

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	Meeting:	The Cabinet
2.	Date:	Wednesday 14th January 2015
3.	Title:	District Heating Scheme Charges 2015/16
4.	Directorate:	Neighbourhoods and Adult Social Services

5. Summary

The purpose of this report is to seek approval from Members for the proposed increase in charges for District Heating for 2015/16.

There are a range of heating schemes, but in general district heating charges are made up of two components, a weekly charge and a metered charge per kilowatt hour of heating used. Weekly charges for most schemes exceed the actual metered costs and hence 34% of all income received from weekly charges are returned to customers. This report recommends an increase in kilowatt hour charges to more accurately reflect true costs. The impact of this on consumers of district heating is that some consumers will receive less of a rebate once actual personal charges have been calculated following individual meter readings.

6.0 Recommendations

That Cabinet is asked to note the content of this report and recommend:

- That there is no increase in the weekly charge for a further year.**
- That the various proposed increases to the kilowatt hour charges outlined in section 7 of this report are approved as a means of achieving full cost recovery.**
- That to assist tenants, increases in the kilowatt hour charge are phased, as agreed at Cabinet on 16 January 2013 (Minute C131(3)) and be achieved by 2016/17.**

7.0 Proposals and Details

7.1 The Housing Rent Setting Report in January 2012 highlighted that the current charges for District Heating do not recover the full cost of providing the service. Due to ongoing and significant increases in the prices of gas and utility charges the initial three year strategy for ensuring full cost recover has yet to be fully realised. The Self Regulation Select Commission agreed to undertake a review to explore how cost effective and fuel efficient provision of District Heating can be achieved. This review proved to be extremely helpful and is influencing a major change in the way in which District Heating will be delivered in the future. One of the recommendations within the report was to consider the review of district heating charges separately from the annual rent review. District heating improvements have been built into the three year capital plan, to ensure that infrastructure is modern and efficient.

7.2 The council operate three distinct District Heating schemes:

- A pooled metered scheme;
- An unmetered scheme at Beeversleigh; and
- Switch 2 card meter scheme at Swinton

Each scheme currently has a separate charging scheme, and the extent to which full cost recovery differs between the various schemes, and between the numerous metered schemes themselves. Overall in 2013/14 district heating cost the authority £957k and of this total cost, £704k was received as income.

Pooled metered schemes

7.3 Pooled metered schemes have a weekly pre-payment flat rate charge collected through the rent system, applied to all properties dependant upon the size of the property. The actual costs 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 (79%) this results in a rebate. The current basis of kilowatt hour charges does not accurately reflect the actual costs of the pooled metered schemes. In order to achieve full cost recovery and ensure that charges are fair and affordable to tenants it is proposed that there is a phased approach to increasing unit costs of kilowatt hour charges.

7.4 The charges for the sixteen pooled schemes (1031 properties) including St Ann's in 2014/15 is proposed as follows:-

Pooled district heating charges	2015/16	% Increase	2014/15
Unit Cost KWh	8.72	10.00	7.93
Pre-payment Charges per week			
Bedsit	£12.80		£12.80
1 Bed	£14.90		£14.90
2 Bed	£17.10		£17.10
3/4 Bed	£19.78		£19.78

7.5 In order to move towards recovering more of the costs of the service it is proposed to increase the unit rate charged from 7.93. pence per kWh to 8.72 pence per kWh, an increase of 10%. This level of increase to achieve full cost recovery is being phased as agreed by Cabinet. It is also proposed not to increase the prepayment weekly charge for a further year due to the level of refunds.

Beeversleigh

7.6 The 48 properties at Beeversleigh are not metered and therefore not part of the pooled metered district heating scheme. Weekly charges are in line with the pooled schemes and currently income collected almost covers the full cost of the scheme.

It is therefore proposed not to increase the weekly charge for 2015/16. This will enable costs on this scheme to remain in line with other pooled schemes.

Beeversleigh	Proposed Charge 2015/16	Actual Charge 2014/15
One bed flat	£14.90	£14.90
Two bed flat	£17.10	£17.10

Swinton

7.7 A third category of district heating is the dwellings charged by the installation of "Switch 2" card meters at the 238 properties at Fitzwilliam, Swinton.

At present the income received from charges is significantly less (56% being recovered) than the full cost of the scheme. In 2013/14 the scheme cost £152,000, but recovered only £85,000 through income from charges.

Heating charges in Swinton have been historically much lower than elsewhere. The average annual cost paid by the tenant for heating a property in Swinton in 2013/14 was £358, compared to an average of £566 in other pooled metered schemes. To recover full costs on the Swinton scheme the average annual bill would need to rise to £640 at current prices. Seeking to recover the total cost in one go, would

potentially create significant budgeting problems for tenants, and it is therefore proposed to phase the recovery to full cost as agreed by Cabinet. It was agreed at Cabinet in January 2013 to phase increases in the unit charge over a period of up to five years from 2013/14 to achieve full cost recovery for the scheme. It is therefore proposed to increase the unit charge for 2015/16 from 7.61 pence per Kwh to 8.72 pence per kWh in line with other schemes. Whilst this amounts to a further increase of nearly 14.6%, it is still below the actual cost for pooled schemes and lower than previous years increases.

8.0 Risks and Uncertainties

The risk of not recovering the full cost of District Heating in the long term would have an adverse impact on the Housing Revenue Account business plan which assumes the principle of full cost recovery agreed by members. Any significant increase in the future prices of gas could also result in further increases in charges.

9.0 Policy and Performance Agenda Implications

The proposals contained within this report are in line with Council priorities and policies, as established and set out in key planning documents. The aim is to deliver effective, value-for-money services for people within Rotherham.

10.0 Background Papers and Consultation

District Heating Scheme Charges 2014/15 – January 2014.

Self Regulation Select Commission – Review of RMBC's District Heating Schemes – November 2012.

Contact Names:

Dave Richmond, Director of Housing and Neighbourhoods, Ext 23402, Email: dave.richmond@rotherham.gov.uk

Mark Scarrott Finance Manager (Neighbourhoods and Adult Services), Ext 22007, Email: mark.scarrott@rotherham.gov.uk