



SHEFFIELD CITY COUNCIL Cabinet Report

Report of:	Executive Director, Place
Date:	12 th September 2012
Subject:	Community Heating Heat Metering Project
Author of Report:	Robert Almond, Sustainable Development Service

Summary: This report sets out details of plans to upgrade the city's community heating sites through the wider installation of heat metering. It follows earlier investment in boiler plant and internal controls and will allow householders to better control/reduce their energy bills by paying for the actual heat used rather than through a flat rate charge based on property size. The proposal is also aligned to a wider approach to support a 'Decentralised Energy Strategy' for the city. This was endorsed by Cabinet in March 2011.

It seeks approval for the general approach to the wider introduction of heat metering with delegation for the detailed technical and operational implementation of this project following an approved tendering process and consultation with relevant stakeholders.

Reasons for Recommendations: Installing heat meters will enable households served by community heating to have the same facility to control their heating costs and comfort levels as households with individual boilers. This will also support the wider Council strategy to modernise community energy provision, reduce environmental impacts and fuel poverty, and is recommended as a fairer way to control heating costs.

Recommendations:

Cabinet is recommended:-

- (1) to approve the approach set out in this report to install individual property heat metering and implement associated billing arrangements at the Council's community heating sites and set the Community Heating charges; and
- (2) to delegate to the Director of Housing, Enterprise and Regeneration and the Director of Commissioning Communities authority to put in place

detailed arrangements to implement the matters approved in (1) above as follows:-

- (a) the Director of Housing, Enterprise and Regeneration is authorised to finalise procurement processes and evaluate tenders on such terms as he considers appropriate;
- (b) the Director of Commissioning, Communities is authorised to conduct a consultation programme, set the Community Heating charges (in accordance with the arrangement set out in the HRA Business Plan) and make proposals to leaseholders and freeholders affected by the changes on such terms as she considers appropriate;
- (c) the Director of Housing, Enterprise and Regeneration and the Director of Commissioning, Communities are each individually authorised generally to take such further steps within the scope of their own service areas as they consider appropriate to progress the Community Heating Heat Metering Project, or to safeguard the Council's interests in relation to it;

Provided that:-

- (i) the Director of Housing, Enterprise and Regeneration and the Director of Commissioning, Communities must, where they consider it appropriate, exercise this delegated authority in consultation with the Cabinet Member for Homes and Neighbourhoods, the Cabinet Member for Environment, Waste and Streetscene, and each other; and
- (ii) further Cabinet approval must be obtained prior to the letting of any contract or contracts for the installation heat metering, controls and payment equipment, and any associated billing and communication services connected with these

Background Papers:

Category of Report: OPEN

If Closed add – ‘Not for publication because it contains exempt information under Paragraph... of Schedule 12A of the Local Government Act 1972 (as amended).’

* Delete as appropriate

Statutory and Council Policy Checklist

Financial Implications
YES/NO Cleared by: Liz Orme/Paul Schofield
Legal Implications
YES Cleared by: Brendan Twoomey
Equality of Opportunity Implications
YES/NO Cleared by: Ian Oldershaw
Tackling Health Inequalities Implications
NO
Human rights Implications
NO:
Environmental and Sustainability implications
YES
Economic impact
NO
Community safety implications
NO
Human resources implications
NO
Property implications
NO
Area(s) affected
Relevant Cabinet Portfolio Leader
Homes and Neighbourhoods and Environment, Waste and Streetscene
Relevant Scrutiny Committee if decision called in
Is the item a matter which is reserved for approval by the City Council?
YES/NO
Press release
YES/NO

REPORT TITLE: Community Heating Heat Metering Project

1.0 SUMMARY

- 1.1 This report sets out details of plans to upgrade the city's community heating sites with heat metering. It follows earlier investment in boiler plant and internal controls and will allow householders to better control/reduce their energy bills by paying for the actual heat used rather than through a flat rate charge based on property size. The proposal is also aligned to a wider approach to support a 'Decentralised Energy Strategy' for the city, that was endorsed by Cabinet in March 2011, as well as earlier commitments to reduce environmental impacts such as with the use of biomass and ground source heat pumps. It seeks approval for the general approach to the wider introduction of heat metering with delegation for the detailed technical and operational implementation of this project following an approved tendering process and consultation with relevant stakeholders.
- 1.2 The use of heat metering will generally help tackle fuel poverty, if as expected the majority of households are able to reduce their heating costs. It is recommended as a fairer way to pay for heat however, the changes will need to be introduced carefully to make sure householders understand these new arrangements, the equipment installed and the new billing arrangements. The report highlights the need for careful monitoring, advice and support for householders not used to paying for heating costs in this way.

2.0 WHAT DOES THIS MEAN FOR SHEFFIELD PEOPLE

- 2.1 Community heating has been popular as it generally provides reliable and consistent heating and on average fewer breakdowns than individual central heating. However, the standards of equipment within the home itself have increasingly fallen behind what is available from individual systems. Particularly the ability to control temperatures, heating patterns, and to pay for energy based on individual consumption rather than averaged/flat rate charges.
- 2.2 The modernisation presented in this report to install the next generation of heat metering that will benefit individual users of community heating by providing fairer arrangements for paying for heat. It will also demonstrate to others how modern community heating technology can be successfully operated, as this approach to heating is likely to become more widely used as a way to achieve good standards in environmental sustainability and reduce the city's carbon emissions.
- 2.3 The investment also supports Sheffield's Decentralised Energy Strategy, which aims to encourage greater use of local heat and power networks as a way to reduce our carbon emissions and strengthen energy security.

3.0 OUTCOME AND SUSTAINABILITY

- 3.1 This investment will provide users of community heating schemes

managed by Sheffield Homes with a modern and fairer way of paying for their heating bills. By enabling households to only pay for the heat they need it will help to reduce household energy costs and fuel poverty. Less wasted heat will also reduce Sheffield's CO2 emissions and will demonstrate a more sustainable approach than the current flat rate payment and fixed heating day that is currently provided at most community heating sites.

- 3.2 The Government's draft Heat Strategy supports the use of modern community heating networks and in Sheffield, a joint Officer/Member working group has also been reviewing this policy area. This aims to build on the strong track record in the city for district and community scale heating and is in line with the approach to strengthening our energy infrastructure set out in the Corporate Plan for an 'Environmentally Responsible City'. The Council has been actively bidding to a number of external funding opportunities to strengthen this strategic work and is currently through to the second stage of a large bid to the Technology Strategy Board that would support Sheffield as a City Demonstrator for 'Integrated smart district heat networks and digital engagement'
- 3.3 Investment in heat metering is part of a large programme designed to give long-term sustainability to the city's community heating systems. This has already replaced the majority of older boiler plant and upgraded internal controls in readiness for installing heat meters and further work is planned to improve the condition of the underground heating distribution pipe-work on some sites.

4.0 BACKGROUND

- 4.1 Approximately 15% of council housing properties are connected to community heating networks, covering around 135 sites in the city. A further 500 privately owned homes bought under the 'Right to Buy' legislation have opted to remain on these networks.
- 4.2 The majority are heated by gas, though a substantial proportion are connected to the Veolia operated District Energy network. Three large sites (Carwood, Callow and Greenland) have been converted to biomass. The use of biomass and connection to the Veolia energy from waste network are good examples of the opportunity community heating offers to de-carbonise the heating provided to Council properties. The majority of sites connected to the Veolia waste already have heat metering, though these now need to be replaced with more modern equipment.

District Heating sites - Type of fuel

Type of fuel used	No of boiler rooms	No of properties	% of Total
Gas to residents	115	4416	73%
Gas / Biomas	3	777	13%
Gas / CHP	2	51	1%
Gas / GSHP	1	24	0.5%
Gas / Solar	2	58	1%
Veolia plant	12	697	11.5%
Total	135	6021	100%

- 4.3 Most installations were made in the 1970's, though a number of tower blocks previously heated by expensive electric storage heating were connected to community heating in the late 1990's. A wide mix of property types are connected – the majority of sheltered dwellings, low and medium rise housing as well as blocks of flats.
- 4.4 A programme to upgrade and modernise the Sheffield community heating networks has been underway since 2006. This is being run in 3 main phases:
1. Upgrading all older boiler plant with modern condensing boilers and improved boiler energy management equipment
 2. Upgrading individual property controls (programmers, thermostats and TRVs) and installation of plate heat exchangers as a more efficient method for handling hot water requirements
 3. New billing and heat metering arrangements that will expand the number of households who pay for the heat they use rather than a fixed flat rate payment.

Following this, there will be a need on some schemes to upgrade and renew the mains pipe work, and there is work currently underway to assess the condition of this at each site for this. This also provides an opportunity to review whether some sites may work more effectively grouped together, as well as potentially providing heat to other buildings.

- 4.5 Alongside this work, there have been associated investments to convert three large sites to biomass (wood chip), a trial of small CHP equipment in two sheltered dwellings, and one sheltered site to use ground source heat pumps. These have demonstrated how community heating has the potential to reduce Sheffield's impacts on climate change by using heat sources that generate less CO₂.
- 4.6 Whilst the first two phases of this programme greatly improved operational efficiency of equipment and reduced carbon emissions, in the majority of sites households have no ability to reduce their individual bills further by paying only for the heat needed rather than paying a flat rate charge.
- 4.7 Although there are a small number of sites already operating with 'heat meters', these are primarily high rise buildings using an older generation of equipment that has now been superseded. The newer equipment offers greater convenience for households to pay for heat in different ways, whether using pre-payment arrangements or on a weekly basis. The aim is to provide broadly the same payment options as a householder with an individual gas boiler.

5.0 PROGRESS TO DATE

5.1 Boiler plant improvements:

The majority of the boiler plant rooms – at around 80 sites, were successfully improved over a two and a half year programme (April 2006 to October 2008) at a cost of £3 million (20% funded from external grant). The remaining boiler plants (including Sheltered Housing sites) are being upgraded as part of the Sheffield Decent Homes Programme which will complete in 2013/14.

- 5.2 In most cases this involved replacing plant that was over 25/30 years old with newer condensing boilers, but on 3 larger sites the lead boilers were changed over to biomass (wood chip). Despite higher capital costs, the overall operational costs of biomass are comparable with gas, (though expected to be cheaper over the longer term), and have significantly lower carbon emissions.
- 5.3 The effect of this major investment has been to reduce energy costs at these sites by between 20% and 30%, which in turn has allowed charges to go up at a lower rate than for households with individual boilers. This is a key objective of the Community Heating upgrade programme, and is achieved by ensuring savings are fully ring-fenced within the separately managed Community Heating account rather than being amalgamated into the general Housing Revenue Account (HRA)
- 5.4 **Controls and Metering:**
Despite these improvements, most households are not fully in control of their energy consumption costs, generally paying a fixed weekly charge rather than being able to pay for the heat they use. For example, households out during the day or who want lower temperatures would with heat metering be able to reduce their bills. This benefit has been demonstrated in other cities that have switched over to heat metering, as well as at the existing sites in Sheffield with meters.
- 5.5 The metering equipment procured will be fully compliant with modern payment expectations and arrangements offered to households who aren't council tenants will be better than currently provided. This will include proposals that the metering equipment will be maintained by the Council as the heat supplier rather than the leaseholder themselves..
- 5.6 In preparation for the heat metering work, other work to upgrade internal controls (programmers/thermostats and Thermostatic Radiator Valves) and installation of more efficient hot water heat exchangers is currently on site and will complete by the end of December 2012.
- 5.7 This early work will facilitate much quicker installation of the heat metering equipment itself as it includes any valve and pipework changes that would otherwise be needed.

6.0 HEAT METERING AND BILLING PROPOSALS

6.1 Equipment options:

The procurement strategy will recommend the equipment to be installed as well as the potential cost and service implications.

Three main options likely to be available are:

1. Basic provision of a heat meter, with payment for energy through a weekly, monthly or quarterly charge. This could be based on actual usage (which would mean higher amount during the winter) or on the basis of an agreed amount that averaged out the peak and lower cost periods. This option would also need to allow for households to have a pre-payment meter as an alternative option, or to be required if the household went into debt.
2. For households to all have pre-payment meters, which are

required to be charged up in advance, by for example the household buying heat credits from a machine in their block or by charging up a smart card at a local shop – preferably at the same location they pay their rent.

3. For a more sophisticated arrangement where meters have the facility for two-way communication, and to be set up remotely as either just a meter or as a pre-payment device. This type of arrangement could allow for a much more modern approach to payments ie payments over the phone, the internet as well as at local paypoint facilities. It would make use of the most recent approach to metering that is now being installed in all houses for gas/electricity over the next 8 years.
- 6.2 The third option is considered to provide the best approach to long-term technical and operational sustainability. It would enable householders to achieve good levels of control, and payment flexibility whilst ensuring sufficiently robust arrangements are also available to manage any difficulties with budgeting and/or dealing with fuel debts.
 - 6.3 The results of the tendering process will clarify the costs of this option, along with varying approaches to the billing and payment arrangements. The tenders will be assessed by a panel of officers and community heating users with some allowance for negotiation and clarification with suppliers, and assessment against quality criteria as well as cost.
 - 6.4 A full roll-out across all community heating sites will require a sizeable investment and it is crucial that the equipment and billing arrangements chosen are sufficiently robust and well-tested to achieve long-term sustainability.
 - 6.5 Budget provision of £5.761m has been provided in the Sheffield City Council Place 2012/13 – 2015/16 Housing Investment Programme that will fund this work which was approved earlier this year by Cabinet as part of the HRA Business Plan and the Council's 2012/13 Capital Programme.
 - 6.6 **Billing/payment options:**
It is proposed that the tendering process for the metering work should also include an initial period of up to 3 years (with a built in annual review) for the billing process and setting up of payment options to be provided by the tendering organisations rather than the City Council or Sheffield Homes. There will however, be a need for clear interfaces with existing processes. Following this initial period, there will be a review of whether to bring this service in-house or remain with an external provider. This will then be subject to further procurement process.
 - 6.7 The rationale for this is to enable arrangements for heat metering to be established quickly but sufficient flexibility around billing arrangements to later change to an in house service if there are clear financial or service advantages to this.
 - 6.8 **Support and monitoring :**
The experience from other local authorities who have introduced heat meters has reduced household bills by 20%-40%. However, the level of

saving depends on individual households use their heating once heat meters are installed. Any savings made will help offset future increases in gas prices which are expected in future so it will be particularly important in the early stages that this is carefully kept under review

- 6.9 Provision for regular monitoring, backed up by support and advice will be provided. A clear priority will be to ensure adequate heating for vulnerable households and that households don't cut back on heating because of insufficient understanding of how to use the new controls or payment arrangements.
- 6.10 An established priority for the housing service is to ensure a wide range of options for payment are available, however, the metering service will also need a fallback option for a 'pre-payment' facility that some households may prefer for budgeting reasons. Pre-payment meters also ensure there remains an option for any debt to be collected whilst ensuring provision for heat is still available. In this instance (as with current equipment) there will also be a requirement for an emergency heat supply to be available to manage any situations when payments can't practically be made to the meter.
- 6.11 It is envisaged that the option to choose either pre-payment, or weekly payments that are monitored and adjusted against usage will be taken by each household, rather than set one way from the start.
- 6.12 **Price per kWh:**
Current arrangements for heat metering that are in place at most tower blocks, have been established on the principle that each site achieves a balance of costs and income, in other words that administrative costs and the gas, electricity or Veolia heat charges are ring-fenced to that particular site.
- 6.13 This means that there are currently different kWh and standing charges set for different sites, rather than these being pooled or averaged out across all sites together.
- 6.14 For this wider roll out, it is proposed that the kWh and standing charges are instead based on pooling of costs across all sites. This is felt to be a fairer approach as it means any differences in operating efficiencies from different boiler plant, different fuels etc are averaged out across all users.
- 6.15 Detailed work has been carried out to model how these charges will be set. The price per kWh will need to be set at the time meters are installed however, the principles proposed for this are:
- Charges will be set to ensure overall income would balance all fuel, operational and administrative costs if the rates were replicated across all sites.
 - A standing charge broadly sufficient to cover any standing losses (ie heat that is used by transferring hot water around the system) as well as fixed administrative costs would be applied in addition to a kWh charge for actual usage. This is similar to how most households with individual heating equipment pay for their energy bills and is the way most community heating schemes with metering operate.

- The community heating account is carefully managed to iron out large increases in gas/electricity prices. Under this arrangement, community heating charges to tenants for 2012/13 were kept low to absorb the increase in external fuel prices. However, it is likely the charges for community heating will need to increase in the next few years if as expected the price the Council has to pay externally for gas and electricity continues to rise above inflation. It is proposed that the metered kwh charges for tenants be set at a level comparable with this approach, to ensure consistency and fairness during the roll-out when some properties will be metered and others not.
- Charges would however, need to reflect any increases in gas prices and VAT of 5% that is liable to be paid on metered heat rather than the zero VAT rate that fixed rates attract

6.16 **Initial sites:**

As previously described, heat metering currently installed is predominantly in high-rise flats, along with one installation at a Sheltered Housing Scheme. These flats are generally one-bed flats, and it is in the nature of these buildings that some heat is in effect 'shared' between neighbouring flats as well as those above and below.

6.17 It is therefore proposed for the early stages of the roll-out, that two low-rise developments are chosen – the Westfield estate in the South East of the city, and the Greenland estate in the North East. These will enable more accurate assessments to be made of operational and cost impacts from the installation of metering to a wider range of property and household types.

6.18 In addition to these estates, on some of the tower blocks the prepayment meters have been failing as the equipment there is now becoming obsolete. These will also be a priority for early installations.

6.19 Following these initial sites, it is proposed that the sequencing of the work will be prioritised to those estates where the cost of heating is contributing to higher turnover of properties than would normally be expected. It is hoped then that this project can help sustain tenancies in these areas and reduce the cost of re-letting to the Housing Revenue Account. Clearly lack of heat metering in some properties is only a factor in this but can make a valued contribution to helping to reduce turnover.

6.20 **Programme Timescales:**

A detailed procurement strategy has been agreed with the Council's Commercial Services Directorate in accordance with Sheffield City Council approved process. This work will be competitively tendered which will ensure full compliance with appropriate legislation, the Council's standing orders and financial regulations.

It is anticipated that once approved the procurement process will commence and a start on site could be achieved for spring 2013. This work will then take, it is estimated, between 2-3 years to complete.

7.0 **ISSUES FOR OWNER OCCUPIERS (LEASEHOLDERS AND**

FREEHOLDERS)

- 7.1 **Background:**
There are currently around 460 owner occupiers connected to the Council's district heating scheme ,around_160 of these live in flats and maisonettes (leaseholders)and around 300 live in houses (freeholders)
- 7.2 When a tenant purchases their home under the Right to Buy (RTB) they usually continue to receive district heating. However instead of paying the heating charge along with their rent they receive a separate invoice from the Council. Most take up the option of making monthly instalments to pay their bills.
- 7.3 For owner occupiers who stay on district heating, the terms and conditions for the provision of heat/hot water and the charging arrangements are set out in a district heating contact which forms part of their lease/conveyancing agreement.
- 7.4 The primary difference for owner occupiers is that they pay their share of the cost of the specific boiler house serving their dwelling ,whereas tenants costs are pooled and they pay standard weekly rates that apply across the whole city .The other main difference is that owner occupiers district heating charges includes cost associated with the provision of the heating system itself e.g. serving ,repairs and refurbishment of the boiler plant and equipment whereas for tenants this forms part of their rent
- 7.5 Also following the payment of a one off disconnection charge (as detailed the lease/conveyance agreement) owner occupiers have the option of disconnecting from the district heating network at any time. Likewise, subject to giving notice the Council can also disconnect dwellings from the system .
- 7.6 **Options for owner occupiers:**
All owner occupiers will be fully consulted about the planned changes and they will be offered the option to have the heat meters/ controls installed. They will also have the option to disconnect from the system and fit their own boiler /central heating system instead.
- 7.7 The disconnection /disconnection loss charges which would normally apply i.e. where owner occupiers proactively choose to disconnect, would not apply if they disconnect before installation . They will be able to leave the system at no cost.
- 7.8 For those who would like to remain on the district heating system they will be able to do so by agreeing to a new district heating contract which will reflect the revised terms of conditions relating to the upgraded system and the new pricing structure of a metered supply. The legal process to facilitate this will entail the Council effectively disconnecting the dwelling from the system under the existing district heating contract and then immediately reinstating it under the new district heating contract. Most of the disconnection notices to initiate this process have already be sent to owner occupiers, although there are a small number still to go out in respect to the more recent sales under RTB.

- 7.9 **Legal costs:**
For those wishing to stay on the system there will be additional legal costs associated with the drafting of the new district heating contract, undertaking conveyancing work to vary the lease/conveyance agreement and to register the change with the Land Registry. It is intended that these costs will form part of the overall scheme costs.
- 7.10 Home owners will be advised that they may wish to seek their own independent legal advice.
- 7.11 **Cost for owner occupiers:**
Owner Occupiers will pay for heating at the same rates as tenants in that both tenants and owner occupiers will incur consumption charges (a unit cost per kwt hour charge for the energy they use in their home) in addition to a weekly standing charge.
- 7.12 In addition to the above however there are costs for the provision of the system itself which are covered by rent for tenants .Owner occupiers no longer pay rent so these costs will need to be recovered through an additional standing charge (systems charge) .This will cover the owner occupiers share of the repairs and maintenance cost of the boiler plant and equipment and loan charges on the refurbishment costs .Owner occupiers already pay for these costs as part of the district heating charges but charges will need to be uplifted to reflect the new metering/controls installations.
- 7.13 This means that owner occupiers choosing to remain on the system will not have to pay large bills up front for the installation of the meters /control etc. Instead the Council will recover these sums over the life of the plant and equipment through the weekly charges. *(by way of comparison, if owners chose to have their own central heating system instead, similar type costs would be incurred by them in sourcing the purchase of a boiler and in servicing and maintaining the system thereafter)*
- It is important to note as with tenants, owner occupiers remaining on the district heating system, with a metered supply, will have greater control/choice over the volume of heat they take and will have the capability to make savings on their heating bills.
- 7.14 Again in accordance with Customs and Excise regulations VAT (current at a rate of 5%) applies.
- 7.15 **Leaseholder consultation:**
In addition to the general scheme consultation that will take place with both tenants and owner occupiers prior to the works commencing, formal statutory consultation will need to take place with owner occupiers (leaseholders) in compliance with the Landlord and Tenant Act 1985. This consultation will take place with in the prescribed timescales prior to the a) tendering/awarding of the contract b) prior to installation works commencing on site.

These statutory consultation requirements only apply to leaseholders, however appropriate arrangements will be made for freeholders also .

- 7.16 These statutory consultation requirements will be built into the project schedule.
- 7.17 Also as owner occupiers will have a choice as to whether they remain on the district heating system or not the Council is committed to providing them with all relevant information so they can make an “informed choice” about what type of heating they decide upon for the future.

8.0 GENERAL CONSULTATION ARRANGEMENTS

- 8.1 A detailed consultation and communication plan will be for this project. A new project group will be established that brings together Sheffield Homes, tenants, leaseholders and freeholders to manage this project. Individual consultation will also take place with customers as part of the planning and delivery of the improvements. Sheffield Homes will also be providing energy assessments and providing advice as part of the project to help individual householders make simple changes that may help them reduce their household bills. A key priority will also be to make sure that all households fully understand how to operate the new temperature controls and programming equipment, thermostatic radiator valves and the new meters. Based on Sheffield Homes customer profiling data there are a number of vulnerable households where we will work closely with to make sure their health and well-being is taken into account when delivering this project. This will also include working closely with the Council and support agencies. This project also links closely with the debt advice service currently provided by Sheffield Homes.

9.0 IMPLEMENTATION APPROVAL

- 9.1 Cabinet is asked to give approval to the broad approach set out in this report for the use of heat meters as the method for paying for heating at community heating sites rather than through the payment of a fixed flat rate payment.
- 9.2 Until the results of the tendering process have been completed, full details of the technical equipment and billing arrangements won't be established. There are likely to be a number of complex issues around this which are better dealt with through Cabinet Member consultation and delegated approval arrangements.

10.0 ALTERNATIVE OPTIONS CONSIDERED

- 10.1 **Option 1 ‘Do Nothing other than modernise existing metered sites’:** An alternative approach to maintain the current heat metered sites was also considered. This would have the advantage of keeping an arrangement that households are currently used to, and it would have reduced the capital costs required for metering as only the older metered sites would have required investment. Feedback from tenant meetings was strongly in support of metering to help households reduce bills so this option would not provide households with an opportunity to do this or for the associated reductions in carbon emissions to be achieved.

- 10.2 **Option 2 ‘ Introduce heat meters, but with an initial pilot’:**
This approach was initially thought to be a strong option as it would allow for equipment to be tested, and for the effects on bills to be assessed before a wider roll out. The assessment of this option however, was that we would gain better competitive interest from the market for a full roll out. The scale of the programme would achieve better unit prices, and the cost of the billing and communication equipment would be spread over a larger number of installations. In addition, it was felt that the pilot process would have extended the programme too long, when feedback was generally in support of metering. The recommended approach for a full roll out is similar to that adopted in other cities which have switched to full heat metering. It will however, be possible to allow for a review period within the install programme to adjust any details, and in particular to ensure communications with affected households is effective in minimising any negative impacts from these changes.

11.0 REASONS FOR RECOMMENDATIONS

- 11.1 Installing heat meters will enable households served by community heating to have the same facility to control their heating costs and comfort levels as households with individual boilers. This will also support the wider Council strategy to modernise community energy provision, reduce environmental impacts and fuel poverty, and is recommended as a fairer way to control heating costs.
- 11.2 Officers working on this modernisation programme are recommending a full roll out of the next generation of heat metering and billing arrangements. Initially a pilot ahead of a full roll-out had been considered however, the procurement of a larger contract was assessed as representing better value for money.

12.0 ENVIRONMENTAL IMPLICATIONS

- 12.1 Community heating in general has good potential to deliver low carbon energy, by sourcing this heat from low carbon and renewable sources as well as through efficient centralised boiler plant. This is recognised in national and local policy and has already been demonstrated through connections to the heat from waste network and with conversions to biomass etc. outlined earlier in the report. Sheffield already has a strong national reputation in this area.
- 12.2 Use of heat metering combined with good internal controls is however, important to ensure maximum efficient operation in individual homes. Without this, wasted heat is produced that isn't needed, and in the worst situations is controlled by households 'opening windows' to let heat escape rather than controlling this through programmers, thermostats and heat metering.
- 12.3 The proposed metering programme has therefore been assessed as having positive environmental impacts by offering good potential for reductions in carbon emissions. These carbon savings arising will be assessed and monitored as part of the Council's energy management

work.

13.0 FINANCIAL IMPLICATIONS

- 13.1 Budget provision of £5.761m has been provided in the Sheffield City Council Place 2012/13 – 2015/16 Housing Investment Programme. This budget is currently profiled based on initial estimates in the Asset Management Plan which was incorporated into the 2012 HRA Business Plan which was approved by Cabinet on the 25th January 2012. Detailed work is taking place to refine the budget profile based on the recommendations in the report and the procurement timetable. A revised approval is being sought from the Council to the revised profile through the agreed Capital approval process which is tabled elsewhere on this agenda.

14.0 LEGAL IMPLICATIONS

- 14.1 The charge imposed by the Council under its community heating scheme, detailed in this report, constitutes a service charge. The Council, in line with the Landlord and Tenant 1985 and the Housing Act 1985, is empowered to impose the service charge.
- 14.2 In respect of RTB properties, the Council and owner occupier's duties and responsibilities relating to the service charge are detailed in the District Heating Contract, which forms part of the lease/conveyance. The District Heating Contract requires revision, to reflect the new arrangements under the Community Heating Heat Metering Project. In those circumstances the Council, in agreement with the owner occupier, is required to amend the lease/conveyance, by a deed of variation and to register the change at the Land Registry. The arrangements detailed in this report comply with those requirements.
- 14.3 The Council, in respect of leasehold RTB properties, is required to carry out a consultation process, in accordance with the Landlord and Tenant Act 1985, before it carries out works valued above £250 or enters into long term agreements for the provision of services where the amount payable by the leaseholder exceeds £100 in any one year. If the Council fails to carry out the required consultation, the amount it may charge under the service charge is significantly restricted. In respect of each leaseholder, it is expected the service charges will exceed the above amounts. Further the contract with the service provider, selected in accordance with the procurement process detailed in this report, falls within the definition of long term agreement. The Council is therefore required to carry out a consultation process in respect of leasehold RTB properties affected by this scheme. The consultation process detailed in this report complies with those requirements.

15.0 RECOMMENDATIONS

- 15.1 Cabinet is recommended:-

(1) to approve the approach set out in this report to install individual

property heat metering and implement associated billing arrangements at the Council's community heating sites and set the Community Heating charges; and

- (2) to delegate to the Director of Housing, Enterprise and Regeneration and the Director of Commissioning, Communities authority to put in place detailed arrangements to implement the matters approved in (1) above as follows:-
- (a) the Director of Housing, Enterprise and Regeneration is authorised to finalise procurement processes and evaluate tenders on such terms as he considers appropriate;
 - (b) the Director of Commissioning, Communities is authorised to conduct a consultation programme, set the Community Heating charges (in accordance with the arrangement set out in the HRA Business Plan and the budget setting process for 2013/14) and make proposals to leaseholders and freeholders affected by the changes on such terms as he considers appropriate;
 - (c) the Director of Housing, Enterprise and Regeneration and the Director of Commissioning, Communities are each individually authorised generally to take such further steps within the scope of their own service areas as they consider appropriate to progress the Community Heating Heat Metering Project, or to safeguard the Council's interests in relation to it;

Provided that:-

- (i) the Director of Housing, Enterprise and Regeneration and the Director of Commissioning, Communities must, where appropriate, exercise this delegated authority in consultation with the Cabinet Member for Homes and Neighbourhoods, the Cabinet Member for Environment, Waste and Streetscene, and each other; and
- (ii) further Cabinet approval must be obtained prior to the letting of any contract or contracts for the installation heat metering, controls and payment equipment, and any associated billing and communication services connected with these.