

Report to: ENVIRONMENT, DEVELOPMENT AND
REGENERATION SCRUTINY COMMITTEE
(BUDGET)

Item:

Date: 6th February 2006

Date:

Report of: Chief Housing Officer

Contact Officer: Edward Mellor ext 5660

Report No.

TITLE OF REPORT:

GROUP HEATING CHARGES REVIEW

NON-CONFIDENTIAL

This report does **not** contain information which warrants its consideration in the absence of the Press or Members of the public

RECOMMENDATIONS:

Members are asked for comments on the report.

DECISION:

Signed:
Leader/Executive Member Monitoring Officer

Date:
.....

Signed:

Leader/Executive Member

Monitoring Officer



Date:

An Equality Impact Assessment is not required because this report does not relate to a change or introduction of any new policy, procedure or working practice.

SUMMARY OF REPORT :

The report considers the charges made for Group Heating schemes.

Group Heating Schemes

1. Purpose

- 1.1 To review the level of charges payable by tenants in group heating schemes and to put make a recommendation on the level of heating charges to be made in 2006-2007.

2. Background

- 2.1 Table 1 below shows the level of heating charges over an 11 year period

Table 1 - Heating Charges

Year	Change	Charge Amounts				
April 1994	No Increase	4.65	5.60	6.70	6.75	7.65
April 1995	No Increase	4.65	5.60	6.70	6.75	7.65
April 1996	No Increase	4.65	5.60	6.70	6.75	7.65
April 1997	No Increase	4.65	5.60	6.70	6.75	7.65
April 1998	Minus £1	3.65	4.60	5.70	5.75	6.65
April 1999	No Increase	3.65	4.60	5.70	5.75	6.65
April 2000	No Increase	3.65	4.60	5.70	5.75	6.65
April 2001	Minus £1	2.65	3.60	4.70	4.75	5.65
April 2002	Decrease 25-30%	2.00	2.50	3.50	3.50	4.00
April 2003	No Increase	2.00	2.50	3.50	3.50	4.00
April 2004	17.02% increase	2.34	2.93	4.10	4.10	4.69
April 2005	2.5% increase	2.40	3.00	4.20	4.20	4.81

- 2.2 When the increase in charges was agreed for 2005/06 an undertaking was made to review the level of charges for group heating and present the results of the review in time to influence the increase for 2006/07. Since this undertaken there has been a significant increase in the cost of both electricity and gas which is taken account of in this report.
- 2.3 Work is ongoing within the HRA capital programme to replace old and inefficient communal heating schemes. The following are schemes which have had systems replaced or are planned for replacement.

2003/04

- Clarence St (31 (est.) properties)
- Delamere St (21 properties)

2004/05

- Rishton Lane (55 properties)

2005/06

No schemes

2006/07

- Dove Mill (52 properties)

- Greenbank (43 properties)
- Alexandra (10 properties)

2.3 Over a four year period, c.202 properties will benefit from new, more efficient heating systems.

2.4 There has been a slippage of schemes originally planned for 2005/2006 to enable a review of the communal heating schemes to be undertaken . As such in 2005 a 100% survey of all communal heating schemes has been undertaken by a specialist external heating consultant. The capital works and efficiencies identified within the report from the consultant will be carried out in 2006/2007 and 2007/2008 as part of the HRA capital programme. Due to the type of works being undertaken work is limited to the summer period.

In addition all cavity wall and loft insulation works required to these properties will be completed by early 2006/2007.

3. Current Financial Position

3.1 A review of the projected financial position for 2005/06 and 2006//07 has produced the estimates in Table 2 below:

Table 2 - Review of Communal Heating finances 2005/06	
	2005/06
	£000
Expenditure	
Utility bills	321
Income	
Charges for heating	237
Deficit on the account for the year	84
Shortfall as a % of income	35%

3.3 The level of reserves on the heating account is forecast to be £33k at the end of 2005/06, allowing some of the 2005/06 in year deficit to be covered.

3.4 The retail price index for gas and electricity has increased significantly over the past year as shown in Table 3 below.

Table 3 – Retail Price Inflation for Gas and Electricity for the 12 months periods ending September			
	Sept	Sept	Sept
	2003	2004	2005
Inflation			
Electricity	1.55 %	6.04 %	10.17 %
Gas	2.45 %	6.26 %	14.55 %

3.5 The Bolton MBC Energy unit which negotiates gas and electricity contracts on behalf of the Council has advised of the current position regarding the contracts.

- Gas – Bolton MBC are currently in a 3 year contract running from November 2004 to October 2007 and therefore communal heating customers are protected from price increases currently being passed on to other gas customers. A rise of 50% in the contract price has been estimated with effect from November 2007
- Electricity - Bolton MBC are currently in a 2 year contract running from November 2004 to October 2006 and therefore communal heating customers are protected from price increases currently being passed on to other electricity customers. An average rise of 62% in the contract price has been estimated by the Energy Unit with effect from November 2006

3.6 A 3 year financial forecast has been made for the communal heating schemes which covers both of the contract price increases. The increase in heating charges which is proposed has been calculated to ensure the communal heating reserve breaks even at the end of the three year period.

3.7 The 4 year financial forecast is set out in table 4.

Table 4 - Review of Communal Heating finances 2005/06 to 2008/09				
	2005/06	2006/07	2007/08	2008/09
	£000	£000	£000	£000
Expenditure				
Utility bills	321	325	384	484
Income				
Charges for heating	237	300	380	480
Deficit on the account for the year	84	25	4	4
Balance at start of year	117	33	8	4
Balance at end of year	33	8	4	0
Assumed price increase		26.5%	26.5%	26.5%

3.8 The forecast in Table 3 shows that with the current assumptions a price increase of 26.5% per annum is required for the next 3 years in order for the scheme to break even. The effect on charges is shown in Table 5

Table 5 – Proposed Heating Charges

Year	Change	Charge Amounts				
April 1994	No Increase	4.65	5.60	6.70	6.75	7.65
April 1995	No Increase	4.65	5.60	6.70	6.75	7.65
April 1996	No Increase	4.65	5.60	6.70	6.75	7.65
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April 2003	No Increase	2.00	2.50	3.50	3.50	4.00
April 2004	17.02% increase	2.34	2.93	4.10	4.10	4.69
April 2005	2.5% increase	2.40	3.00	4.20	4.20	4.81
April 2006	26.5% increase	3.04	3.79	5.31	5.31	6.08
April 2007	26.5% increase	3.84	4.79	6.72	6.72	7.69
April 2008	26.5% increase	4.86	6.06	8.5	8.5	9.73

3.9 The table shows that for smaller properties the increase would result in prices rising to levels slightly higher than in 1994 but for larger properties, the increases may be over £2 more than the April 1994 level/

4. Recommendations

4.1 Members are asked for comments on the report.

Group Heating Schemes

Fuel Type	Location	Number of Units	Boiler Houses on Site	Properties per Boiler House
Electricity	Greenbank (F)	43	n/a	n/a
	Highfield House (F)	23	n/a	n/a
	Maxton House (F)	39	n/a	n/a
		105		
Gas	Campbell House (F)	25	2	12
	Lever Gardens	25	1	25
	Ainsworth Lane	23	1	23
	Glaisdale Street	24	1	24
	Moorgate Court	20	1	20
	Blake Gardens	36	1	36
	Jubilee House	197	1	197
	Cannon Street	44	2	22
	Dove Mill	53	1	53
	Gregson Field	35	1	35
	Darcy Lever	20	5	4
	Cellini Square	43	11	4
	Delamere Street	21	6	4
	Alexandra Street	10	2	5
	Rishton Lane 1	37	10	4
	Rishton Lane 2	18	6	3
	Higher Southfield	11	3	4
	St Stephens Gardens	12	3	4
	Eskrick Street	11	3	4
	Clarence Street 1 & 2	31	2	16
	Rowland Street	27	1	27
	Hammond Street	15	1	15
	Slaterfield	23	6	4
	Howarth Street	39	4	10
	Blackhorse Street	18	1	18
	Drummond Street	53	9	6
	St Georges Court	68	1	68
	The Haven	20	1	20
	Flockton Court	49	1	49
		1,008		
TOTAL		1,113		