

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	Meeting	Cabinet Member for Safe and Attractive Neighbourhoods
2.	Date	29th November, 2010
3.	Title	Shaftesbury House St Ann's District Heating Scheme Proposed change to current charging and payment method.
4.	Directorate	Neighbourhoods

5. Summary

Shaftesbury House is a former indoor sheltered housing scheme and is one of 17 schemes borough wide served by District Heating.

A Borough wide review of the District Heating Service undertaken by Internal Audit in 2006 identified a significant under recovery of expenditure across all schemes; and specific concerns were raised in relation to the under recovery of costs attached to the PHC (pre heat controller token payment scheme) at Shaftesbury House.

A full financial review of all schemes undertaken by Neighbourhood Finance in 2007 advised that Shaftesbury House should be re reviewed separately but until recently never materialised.

The implementation of a new meter system borough wide is now nearing completion and this led to the Council now reviewing the current charging method and management function at Shaftesbury House.

A meeting held with residents in September to discuss the meter replacement and the requirement to introduce a new charging system led to complaints being received and a petition was further submitted to The Cabinet Member for Safe and Attractive Neighbourhoods in October.

In response to the petition this report details the background and why changes are required to allow the Council to begin to recover its costs and to align Shaftesbury House with all other District Heating Schemes to achieve a fair and consistent charging system borough wide.

6. Recommendations

- **That Cabinet Member considers the report**
- **Approves the recommended option (Option 2)**

7. Proposals and Details

7.1 Shaftesbury House (St Ann's)

A detailed review of all Schemes undertaken by Internal Audit in 2006 identified that the Council has not been recouping its running costs at Shaftesbury House for some time and key recommendations were developed and put forward in an action plan.

The Ombudsman further scrutinised the Council's management of its schemes in 2007 following a resident complaint and instructed the Council to take immediate action to align all its schemes and bring in a fair and consistent charging system.

A full financial review undertaken of all schemes in 2007 concluded that there was a significant under recovery of costs attached to the District Heating Schemes and it was agreed that increased charges would be applied across all schemes with effect from April 2008.

The review concluded that Shaftesbury House should be reviewed separately at a later date due to the planned introduction of a new more efficient meter system that was not compatible with the current PHC (pre heat controller token scheme) this never materialised.

The borough wide meter replacement scheme is now nearing completion and Shaftesbury house is the last scheme programmed to have meters replaced by March 2011. Changing the meters will require the existing pre payment token system being replaced with a more efficient system and residents transferred over to the fixed weekly pre payment scheme through their rent account.

As this will inevitably impact on the weekly/monthly amounts currently being paid by residents it is proposed that the new meters are programmed to be installed to align with increased charges being applied from April 2011.

It is critical that these changes are made if the council are to begin to recover the costs attached to providing this service to our customers and achieve a fair and consistent charge across all schemes.

In effect residents over many years have benefited from living in indoor schemes like Shaftesbury House as they do obtain and benefit from heat distributed from internal corridors and communal sitting areas which often acts as a subsidy;

This is found to be common practice in all indoor sheltered schemes and is often difficult to manage. Additionally some residents, who pay a fixed weekly charge of 83p per week for the supply of gas to their cooker, use this to also subsidise heating costs. This charge has not been reviewed or increased for many years and has contributed to costs not being fully recovered.

7.2 Details of current charging method

Residents obtain heating and hot water via the use of a pre-payment top up card a type of 'pay as they go' scheme, purchasing heat credit from Neighbourhood Champions on a specific day of the month.

Unlike other schemes where a fixed weekly payment is applied through the rent account residents here manage how much they pay for credit each month.

It has become clear whilst reviewing individual use that the unit cost currently being applied per KW is set at 3.24pence as opposed to the 5.93 pence being applied elsewhere which is significantly lower. Basically residents living in Shaftesbury House have accessed for some considerable time what they see as the most efficient way of obtaining heat in their own home and the individual amounts of credit being purchased on a weekly / monthly by most residents makes this more apparent.

Much of the above concerns previously raised by internal audit and the Ombudsman related to significant under recovery of running costs and the management function, this has led to a series of actions being undertaken in the short term with key recommendations being put forward to resolve all matters in the future.

Examples of these are as follows:

- Audit requirements not being met previously re collection and receipting of monies
- Health and Safety issues re collection and paying in of cash (officers)
- Resident's inability to purchase credit other than on a specific pre arranged day and time (Usually a two hour slot)
- Insufficient credit on the meter could and has resulted in loss of heating and hot water.
- Ombudsman requests not being met in achieving a fair and consistent charging method across all schemes
- Costs not being fully recovered

7.3 Shaftesbury House – Cost Summary (District Heating)

1st April 2009 - 31st March 2010

Income Type	Income Amount	Expenditure Type	Expenditure amount	Cost Difference
"Switch 2 " pre payment token	£13,508.00	Gas, Electric, Water Other Fuels	£51,833	
Direct rent payment	£ 6,803.52			
Total	£20,311.52		£51,833	- £31,521.48

In 2009/10 only 20K was recovered against a charge of £52k showing the above shortfall

7.4 Payment Summary

A breakdown summary of the average monthly payments being received from each resident in the period 1st April 2009 31st March 2010 is attached as Appendix items (1) (2): Information related to these summaries is given below.

Appendix (1) shows the average monthly payments being received from each resident which varies significantly from nil payment to an average maximum payment of £32.67 per month.

Appendix (2) shows the exact monthly pre payments being made in the same period, and identifies that currently three residents have made no payment at all during the period 1st April 2009 - 31st March 2010.

7.5 Proposal to introduce the new charging method

Changes to the existing billing arrangements at Shaftesbury house to align with all other schemes is critical in order to recover costs, but the Council will also need to address all aspects of the scheme to be effective and to provide a fair and consistent approach going forward.

This will involve ensuring that all utilities are reviewed regularly and appropriate frameworks put in place related to the management of heating and lighting within communal areas in all indoor units.

Two options of how the new payment process at Shaftesbury House could be introduced are detailed as follows, a preferred option is being recommended.

7.6 Option 1

Is to change the existing meter, increase the unit costs immediately and introduce the fixed weekly pre payment as other scheme users from April 2011

Current fixed pre weekly payments per property type

	Year 1 2011/2012
1 Bed	£13.44
2 Bed	£ 15.42
3 Bed	£ 17.84

An immediate introduction of the full charges as above would see a significant rise in payments having to be made by residents who predominantly are aged persons, this could lead to some residents being unable to manage such a sharp increase and lead to other issues.

It is not possible or feasible to identify exactly how much per week on average residents would have to pay extra per week as this differs significantly per household and any figures would be misleading.

Increased costs applied since the financial review in 2007 to all other schemes have been implemented using a phased approach over a three year period in line with audit recommendations

7.7 Option 2 (preferred option)

Is to replace the existing meter, apply the new unit cost presently 5.93 per kW and place residents on an introductory fixed weekly payment (see table below)

In order to minimise the impact to residents, it is being proposed that a phased approach is used over 3 years using the table below as an example commencing in April 2011.

This is the preferred option and one that will begin to recover costs however as the utilities charges for the coming year cannot be pre estimated and agreed ahead of the rent setting process an average cost would have to be applied.

An example of how this could be introduced using a £2.50 calculation is shown in the table below.

	Year 1 2011/2012	Year 2 2012/13	Year 3 2013/14
1 Bed	£10.00	£12.50 *	£15.00 *
2 Bed	£12.00	£14.50 *	£17.00 *
3 Bed	£ 17.84	£18.50 *	£ 19.00 *

The above figures are for illustration only as we cannot project accurately the pooled schemes charges year on year due to our inability to predict the costs attached to a fluctuating utility market.

The Council undertake regular quarterly meter readings and quarterly statements are then issued to each household, at the scheme year end final quarter readings are obtained and accounts are reconciled.

Residents whose final quarter accounts show they are in credit will receive refunds, unless they owe any debt to the council i.e. rent arrears, other sundry accounts. In those cases debts are cleared prior to any refunds being issued.

7.8 Increased revenue

With the exception of the increased KW charge which cannot be included at this time the Income per annum to support recovery of existing pre payment costs as opposed to what was received in 2009 is projected in the table below

	Year 1 2011/2012	Predicted annual Income fixed payment
1 Bed x 19	£10.00	9,120.00
2 Bed x 43	£12.00	24,768.00
3 Bed x 12	£17.84	10,275.00
Total		£44.163

The actual income received in the year 2009 = £20,311 in comparison to the above figures clearly shows that just by introducing the fixed weekly payment charge at a lower unit rate does begin to recover costs and creates additional income of £23,852 reducing the annual deficit currently to £7,670.

This deficit will further decrease once the new unit cost is applied from April 2011.

It is proposed, subject to approval, that Option 2 be approved and that the implementation of the new charging system commences from April 2011.

8. Finance

An amount of £6,500 has been set aside in the 2010/2011 Capital Programme to support costs attached to the meter replacement at Shaftesbury House.

In discussion with 2010Rotherham Ltd's income manager no additional costs are identified in changing the payment method to a fixed weekly pre payment via the rent account, however revenue savings are identified as this will reduce the services of Switch 2 an external contractor.

9. Risks and Uncertainties

Level of current expenditure at Shaftesbury House as opposed to the level of income currently received under the existing payment scheme.

Uncertainty around the residents willingness to accept the proposal going forward which may delay the proposed changes taking place, and lengthy processes attached to the complaints procedure for example.

The potential to create fuel poverty amongst elderly clients if the weekly payment is increased immediately and not phased appropriately.

Internal audit and the ombudsman placed great emphasis on creating a fair and consistent District Heating Service across the Borough and the failure to satisfy the recommendations risks further action being taken by audit.

The risk that some residents may still seek alternative methods to heat their homes without using their own district heating supply may require further revisions to this approach.

Meter replacement programmed and put forward as part of the forthcoming externalisation works programme needs close alignment by existing 2010 Rotherham Ltd teams on transfer, and monies set aside in the 2010/2011 will need to be included in the process.

10. Policy and Performance Agenda Implications

The proposal contained within this report is in line with the Council priorities, policies, and procedures established and set out in key documents.

The aim is to deliver effective services that are cost efficient, fair, and value for money for the people within Rotherham.

11. Background Papers and Consultation

- Internal audit reports 2000 - 2009
- The Cabinet Member for Neighbourhoods on 29th October 2007 (Min no 155)
- Financial Review report September 2007
- Breakdown of average monthly payment by each resident *Appendix 1

Contact Name: Sharon Pedersen Property Investment Coordinator ext 34972
Sharon.pedersen@rotherham.gov.uk

Appendix 1

Average individual resident monthly Pre payment

Property Ref	Block	Current Serial	Ave. P/Month 2010	2009	2008
6117SHAH0001	Shaftesbury House	911231	31.67	25.42	27.08
6117SHAH0002	Shaftesbury House	911234	8.89	7.50	7.50
6117SHAH0003	Shaftesbury House	911232	28.89	30.00	29.17
6117SHAH0004	Shaftesbury House	911235	1.67	20.00	16.67
6117SHAH0005	Shaftesbury House	911237	12.22	14.17	15.00
6117SHAH0006	Shaftesbury House	911394	1.11	4.83	13.75
6117SHAH0007	Shaftesbury House	911236	22.22	15.00	19.17
6117SHAH0008	Shaftesbury House	911233	28.89	21.67	23.33
6117SHAH0009	Shaftesbury House	911389	2.22	0.00	4.17
6117SHAH0010	Shaftesbury House	911390	2.78	11.67	7.50
6117SHAH0011	Shaftesbury House	911392	6.67	9.17	5.00
6117SHAH0012	Shaftesbury House	910972	16.11	10.83	15.00
6117SHAH0014	Shaftesbury House	911391	14.44	10.00	10.83
6117SHAH0015	Shaftesbury House	910973	7.78	12.08	1.67
6117SHAH0016	Shaftesbury House	910979	14.44	5.83	5.00
6117SHAH0017	Shaftesbury House	911393	5.56	16.67	12.92
6117SHAH0018	Shaftesbury House	911388	17.78	17.50	23.75
6117SHAH0019	Shaftesbury House	849282	13.33	28.75	29.17
6117SHAH0020	Shaftesbury House	910974	21.11	22.50	12.50
6117SHAH0021	Shaftesbury House	911230	21.67	20.00	20.00
6117SHAH0022	Shaftesbury House	911329	17.78	20.00	18.33
6117SHAH0023	Shaftesbury House	911327	4.44	11.42	15.00
6117SHAH0024	Shaftesbury House	911328	25.56	22.50	20.42
6117SHAH0025	Shaftesbury House	911323	6.67	30.00	29.58
6117SHAH0026	Shaftesbury House	911325	21.11	17.92	20.00
6117SHAH0027	Shaftesbury House	911129	0.00	3.33	3.33
6117SHAH0028	Shaftesbury House	911243	25.56	27.92	21.67
6117SHAH0029	Shaftesbury House	911173	18.33	7.50	11.67
6117SHAH0101	Shaftesbury House	911176	8.89	5.83	10.00
6117SHAH0102	Shaftesbury House	855764	16.11	20.42	17.08
6117SHAH0103	Shaftesbury House	911431	15.56	15.00	15.00
6117SHAH0104	Shaftesbury House	911432	8.89	9.17	8.33
6117SHAH0105	Shaftesbury House	911175	7.22	4.58	5.00
6117SHAH0106	Shaftesbury House	911427	6.67	14.17	12.50
6117SHAH0107	Shaftesbury House	910991	4.44	5.00	10.00
6117SHAH0108	Shaftesbury House	911434	15.56	16.67	15.83
6117SHAH0109	Shaftesbury House	911433	22.22	19.17	20.33
6117SHAH0110	Shaftesbury House	911429	21.11	26.25	27.50
6117SHAH0111	Shaftesbury House	911133	8.89	7.92	7.50
6117SHAH0112	Shaftesbury House	906616	11.33	5.83	7.50
6117SHAH0114	Shaftesbury House	911131	23.33	14.17	18.33
6117SHAH0115	Shaftesbury House	911136	31.11	30.00	32.92
6117SHAH0116	Shaftesbury House	911135	0.00	3.33	1.67
6117SHAH0117	Shaftesbury House	911130	2.22	0.00	0.00
6117SHAH0118	Shaftesbury House	911134	8.89	11.67	13.33

Property Ref	Block	Current Serial	Ave. P/Month 2010	2009	2008
6117SHAH0119	Shaftesbury House	911172	2.22	14.17	15.00
6117SHAH0120	Shaftesbury House	911169	4.44	7.50	5.00
6117SHAH0121	Shaftesbury House	911174	5.00	8.33	3.75
6117SHAH0122	Shaftesbury House	911171	6.67	6.67	13.25
6117SHAH0123	Shaftesbury House	911170	2.78	9.58	10.00
6117SHAH0124	Shaftesbury House	911430	18.89	21.00	18.17
6117SHAH0125	Shaftesbury House	910988	22.22	19.58	20.83
6117SHAH0126	Shaftesbury House	910993	8.89	18.75	10.42
6117SHAH0127	Shaftesbury House	848030	3.33	0.00	0.00
6117SHAH0128	Shaftesbury House	910992	2.22	5.83	8.33
6117SHAH0129	Shaftesbury House	910989	8.89	11.25	10.00
6117SHAH0130	Shaftesbury House	855680	5.56	8.33	7.08
6117SHAH0131	Shaftesbury House	911132	9.56	9.17	13.42
6117SHAH0201	Shaftesbury House	911387	25.56	25.00	23.25
6117SHAH0202	Shaftesbury House	906602	10.56	25.00	26.67
6117SHAH0203	Shaftesbury House	910977	31.67	32.08	24.58
6117SHAH0204	Shaftesbury House	911152	8.89	8.33	6.92
6117SHAH0205	Shaftesbury House	910976	13.89	11.67	18.00
6117SHAH0206	Shaftesbury House	911282	13.33	7.50	2.50
			815.89	2912.08	2907.17

