

Consideration by any other Council Committee, Scrutiny or Advisory Panel

Overview and Scrutiny Management Board (23 December 2016)

Council Meeting (25 January 2017)

Council Approval Required

Yes

Exempt from the Press and Public

No

District Heating Scheme charges 2017-18

1. Recommendations

- 1.1 That the Cabinet note the content of the report.
- 1.2 That Cabinet resolve to recommend to Council:-
 - a) That there is no increase to the unit charge for the pooled district heating schemes.
 - b) That there is no increase to the pre-payment weekly charge for the pooled and unmetered scheme at Beeversleigh.
 - c) That there is no increase to the unit KWh charge at the Swinton district heating scheme
 - d) That a further review of the performance of the pooled schemes will be undertaken in 2017/18 including the extent to which full cost recovery has been achieved.

2. Background

- 2.1 The Council operate three distinct District Heating schemes:

- A pooled metered scheme;
- An unmetered scheme at Beeversleigh; and
- A pre-paid card meter scheme at Swinton.

Over the last few years charges for each scheme have been brought into line with a phased increase in the kilowatt hour charge towards achieving full cost recovery. In 2015/16 district heating cost the authority £835k and of this total cost, £807k was received as income, resulting in a deficit of £28k.

- 2.2 In general district heating charges are made up of two components, a weekly pre-payment charge and a metered charge per kilowatt hour of heating used. Weekly charges for most schemes exceed the actual metered costs and hence 22% of all income received from weekly charges was returned to customers via a refund in 2015/16. The Cabinet in January 2013 recommended that the cost of District Heating is fully recovered on a phased basis and therefore charges are set at the appropriate level.

This report examines each of the three distinct schemes taking into account the cost of the schemes, weekly pre-payment charge and the impact of the level of refunds and tenant arrears owed to the Council.

3. Key Issues

3.1 Pooled Metered Schemes

Pooled metered schemes have a weekly pre-payment flat rate charge collected through the rent system, applied to all properties dependent upon the size of the property.

The actual cost of each property's heating is determined by meter readings of the amount of kilowatt hours of heating actually used. In the vast majority of cases (73%) this results in a refund to the tenant. Based on 2015/16 actual income and expenditure, there was an overall deficit on pooled schemes of £49k, however, there are two pooled schemes which require further review:

- St Ann's Sheltered Scheme (Shaftsbury House) which had an actual deficit of £43k in 2015/16. Officers are of the view that this is a result of costs for heating the communal areas of the building not being excluded from the running costs for heating tenant's homes. The future of this site is currently being reviewed.
- Munsbrough estate had a deficit of £13k in 2015/16 which was likely a result of inaccurate apportioning of costs between tenant charges and Munsbrough School. This is currently based on a ratio of 90% tenants: 10% the school under a lease agreement until 2020. A new meter has been fitted to measure the actual heat being used by the school to determine how best to fairly apportion costs in future agreements.

There are sixteen pooled schemes with a total of 1,031 properties and current charges for 2016/17 are:

Pooled district heating charges	2016/17
Unit Cost KWh	8.72
Pre-payment Charges per week	
Bedsit	£12.80
1 Bed	£14.90
2 Bed	£17.10
3/4 Bed	£19.78

3.2 Beeversleigh

The 48 properties at Beeversleigh are currently not metered and therefore not part of the pooled metered district heating scheme. Weekly charges are in line with the pooled schemes and in 2015/16 income collected exceeded the cost of the scheme.

Current weekly charges for 2016/17 are:

Beeversleigh	2016/17
One bed flat	£14.90
Two bed flat	£17.10

Installation of individual meters is currently being undertaken and should be complete by the end of March 2017. In 2017/18 tenants will receive refunds based on individual usage bringing Beeversleigh into line with the other Pooled Metered schemes. It is therefore recommended that there are no changes to the weekly charges for 2017/18.

3.3 **Swinton**

The third category of district heating is the dwellings charged by a pre-paid card meter scheme at the 238 properties at Fitzwilliam, Swinton. A programme to replace and upgrade all existing meters was completed in March 2016. In 2015/16 the scheme achieved a surplus of £10k, based on a mix of both new and old meters whilst the full installation of new meters was completed. A review of the charges including any potential refunds to tenants will be made in 2017/18 based on a full year operation of the new meters.

4. **Options considered and recommended proposal**

4.1 It is recommended that the following options are considered:

4.1.1 **Pooled Schemes**

Based on the expected reduction in the contract price of gas and the continued high level of refunds it is proposed that no increase to either the unit charge per Kwh or the pre-paid charge for 2017/18.

The unit charge was increased by 10% per year over a three year period from 2013 to 2016 as a move towards recovering the full cost of the schemes, (the Council is currently subsidising pooled schemes by £49k). It is the view of Officers that full cost recovery across each scheme could be achieved if metering issues identified at St Ann's and Munsborough are resolved without the need for increasing the unit charge. The charge was not increased in 2016/17.

Recommendation – No change to the unit charge and pre-payment weekly charge in 2017/18.

4.1.2 **Beeversleigh**

It is proposed that the current level of pre-payment charge remains the same for 2016/17 as this scheme recovers the full cost and individual meters should be fully installed by March 2017, which will therefore mean that tenants will pay for the actual heating used rather than a standard weekly charge based on the size of the property.

Recommendation – No increase to existing weekly pre-payment charge in 2017/18.

4.1.3 **Swinton**

It is proposed to keep the unit charge at 8.72p per KWh, the same level as 2016/17 and the proposal for the pooled schemes.

Tenants using this scheme have received significant increases in the unit charge from 2013-16 in order to recover the full cost of the scheme. In 2015/16 the average payments made by tenants was £539 per annum compared with £623 per annum on the pooled meter schemes. Given the expected reduction in the contract price of gas, the recovery of costs and the installation of new and more reliable meters, it would seem appropriate not to increase the unit charge and review in 2017/18 based on the actual usage.

Recommendation – no increase in the unit charge in 2017/18.

5. Consultation

- 5.1 This report will be subject to review by the Overview and Scrutiny Management Board before final decision by the Council.

6. Timetable and Accountability for Implementing this Decision

- 6.1 Final approval is required by the Council on 25th January 2017 with full implementation from 1st April 2017.

7. Financial and Procurement Implications

- 7.1 The financial implications are outlined in sections 3 and 4 of the report.

8. Legal Implications

- 8.1 No direct implications.

9. Human Resources Implications

- 9.1 There are no Human Resources implications arising from this report.

10. Implications for Children and Young People and Vulnerable Adults

- 10.1 No direct implications.

11 Equalities and Human Rights Implications

- 11.1 No direct implications.

12. Implications for Partners and Other Directorates

- 12.1 No direct implications for partners and other directorates..

13. Risks and Mitigation

13.1 Not recovering the full cost of district heating in the long term would have an adverse impact on the Housing Revenue Account business plan. Also, any significant increase in the future prices of gas could also result in further increases in charges.

14. Accountable Officer(s)

Tom Bell, Assistant Director of Housing and Neighbourhoods Services

Approvals Obtained from:-

Assistant Director of Finance and Customer Services:-

Named officer : Stuart Booth

Assistant Director of Legal Services:-

Named Officer Dermot Pearson

Head of Procurement (if appropriate):- not applicable

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