

UTILITY COST SHARING

The basis on which Utility costs will be shared are set out below

- The Trust is responsible for consumption risk
- The Council is responsible for tariff risk (over and above CPI costs at 1 November each year), subject to the following parameters
 - The Trust has not delivered its annual operating surplus approved in the Trust 5 Year Business Plan for the year in question
 - An agreed level of consumption will be used to calculate the increased cost unless the actual consumption is less than the agreed consumption and then the actual consumption will be used
 - The tariff will be rebased if the Trust achieves its business plan surplus
 - Consumption will be rebased only if there are agreed changes to the service which impact on consumption (such as capital investment)
 - If the Trust has delivered its annual operating surplus target for the year but paying for the tariff increase would reduce the surplus below the target then the Council will pay the increased cost to bring the Trust back to its approved surplus
 - If the Trust has not delivered its annual operating surplus target for the year and there is a tariff increase above CPI the Council will pay the lower of the amount between by which utility costs have exceeded CPI or the amount required for the Trust to achieve the approved surplus

The baseline figures for consumption and tariff are set out below:

- Consumption – based on the consumption in the Financial Year 2013 – 2014
- Tariff – based on the Utility cost in the Financial Year 2013 – 2014 plus CPI at 1 November each year

A worked example is shown below:

	Year 1	Year 2	Year 3	Year 4	Year 5
Budgeted Surplus or Fixed Amount (£'000s) ⁽¹⁾	250	250	250	250	250
Agreed Consumption (kWh)	100,000	100,000	100,000	100,000	100,000
Baseline Tariff (£ per kWh) - adjusted for CPI assumed @2.5% pa	2.00	2.05	2.10	2.15	2.21
Example					
Actual Surplus (£'000s) ⁽²⁾	150	248	100	300	350
Actual Tariff (£ per kWh)	2.00	2.10	2.25	2.30	2.40
Baseline Tariff Adjusted (£ per kWh)	No	2.05	2.10	2.15	2.36
Actual Consumption	95,000	105,000	95,000	110,000	100,000
Tariff Increase (£'s)	0	5,000	14,250	15,000	4,000
Amount to be paid by Council (£'s)	0	2,000	14,250	0	0

(1) Based on £250k flat annual surplus approved in 5 Year Business Plan

(2) Annual surplus is inclusive of any additional utility costs i.e. Trust bottom line

Additional Notes:

1. It is recognised that the actual tariff will be made up of fixed sums and variable sums, so a calculation of the tariff will be made to work out £ per kWh for the agreed consumption (or in the case of water and sewerage a £ per cubic metre).
2. If the baseline tariff is adjusted then the adjusted tariff will be increased with CPI
3. The baseline tariff is adjusted after the calculations have been undertaken for the year using the existing baseline tariff