

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1. Meeting:	Self-Regulation Select Commission
2. Date:	31st May 2012
3. Title:	Scrutiny review of RMBC's District Heating Schemes
4. Directorate:	Neighbourhood and Adult Services

5. Summary

At the meeting of the Self-Regulation Select Commission on 19th April 2012, it was agreed that at the next meeting, nominations be received to form a review group to scrutinise the district heating schemes and that a scoping paper be received to provide Member understanding about the scale and nature of District Heating in Rotherham and to inform the extent of the review.

This paper sets out the number and location of schemes; the type of heating, fuel, cost of fuel and income for the schemes and includes some broad risks associated with some schemes.

6. Recommendations

That Members:

- agree that the review of the district heating scheme focuses on the following:
 - the rationalisation of the management of the District Heating Schemes as a whole.
 - exploring how the most cost effective and fuel efficient provision of heating be achieved;
 - the cost and frequency of repairs to District Heating Schemes;
 - improving the communications with District Heating Service Users.
- identify if additional areas should be included in the scope of review;
- agree which members should be part of the review group;
- give consideration to the review timescales to ensure that savings and efficiencies can be maximised

7. Background

- 7.1 In 2007/08, the Cabinet Member approved a three year strategy for ensuring the full recovery of district heating costs. Due to ongoing and significant increases in the prices of gas and utility charges in general, this strategy had yet to be fully realised and it was under this remit that the Self Regulation Select Commission agreed to undertake a review to ascertain whether value for money was being secured. (Minute No. 43(2) 12th January, 2012.)
- 7.2 Select Commission, 19th April, (Minute No.76 refers) requested a scoping paper be submitted to the next meeting when nominations would be received to form a small Member working group to review the District Heating system.
- 7.3 Members are asked to determine the scope of the review, identify witnesses and undertake background research; the working group will be supported by relevant officers across Directorates, the Lead Officer being the Programme Delivery Manager, Tracie Seals (tracie.seals@rotherham.gov.uk 01709 334969).

8. Proposals and Details

- 8.1 The issues outlined below identify the major issues attached to the current schemes
- a need to rationalise the management of the District Heating Schemes as a whole so that the repairs and maintenance of the systems, buildings and access are managed by one service area.
 - how the most cost effective and fuel efficient provision of heating be achieved;
 - the cost and frequency of repairs to District Heating Schemes;
 - communications with District Heating Service Users.

It is suggested that the review focuses on the areas listed above. Members' views are sought on this proposal and if additional issues should be considered as part of the review

- 8.2 No timescales have been identified. However, in order to maximise savings and efficiencies, it is suggested that the work commences in June 2012, with a view to feeding in recommendations as part of the 2013/14 budget setting process towards the end of 2012. Further details on timescales will be discussed once the review group is established. Members views are sought on these broad timescales.
- 8.3 There are 36 District Heating Schemes at 18 sites across the Borough, serving 1,333 (includes 34 properties sold through Right to Buy) dwellings.

Scheme	Location	Billing	Heating Type	No. of Dwellings
Arbour Drive	Thurcroft	Account	Gas	31
Beeversleigh	Clifton	Account	Gas	48
Elizabeth Way	Masbrough	Account	Gas & Bio-mass	104

Hurley Croft	Brampton	Account	Gas	60
Longfield Drive	Ravenfield	Account	Gas	33
Manor Lodge	Brinsworth	Account	Gas	31
Mansfield Road	Aston	Account	Gas	154
Mark Grove	Bramley	Account	Gas	31
		Account	Gas & Bio-	
Mason Avenue	Swallownest		mass	96
Model Village	Maltby	Account	Gas	44
Munsbrough	Greasbrough	Account	Gas	84
Woodland Drive	Anston	Account	Gas	39
		Account	Gas & Bio-	
St Annes	Shaftsbury		mass	75
Swinton Fitz A to T (19 schemes)	Fitzwilliam	Pre-payment	Gas	238
The Grange	Maltby	Account	Gas	51
Tickhill Road	Maltby	Account	Gas	23
Vale Road	Thrybergh	Account	Gas	131
Hampstead Green	Kimberworth	Account	Gas	60
18 sites, includes 34 RTB properties				1,333
Does not include community centres				

8.4 **Fuel:** Appendix A shows that there is an overall cost in fuel of circa £780,000 per annum, attributed to all the District Heating Schemes, however this also includes fuel used by a number of Community Centres that are attached to most of the District Heating Schemes. Currently it is not possible to separately account for the fuel usage by the Community Centres.

A recent (separate) property survey of Community Centres revealed most to be overly warm with heating permanently set to full regardless of the occupancy levels or fluctuating use during any week.

District heating fuel has been procured via the Yorkshire Purchasing Organisation (YPO) on a four year tender basis, taking into account both cost and quality, based on wholesale gas and electric prices and purchased 12 months in advance.

- The electricity contract was awarded to N Power and is due to conclude in March 2015. This means that the tender will go out in the financial year 2013 - 14 in order to allow the purchase of electricity 12 months in advance.
- The current gas contract has 12 months left to run; in order to allow the purchase of wholesale gas; it has just been re-tendered and awarded to British Gas. The new contract is due to begin in June 2013 and will conclude in March 2017
- The current Biomass contract has been agreed via a framework agreement with the YPO, and has been awarded to Silvapower who are a local supplier.

8.5 **Maintenance:** Broadly the risks associated with District Heating can be summarised:

- Plant coming to the end of its useful life, requiring capital investment
- Access issues – due to space constraints some meters are located under buildings requiring accompanied visits for health and safety purposes.
- Risk of leaks leading to loss of DH due to underground pipes – this risk is associated with bad weather and results in loss of service for tenants, many of which are elderly.
- Inadequate or absence of heating controls in dwellings and community centres
- Boiler House maintenance requirements
- Upgrades to boilers due to more onerous legislation (flue condensate pipes)
- Meters required in the boiler houses to monitor effectiveness of schemes (i.e. heat output compared to tenant use).

Day to day repair and maintenance is performed by Contract and Service Development. Capital investment is authorised by Strategic Housing Investment Service. Economic Development Services have some management responsibility for boiler houses and some plant. There is no single overall point of contact.

8.6 **Income:** At the start of each year, the NAS Resources, Finance Manager calculates the cost of district heating, less the maintenance (which is paid for from the Housing Revenue Account) and works with the District Heating Officer to estimate the individual household charge. Tenants pay for District Heating in advance by weekly payment through their rent account.

Sold properties using DH, receive an annual charge that also includes £75, for maintenance costs. This amount was set a number of years ago.

With regards to income, it is not possible to reflect the level of income in relation to each scheme. This is due to the way payments are collected. A tenant's weekly rent account amount can be comprised of any combination of charges for the dwelling, garage, community facility, Rothercare provision, furnished homes and district heating. Dwelling rent takes the first priority; if rent arrears accrue then discussion between the Housing Income Champions and the District Heating Officer follow, to determine the balance between payments.

Many tenants have become accustomed to accruing a moderate credit and anticipate refund cheque at quarter reconciliations. Due to the increasing cost of fuel and in some instances, increase in rent arrears, the number and value of refunds has reduced. This has resulted in an increase of telephone complaints from tenants that do not understand the causes.

8.7 Tenants: we are aware that tenants become frustrated when the whole district heating shuts down as a result of failure or repair requirements. Some of that frustration is due to poor communication. When the Council's contractor, Willmotts attends repairs, it is a challenge to alert each property.

9. Finance

- The cost attached to the review will be met through existing resources.
- The financial implications of any recommendations emerging from the review will require further exploration by Cabinet and the Strategic Leadership Team on the cost, risks and benefits of their implementation.

9. Risks and Uncertainties

Failure to ensure the full recovery of district heating costs in the long term may have an impact on the Housing Revenue Account.

10. Policy and Performance Agenda Implication,

It is important that residents receive reliable, competitive and value for money heating. This links to the wider Affordable Warmth and Anti-Poverty Agendas.

There is also evidence to demonstrate that communal heating systems can contribute to the limitation of emissions of harmful gases. This may have positive implications for the Council's environmental policies.

11. Background Papers and Consultation

Housing Rent Increase 2012/13 – Report to Cabinet, 18 January 2012
Self-Regulation Select Commission – Minute 43 - 12.01.12 & 76 - 19.04.12

Contact:

Tracie Seals, Lead Officer, District Heating Steering Group, direct line (01709) 334969 e-mail: tracie.seals@rotherham.gov.uk

Caroline Webb, Senior Scrutiny Adviser, direct line: (01709) 822765
e-mail: caroline.webb@rotherham.gov.uk

Appendix A - District Heating Boiler House (Figures shown are for April 2011-March 2012)

Site	Electricity kWh	Gas kWh	Water Cubic Metres	Biomass kWh	Electricity £	Gas £	Water £	Biomass £
Arbour Drive Boiler House	11,239	544,641	0	0	1,112	16,347	0	0
Ascension Close Boiler House (Model Village)	31,831	975,304	2	0	3,108	26,823	81	0
Beeversleigh	54,863	956,983	0	0	6,377	26,134	0	0
Connery Close Boiler House (Vale Road)	37,954	2,659,965	37	0	3,631	73,093	111	0
Elizabeth Parkin Boiler House	0	590,840	0	0	0	17,743	0	0
Florence Avenue Boiler House (Mansfield Road)	41,663	3,218,692	3	0	4,061	88,716	72	0
Greasbrough - District Heating	42,210	1,655,698	1,744	0	4,376	55,294	4,495	0
Hurley Croft Boiler House	0	1,220,342	0	0	0	33,306	0	0
Langdon Walk Boiler House	56,995	831,066	0	0	6,353	27,463	0	0
Manor Lodge Boiler House	0	640,672	0	0	0	17,603	0	0
Mark Grove Boiler House	25,016	523,650	0	0	2,447	19,063	0	0
Masbrough Housing / College Road	35,920	72,489	0	0	3,804	2,607	0	0
Mason Avenue Boiler House	36,988	2,073,182	0	174,000	3,608	57,055	0	6,720
ST ANNS - Boiler House	31,208	1,271,810	9	0	2,953	34,440	108	0
Swinton Fitzwilliam Estate Boiler House	859	3,438,385	942	0	258	93,415	1,139	0
The Grange Boiler House	20,902	657,953	37	0	2,049	18,095	2,472	0
Tickhill Road Boiler House (Glencairn Court)	12,402	472,517	0	0	1,224	14,192	96	0
Vine Close Boiler House	57,627	2,001,377	0	0	5,609	54,930	0	0
Woodland Drive Boiler House (Narrow Lane)	31,810	627,166	0	0	3,106	18,790	0	0
Total	592,801	24,616,699	3,355	174,000	60,642	701,255	10,072	6,720