

Report of: Executive Member for Housing and Development

Meeting of:	Date	Ward(s)
Executive	21 April 2016	All

Delete as appropriate	Exempt	Non-exempt

SUBJECT: Communal heating scrutiny review – Executive member response to proposed recommendations

1. Synopsis

- 1.1 On the 7th September 2015 the Executive received a report from the Environment and Regeneration Scrutiny Committee concerning Communal Heating. The report highlighted five recommendations to further improve the communal heating service.

2. Recommendations

- 2.1 To agree to qualitative research into the potential impact of heat meters.
- 2.2 To agree to refund heating charges after two days (rather than three) of failure to provide heating
- 2.3 To increase compensation by £6 a day during periods of failure of the system to cover the additional cost of electric heating.
- 2.4 To note the improvements in communicating with residents about effective use of communal heating.
- 2.5 To note the council will continue to seek Energy Company Obligation (ECO) funding.
- 2.6 To note the council's response to the EU Energy Efficiency Directive.

3. Background

- 3.1 In November 2014 the Environment and Regeneration Scrutiny Committee commissioned a review of the Communal Heating service. The aim of the review was to consider the benefits and shortfalls of communal heating and to explore what improvements could be made to address any shortfalls of the service.
- 3.2 The review also considered other areas associated to communal heating such as the cost comparison between communal heating and an individual heating service, compensation for tenants when there is a loss of a communal heating, resident communication on communal heating and heat metering.

3.3 The committee issued a final report on the 7th of September 2015 which included five recommendations.

4. Response to recommendations

4.1 **That qualitative research be carried out to ask different groups of residents, such as those in work and those at home during the day, how they would use their heating if heat metering was introduced.**

4.2 During the course of the scrutiny review there was a perception that the provision of a communal heating service did not always encourage residents to be energy efficient. There was a concern that residents did not always feel this was their responsibility and resident evidence provided during the scrutiny indicated a disconnect between actions of the individual and the overall cost of energy for communal heating.

4.3 There was a concern that resident behaviour could contribute to unnecessary energy consumption which could in some way be offset if residents were more familiar with how best to use the communal heating system.

4.4 It was highlighted that some resident groups could benefit more from the introduction of heat metering. The expectation is that further research into this area will allow the council to have an improved understanding of resident expectations for communal heating. Further qualitative research in this area would therefore be beneficial and is recommended over the next 12 months.

4.5 **That consideration be given to amending the policy on refunding heating charges following a loss of communal heating service, where charges would be refunded to tenants following a loss of heating for two consecutive days instead of three consecutive days. Consideration should also be given to increasing compensation to reflect the increased cost of temporary electric heating provided, which would be above that of the usual communal heating costs had no disruption taken place**

4.6 A refund for loss of heating applies when the landlord controlled heating supply fails during the recognised heating season for 3 consecutive days or more. Refunds are based on the weekly heating charge made to the resident. The recommendation is to amend this policy to allow for a refund to be paid following loss of heating for two consecutive days

4.7 The onus is on the council to provide heating and where the council fails to meet this obligation the resident should be compensated. The absence of heating for elderly or frail residents could have grave implications and should, where possible, be avoided. A 2 day (48 hours) cut off to replace a 3 day cut off to refund charges is therefore not unreasonable and should be agreed by the council.

Year of transaction	Credit Amount	Count of Transactions
2014 – 2015	£5855.83	301
2015 - 2016	£103.49	3
TOTAL	£5959.32	304

Table 1

Refunds provided where communal heating has broken down between 2014 - 2016

4.8 **Compensation - The current policy**

Compensation payments are awarded in recognition of inconvenience caused to residents. Payments are set out as detailed under Islington Council's payment schemes and are normally paid where there has been a loss of service for 3 consecutive weeks or more.

4.9 **Compensation - Legal Framework**

There is no legal requirement to pay compensation to residents. It is, however good practice and in line

with government policy on customer's rights to provide compensation when services fail to meet standards.

4.10 **Heating or Hot Water Compensation**

Compensation is currently payable where the loss in supply occurs for 3 consecutive weeks or more as follows:

- for loss of heating* for a landlord controlled system during the recognised heating season for residents
- for loss of hot water for a landlord controlled hot water systems for residents
- for loss of heating* for an individual system for tenants
- for loss of hot water for an individual system except where a working immersion heater is available for tenants.

Compensation is payable at £1.40 per day for the loss of both heating and hot water; 90p per day is payable for the loss of hot water only or heating only.

* except when alternative heating is supplied.

4.11 **Compensation - The proposed recommendation.**

The scrutiny held that consideration should be given to increasing compensation to reflect the increased cost that the resident could incur should they require the use of temporary electric heating. This would be the cost over and above that which the resident would normally be charged on the communal heating system. The current policy is not to provide compensation when alternative heating is supplied. This would remain policy but the proposed recommendation is to pay the extra cost of temporary electric heating for the period the communal heating service was unavailable.

4.12 In relation to the increased cost it would not be unreasonable to pay compensation to reflect the additional cost that the resident has incurred by having to use a temporary electric heaters due to a failure in the communal heating service.

4.13 The daily heating consumption at one of Islington's communally heated flats is circa 37.8kWh Based on the average 2015 electricity cost in London of 15.86p/kWh, this would result in a cost of £6.00 per day in order to provide the same level of heat just using replacement electric heaters. A differential cost could be calculated by deducting the daily heating charge from this amount. In practice residents are unlikely to heat the entire property to an equivalent temperature when using replacement heaters. The recommendation is therefore for this amendment to be adopted.

4.14 That work take place to improve communication with residents on communally – heated estates about the responsible use of communal heating systems.

4.15 The scrutiny identified that the role of the end user for communal heating is sometimes overlooked on communal heating systems. Residents can also sometimes underestimate the role they play in obtaining best efficiencies from their communal heating system. Clearly this is an inaccurate perception as energy costs are always passed back to residents and there is always a requirement on the part of the residents to use the communal heating system in a way which maximises the effectiveness of the system.

4.16 Anecdotal evidence and evidence provided by residents during the scrutiny highlighted a poor understanding of how communal heating systems work and the system components that residents can use to obtain the most from the system. The inference was that better communication with residents on the communal heating system would help improve the understanding of communal heating and what can be done to avoid unnecessary energy wastage.

4.17 Responsible use of the communal heating system will help limit energy wastage. This would take the form of improved communications with residents following major works undertaken through the M&E capital programme whereby residents are now provided with user-friendly reference material on the key parts of the system and how they are best used.

- 4.18 The communication team have also produced information leaflets about communal heating. There are 3 different versions of the leaflet targeting residents according to the type of heating system and the heating controls. The council's objectives is to promote the advantages of communal heating and to educate residents and staff on how to use communal heating. The leaflets explain to residents the advantages of communal heating and what they can do to have better control over the heating of their homes. Briefings and training sessions for key Housing staff are also due to be provided.
- 4.19 As part of the communication strategy on communal heating, there has also been a feature in the resident and staff magazines, targeted training for residents at Kings Square Estate (Celsius), as well as answers to Frequently Asked Questions (FAQs) on the council's website. Further training for residents and staff is planned as well as information for new movers using posters, and noticeboards on estates. This recommendation is therefore already in progress. The council also continues to take innovative approaches to improving resident comfort and system efficiency such as the smart energy approach on the Redbrick Estate
- 4.20 **That the council continues to apply for Energy Company Obligation (ECO) funding for appropriate schemes**
- 4.21 The Council's Energy Services Team is involved in securing, ECO grant funding towards a number of projects, improving the insulation levels and communal heating systems within the housing stock. Energy Services will continue to seek the maximum level of grant funding to support such projects, whether from ECO, any successor schemes to ECO, or other local or national sources of funding.
- 4.22 **That the council works towards meeting the EU Energy Efficiency Directive**
- 4.23 The EU Energy Efficiency Directive ('the Directive') came into effect in Autumn 2013. It includes directions on heat metering in communal and district heating systems with the aim of giving consumers better control over the heat they consume – so that overall consumption and hence carbon emissions are reduced. Implementation of the Directive is mandatory for EU countries.
- 4.24 Under the Regulations it is mandatory for heat network operators (such as Islington Council) to install heat meters in the following circumstances:
- Building level heat meters in all buildings served by district heating systems
 - Individual heat meters where a building served by a district heating system undergoes major renovation¹ that includes the renovation of the technical services of the building
 - Individual heat meters in all properties served by district or communal heating systems where technically and economically viable.
 - Individual heat meters in any new building served by a district heating system.

The EU Efficiency Directive has resulted in UK regulations requiring the mandatory installation of heat meters in certain circumstances.

The Heat Metering and Billing Regulations required building level meters to be installed by the end of 2016. Meter visibility and accuracy was required and bills would have to be linked to usage. The council had considered the implications of the 2014 EU Energy Efficiency Directive for Islington's Housing Service and has set aside funding for this work to be carried out in the M&E capital improvement programme.

¹ Major renovation is defined as the renovation of a building where the total cost of the renovation relating to the building envelope or the technical building systems is higher than 25% of the value of the building, excluding the value of the land upon which the building is situated

5 Implications

5.1 Financial Implications

Refunds & Compensation

It is estimated that the recommendations in respect of **refunds** (to be initiated after a 2 day failure of supply instead of 3 days) and **compensation** (to increase compensation to reflect the increased cost that the tenant would incur should they require alternative electrical heating) will not give rise to a material increase in expenditure falling to the HRA, very likely to be no more than an extra £10k per annum. This is because recent history indicates that when they do occur breakdowns are rectified quickly.

5.2 EU Energy Efficiency Directive

Compliance (covering installation of building level meters in all buildings served by district/communal heating & the recalibration of existing individual heat meters every 10 yrs) has been estimated at an additional cost of £475k which has been included in the HRA's capital programme.

5.3 In relation to the recommendation regarding qualitative research into the impact of installing individual heat meters to all properties served by district/communal heating. It should be noted that if this were adopted the capital costs of installation would be significant i.e. a minimum of in the region of £2m. In addition, the cost of annual administration will be far greater than the administration of the current systems.

5.4 Legal Implications

The council has power to adopt the recommendations set out in this report under the general power of competence (Localism Act 2011, section 1). This power allows the council 'to do anything that individuals generally may do' provided that it is not something that is explicitly prohibited, restricted or limited by a statutory provision. The EU Energy Efficiency Directive (2012/27), was transposed into national legislation through the Heat Network (Metering and Billing) Regulations 2014 No. 3120. The requirements of these regulations in relation to heat metering are set out in the body of the report.

5.5 Environmental Implications

Communal heating has a lower environmental impact (e.g. in terms of carbon emissions) compared with individual heating systems due to the efficiencies of scale associated with a system providing heat to numerous dwellings as opposed to individual dwellings.

The report includes two recommendations that should reduce the environmental impact of the councils' communal heating systems. One is improved communications with residents about their communal systems, as better informed residents are less likely to waste heat, resulting in a more efficiently-operating system; the improved controls mentioned in section 4.2 should also improve system efficiency and reduce environmental impacts. The other is the recommendation that the council works towards meeting the EU Energy Efficiency Directive, which will enable better monitoring of energy use.

5.6 Resident Impact Assessment

The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

A Resident Impact Assessment was completed on 9 March 2016 and the summary is included below.

- The report recommendations are not considered to be discriminatory in any way for people with any of the protected characteristics.
- The report recommendations are not expected to have a negative impact on equality of opportunity for people with protected characteristics.
- The report recommendations are not expected to contribute to advancing equality of opportunity for people with protected characteristics.
- The report recommendations are not anticipated to have a negative impact on good relations between communities with protected characteristics and the rest of the population in Islington.
- Some of the report recommendations are expected to contribute to fostering good relations with service users i.e. Recommendation 4.5 and 4.14
- Some of the report recommendations are expected to improve the socio-economic circumstances of the service users. i.e. recommendation 4.5.

6 Conclusion and reasons for recommendations

6.1 This report details the Executive's response to the recommendations of the Housing Scrutiny Committee

Final report clearance:

Signed by:



Executive Member for Housing and Development

Date: 29 March 2016

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