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Wards:	All
Report of:	Executive Member for Homes and Neighbourhoods
Report No.	1029384

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## Subject: Communal heating service standards

### 1. Recommendations

- 1.1. To agree the adoption of the proposed heating service standard set out in paragraph 3.8 and appendix A of this report from October 2024.
- 1.2. To confirm the process for increasing the update of tenant charges from 9<sup>th</sup> December 2024.
- 1.3. To seek delegated authority for the Corporate Director of Housing to make changes to the heating service from time to time, following consultation with the Executive Member for Homes and Neighbourhoods, and following consultation with residents.

### 2. Report summary

- 2.1. The communal heating service was amended in September 2022 in response to the energy crisis, seeking to achieve a greater balance between affordability and service for residents living in communally heated blocks.
- 2.2. This report recommends a modest increase to service provision now that energy costs have reduced, even though the energy market remains much more volatile and difficult to predict than in the preceding ten years.

- 2.3. The proposed increase in service is designed to support greater system reliability, a modest improvement in the level of thermal comfort offered in the middle of the day during the heating season, whilst keeping costs affordable for residents.

### 3. Details of the proposal

- 3.1. The communal heating service was amended in September 2022 in response to the energy crisis, which saw gas cost spiral, even with government caps, to over three times the costs residents were used to paying. Service hours and the heating season were reduced to achieve a greater balance between provision and affordability.
- 3.2. The council has a range of different systems that fall into the following categories:
- **Two pipe systems** – those where heat and hot water are delivered to the properties through the same pipework and cannot deliver heating and hot water services separately, but there is stored hot water available whilst the system is off.
  - **Standard systems** – where heating and hot water can be delivered separately (either from the communal system or from a mixture of communal and individual provision)
  - **HIU sites** – where there is no stored hot water, and heating and hot water are delivered together. These sites have a heat interface unit (HIU) in place, which allows a heat meter to be installed as part of our heat meter roll out programme.
- 3.3. Due to variance in system type it is not possible to have a truly consistent service, however the service approach has been designed to be as fair as possible for all residents. Minimising the time where the hot water supply is lacking or constrained and providing heating at the times of day when it is generally coldest and needed most. The service offered from September 2022 at these sites was:
- **Two pipe systems** – 13 hours of heating per day (in two sessions – with an off period during lunchtime), hot water being refreshed only during those heating hours, with stored hot water available in between.
  - **Standard systems** – 13 hours of heating per day during the 30-week heating season. Hot water refreshed throughout the day (18 hours), with only stored hot water being available overnight.
  - **HIU sites** – Provision of 18 hours of hot water and heating all year around – as it is not possible to provide any hot water when the heating is not also available. These are some of the newest and most efficient communal systems within the council's housing stock.
- 3.4. It is recognised that the reduction in service provision had a greater impact on more vulnerable residents, but that also hardship from high costs would also impact lower income households more than others. It was considered that during this very high-cost period this service offer provided the best balance for most

households and that those with greater vulnerability to the cold, may have to use some heat top up from other sources during colder snaps or when they needed it most, for which the council supplied electric temporary heaters where residents needed them.

- 3.5. Energy prices have taken a while to stabilise, whilst the energy markets have remained more volatile. The council has entered into longer-term agreements for supply of gas, to help stabilise prices, which has resulted in a price drop from April 2024. We know that residents continue to struggle with the continued cost of living pressures experienced and about 74% of our tenants rely on support from state benefits for all or part of their income (from housing benefit for universal credit). The proposed communal heating service offer from October 2024 seeks to continue to balance cost with a service provision, but also address service reliability issues have occurred, as a result of, turning systems on and off more often during the middle of the day.
- 3.6. Some residents have fed back that during colder periods they find the lack of heating in the middle of the day challenging and that it can take a long time for their home to warm back up once the heating come on again mid-afternoon. Therefore, a service option was developed that added only a small additional financial burden for residents, that provided a background level of heat during the middle of the day, keeping boilers operating at a 'set back' level, which also helps to keep temperatures more stable in homes throughout the daytime. Keeping systems on 'set back' will also have the added benefit of reducing breakdowns in service, as we know these can be more difficult for more vulnerable residents to cope with.
- 3.7. It is expected that the cost of system breakdowns should be reduced by about a third as a result of this and have a positive financial impact for the council's repair budget and result in a reduction in recharges to leaseholders.
- 3.8. It is recommended that the option to increase the service offer from the current 13-hours of heating provision, to 13 hours of heating provision, plus a 'background' heating offer during the middle of the day, replacing the period where the heating would have been turned-off under the current heating service standard.
- 3.9. HIU sites service will remain unchanged, as they do not have a middle of the day shut down and therefore were not included in the consultation process. These sites are part of a programme to move residents to heat meters (where this is technically and financially viable). Smart heat meters enable residents will be billed based on their own individual consumption, providing up to date consumption information. Once the programme is completed these sites will be offered 24 hours access to heating and hot water.

## 4. Other options considered and the reasons for recommending this proposal

- 4.1. Two options were considered and presented to residents for consideration as part of a consultation exercise on the proposals. These were to continue with the

existing 13-hours of heating, over a 30-week heating season (option 1) or to have the enhanced service offer, offering a 'background' level of heating during the switch off period of the day, also over a 30-week heating season (option 2). For tenants this service costs were set out as an amended weekly cost in the tables below:

Table 1 – weekly charges for tenants for both options:

Option 1 charges

	<b>0 bed</b>	<b>1 bed</b>	<b>2 bed</b>	<b>3 bed</b>	<b>4 bed</b>
Heating and Hot Water	12.87	14.25	16.90	19.88	22.52
Heating Only	7.72	8.55	10.14	11.93	13.51

Option 2 Charges

	<b>0 bed</b>	<b>1 bed</b>	<b>2 bed</b>	<b>3 bed</b>	<b>4 bed</b>
Heating and Hot Water	13.40	14.83	17.60	20.70	23.44
Heating Only	8.04	8.90	10.56	12.42	14.07

Leaseholders costs are bespoke to each boiler house, reflecting the amount of gas used by those boilers and therefore estimated percentage cost decreases, compared with their 2023/24 bill were provided.

Options 1 costs:

Gas prices have reduced and therefore for a similar heating year (i.e. with a similar winter climate), you can expect your costs to be about **31%** less in 2024/25 than the estimates for 2023/24.

For an annual bill of £1500 this would reduce to £1,035

Option 2 costs

For standard systems:

The enhanced service will cost about **1.7%** more than the current service.

For 2 pipe systems:

The enhanced service will cost about **4.6%** more than the current service.

For an annual bill of £1500 in 2023/24 this would reduce to £1,052.60 for a standard system and £1082.60 for a 2-pipe system.

- 4.2. The results of the consultation exercise did not provide a clear mandate from residents for either option. Once the options chosen were weighted to accurately reflect the populations of tenants and leaseholders within communally heated homes, there was on a 4% difference in the popularity of the options put forward. The return rate was also low at 13% and therefore cannot be considered to be conclusive in respect of resident views. The results are set out below in table 1.
- 4.3. There was a stronger preference among leaseholders for option 1, which was the lower cost option and a slight preference among tenants for the slightly higher costs options 2. This was generally consistent with the feedback we received from leaseholders and tenants face-to-face at drop-in sessions and through correspondence, with leaseholders being more concerned about the costs they had experienced, feeling the current service was adequate and some tenants (usually the more vulnerable to the cold) being concerned about the midday close down and being happy to pay a bit more to a greater service and others feeling that the current service was adequate.

Table 2 – option preferences received from residents.

### Results with no weighting

	<b>Option 1</b>	<b>Option 2</b>	<b>Total</b>
Tenant results	140 (44%)	180 (56%)	320
Leaseholders	170 (71%)	70 (29%)	240
<b>Total</b>	<b>310 (55%)</b>	<b>250 (45%)</b>	<b>560</b>

Applying the weighting based on the population size increases the numbers for tenant responses and decreases the numbers leaseholders.

	<b>Option 1 weighted</b>	<b>Option 2 weighted</b>
<b>Tenant</b>	171	220
<b>Leaseholders</b>	119	49
<b>Total</b>	291 (52%)	270 (48%)

- 4.4. We recognise that although the consultation materials included information for leaseholders about the likely costs of the heating service provision, we were not able to be specific about the cost of repairs and maintenance associated with additional ‘wear and tear’ of systems from more on-off periods within the day. However, these costs are also part of the overall costs experienced by leaseholders.
- 4.5. With the closeness of the overall weighted result outcome and the slight preference for option 2 expressed by tenants, coupled with the relatively low response rate to the survey and combined with the relative closeness of cost of the two service options, it is important that other factors are considered by the council in coming to a decision on the best universal service level for residents.
- 4.6. The appended Equalities Impact Assessment sets out in more detail the considerations undertaken in coming to the recommendations in this report. In summary, there are higher levels of vulnerability among the residents living in council homes, as there is little supported and specialist housing in the borough, and therefore more residents with vulnerabilities live in council homes. Concerns from and about residents who are impacted more by the cold and how it affects their health and wellbeing, particularly during the coldest months, has always been a significant feature of the feedback we have received from residents. The impact of higher levels of system breakdown are also particularly pertinent to these more vulnerable groups. This has had to be balanced (especially during the height of the energy crisis) with the health and financial wellbeing impacts, that can be caused to those on low incomes of levying unaffordable charges. Now that service costs have significantly dropped and the cost differential between the two options under consideration being relatively small it, it seems to be more reasonable to delivery a slightly more expensive service to improve conditions for all residents but particularly those who are vulnerable.
- 4.7. The council offers support to residents who are under pressure financial pressures from the costs of living, including income maximisations advice, energy costs and advice on budgeting and debt management, details of support offered can be

found at [Cost of living support | Islington Council](#) and this support is regularly promoted to tenants.

- 4.8. Therefore, on balance is it recommended that the proposed option 2 is implemented from October 2024.
- 4.9. This will mean that communal heating charges will need to be updated, as soon as it practical for tenants, once the new service standard is set, allowing for the required changes to the system and notice periods, in order to avoid the build up of a deficit within the communal heating pool.
- 4.10. In the longer term the council is keen to give resident more individual control over their heating service and costs, moving to heat metering homes, which will allow residents to choose their own costs and comfort balance. However, the roll out of meters will take some time and not all homes are currently technically and financially viable to deliver meters to. Therefore service levels in these homes are the only means of reliably controlling costs for residents.

## 5. Key impacts and risks of the proposal

- 5.1. As set out in 4.6 the impacts of the proposed service increase is considered within the equalities impact assessment. The additional service costs will impact on lower income homes, however the increased service offer has been kept to a modest level to mitigate this issue as far as possible, seeking to strike the balance between the needs of residents within communally heated homes.
- 5.2. There continues to be volatility in the energy markets. This has been partly mitigated by the council joining a buying consortium, where prices remain more stable and offers some protection from market shocks. Pricing is known until the end of March 2024 and charges have been set in accordance with these costs. Service levels can be further reviewed, if there are significant changes in the costs of gas in coming years.

## 6. Contribution to the Islington Together 2030 Plan

- 6.1. Providing an appropriate and affordable level of heating to communally heated homes supports the council's mission A safe place to call home which seeks to ensure that everyone has a safe, decent and genuinely affordable place to call home.

## 7. Consultation and community engagement

- 7.1. All tenants and leaseholders were written to as part of the consultation process. They were provided with three means of voting, online through Let's Talk Islington, by email or by return of an enclosed freepost form.
- 7.2. A two-month consultation period was offered and throughout the consultation period, ward drop-ins were available and promoted, so that residents could ask council officers questions about the consultation.
- 7.3. An email address was also provided for any queries residents had about the consultation.

- 7.4. Residents used these facilities, but interest in the drop-ins and email address was much less than during previous consultation shortly after the original service change. As well as the numbers attending being reduced, the levels of concern expressed by attendees about service levels were significantly less compared with when the change was first introduced in the winter of 2022.
- 7.5. The number of opinions expressed by residents through the consultation, compared with the number of households eligible to provide a response was 13%.
- 7.6. As set out above, there was not a strong conclusive preference expressed overall by residents.

## 8. Implications

### 8.1. Financial Implications

- 8.1.1. This report sets out the proposed amendment to the heating service to be delivered to those residents on communal heating systems, including the associated adjustments to charges arising from this change.
- 8.1.2. The proposal is to apply Option 2, a slightly enhanced service offer to residents on communal heating systems now that the peak period of fuel price volatility is considered over.
- 8.1.3. The proposed service level, if agreed, will require an adjustment to the charges to tenants as set out in section 4.1 to reflect the slightly enhanced service offer.
- 8.1.4. Whilst the recommended Option 2 would result in slightly higher charges to residents in 2023/24, the overall cost will be significantly lower than when compared to the previous financial year, as set out in 4.1.
- 8.1.5. The implementation of any increase will require the statutory 28-day notice period, as such it is proposed that implementation of the changes would be from 9<sup>th</sup> December 2024.
- 8.1.6. This mid-year implementation of charge changes will help mitigate the impact on the HRA, in particular the communal heating pool.
- 8.1.7. Whilst the overall costs of communal heating provision are unpredictable and volatile given their link to the severity of winter weather conditions, the proposed charges are based on recovering costs associated with average consumption levels.
- 8.1.8. The report indicates that implementation of Option 2 should result in a reduction in day-to-day repairs on communal heating systems. In 2023/24 total repairs on communal heating systems cost £1.6m. The impact of Option 2 will be monitored to establish whether a budget saving can reasonably be delivered in future years.
- 8.1.9. Communal heating operates as a ring-fenced account within the HRA, with the principle of ensuring that the costs of this service are only charged to those tenants and leaseholders benefiting from the service and are not being subsidised by other HRA tenants.



## 8.2. **Legal Implications**

- 8.2.1. The decent homes standard requires council housing to have efficient heating and the council has powers under section 11 of the Local Government (Miscellaneous Provisions) Act 1976, to establish and operate such generating stations and other installations as it thinks fit for the purpose of producing heat or electricity or both.
- 8.2.2. The council has a fairly wide discretion as to the level of its heating charges provided that they are reasonable.
- 8.2.3. The council is required to consult its secure tenants on its proposals regarding housing management matters (section 105 Housing Act 1985). A matter is one of housing management if it relates to the provision of services or amenities in connection with dwellings and therefore would include options for proposed changes to the operation of the communal heating system. Whilst the obligation to consult does not extend to leaseholders it is reasonable for the council to include them in the consultation exercise.
- 8.2.4. Accordingly, the Executive should have full and proper regard to the consultation responses before making any decision on the communal heating policy. Tenants will need to be given four weeks' notice if a change in the policy results in an increase in heating charges.
- 8.2.5. In considering this report, the Executive should have regard to the council's obligations to carry out its duties in accordance with the principles of best value and to ensure its functions are exercised having regard to a combination of economy, efficiency and effectiveness
- 8.2.6. A detailed Equalities Impact Assessment has been prepared and is attached at Appendix 2. The Executive should have due regard to the EQIA and the equalities impacts noted in paragraphs 8.4.1 and 8.4.2 of this report.

## 8.3. **Climate Change and Environmental Implications**

- 8.3.1. There are environmental implications to offering an enhanced service offer, as inevitably this will increase the level of gas used by communal systems, even if the increase is modest. This will increase carbon emissions from LBI heating in proportion to the increase in gas used.
- 8.3.2. However, the original service changes from 18 hours of heating per day to 13 hours and the heating season from 36 to 30 weeks had a positive environmental impact, and this will only be modestly reduced.
- 8.3.3. Increases in carbon emissions from heating can be mitigated by improvements to the efficiency of our communal heating systems, through maintenance and improvement works, so that when systems are in use, it takes less gas to achieve the same output.
- 8.3.4. When communal systems are in need of replacement, low carbon alternatives will be explored and funding opportunities used to deliver non-gas solutions. Where low carbon options cannot immediately be delivered, new systems will be future proofed to enable future connection to low carbon heat networks.

- 8.3.5. The increase in service provision for communal heating will likely reduce residents use of supplementary electrical heaters, which will have a positive environmental impact linked to the reduction of electricity use.

#### 8.4. **Equalities Impact Assessment**

- 8.4.1. 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.
- 8.4.2. An Equalities Impact Assessment was completed on 19/7/24. The main findings are that there are higher levels of vulnerability among the residents living in council homes in Islington, as there is little supported and specialist housing in the borough, and therefore more residents with vulnerabilities live in general needs homes. Concerns from and about residents who are impacted more by the cold and how it affects their health and wellbeing, particularly during the coldest months, has always been a significant feature of the feedback we have received from residents. The impact of higher levels of system breakdown are also particularly pertinent to these more vulnerable groups. This has had to be balanced (especially during the height of the energy crisis) with the health and financial wellbeing impacts, that can be caused to those on low incomes of levying unaffordable charges. Now that service costs have significantly dropped and the cost differential between the two options under consideration being relatively small it, it seems to be more reasonable to delivery a slightly more expensive service to improve conditions for all residents but particularly those who are vulnerable. The full Equalities Impact Assessment is appended.

## 9. **Timetable for implementation**

- 9.1. The new service will be implemented with effect from the beginning of heating season in October 2024.
- 9.2. Tenants will be informed of the service change and the planned changes to their charges, providing the 28 days notice required for changes to their charges.
- 9.3. Leaseholders will be informed about the service changes following the decision and notified that this change will impact on their actual service charges bills for

2024/25 and their service charge estimates for 2025/26 will be update to reflect the amended service levels.

**Appendices:**

- Appendix 1 – New proposed service level
- Appendix 2 – Equalities Impact Assessment

**Background papers:** None

**Report approval:**

Authorised by:

**Executive Member for Homes and Neighbourhoods**

Date: 11 October 2024

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