



Report of: Corporate Director for Joint Board or Executive Member for Executive.

Meeting of:	Date	Agenda item	Ward(s)
Communal Heating Scrutiny Meeting	16 March 15	Communal Heating	

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SUBJECT: Communal Heating Scrutiny Review

1. Synopsis

- 1.1 This report addresses the key issues which were highlighted during the Communal Heating Scrutiny meeting on the 13 November 2014 and highlights the proposed solutions to address the issues raised.

2.0 Recommendations

2.1 To note the response on the following questions identified by the previous communal heating scrutiny.

- The process of consultation which identified the heating service for residents.
- Outcome of consultation in 2014
- Apportionment of communal heating costs between Leaseholders & Tenants
- Communal Heating Costs v Costs for individual gas boilers.
- Heating rebate when heating is not working
- Rent Arrears in Islington - National policy or influenced locally

3.0 Background

The communal heating scrutiny review on the 13 November 2014 highlighted a number of issues to investigate further and report back to the scrutiny panel. The enclosed report comments on the issues raised and provides further information on these concerns and the proposed solutions.

3.1 Consultation process to agree existing heating hours.

In early 2010 there was a period of very cold weather which resulted in all communal heating systems being switched on to operate for 24 hours per day. Prior to this, the majority of boilers were set to provide heat for 18 hours per day (during the heating season) i.e. between 6.00am and 12.00am (midnight). 36 weeks per year.

A decision was made to consult on heating hours during the autumn of 2010. Residents were consulted on various options depending on whether or not their boiler had the capability of providing “night set back” (i.e. provide a lower heat setting overnight, as opposed to providing no heat overnight) 4461 residents were consulted and 1276 responses were received (29%). The most popular option chosen was 18 hours per day, between 6.00am and 12.00am (midnight), with the system switched off over night. This policy was adopted in October 2010.

Since 2010 the council has improved the controls on a number of its communal boiler houses so that these boilers can be turned on and off in response to outside temperature. The council has listened to residents on certain estates who have told us they are cold. In 2014 a pilot was undertaken to assess the impact of providing additional heating during cooler periods in the summer months. Building on the pilot we are currently looking at communal heating policy including heating during the summer and whether certain estates with poor energy efficiency should receive additional heating hours and not pay extra for this service.

3.2 Calculation of heating costs

The council calculates all tenant services charges on a pooled basis. This includes communal heating but also communal electricity and caretaking. The Council consider this to be the fairest and simplest way to calculate charges as all tenants in the same property size pay the same regardless of which estate they live on.

For communal heating which is much like other service charges, the pooled system means that on some estates tenants pay more than leaseholders for the services they receive but on other estates leaseholders may pay more than tenants. Unfortunately the council cannot offer tenants the option of de-pooling their heating charge. This goes against the principle of all tenants sharing equally in the cost of services. It is likely that estates with lower than average per unit costs of heating would opt to come out of the pool – pushing the price up for those tenants still part of the pool.

3.3 **Tenant and leaseholders charges**

Tenants and leaseholders both pay for the cost of gas needed to provide communal heating. The council has a different approach to calculate charges to tenants and leaseholders for communal heating. This is because there is a different legal framework for these two groups. Other service charges, such as caretaking, are also calculated differently.

Legally the council cannot 'pool' leaseholders' charges so leaseholders' heating charges are calculated by taking the yearly fuel costs of the boiler house that services each leasehold property and dividing this by the number of properties that receive heating from that boiler.

In practice this means that this is almost always a difference between tenant and leaseholder charges for heating. On some estates tenants pay more than leaseholders, on other estates leaseholders pay more than tenants.

There is also a timing difference between the times when tenants and leaseholder charges are set for the coming year. Tenant charges are based on gas usage in the previous year plus an estimate of the change in the cost of gas. Leaseholders' charges are based on the actual cost of gas from two years ago plus an estimate of the increase in the cost of gas for the coming year. In the financial year 2014/15 these timing differences mean that tenants, on average, are paying more than leaseholders.

These differences are expected to even out in the following years when leaseholders' charges are adjusted to reflect the actual increase in the cost of gas whilst tenants' charges will not increase because they paid more in the 2014/15 financial year.

3.4 **Communal Heating Cost V Cost for Individual Gas boilers**

For 2014/15 the 18 hour charge is £13.58 a week for heating and hot water service to a two bedroom property on a communal heating system, this is reduced by 40% for a heating only service. The issue of the average annual heating cost for a two bedroom flat with an individual gas boiler is more complicated, as the gas could be part of a dual fuel tariff, or by prepayment meter or on a separate gas tariff. Using Government figures (from DECC) the cost range is between £762 to £830.

3.5 **Heating rebate.**

Islington Council will make refund and compensation payments to residents who have been affected by failures to meet reasonable levels of service delivery. Awards will be made in accordance with the conditions outlined within the policy where residents experience financial loss or severe inconvenience due to the failure of a service or due to the council's poor performance.

Whilst various Islington Council staff are responsible for following this policy and procedure, the main role for administering the policy lies with Customer Services Managers in Area Housing Offices.

Residents means tenants and leaseholders; however, for clarification where the reference to tenant is made in the policy this means eligibility is restricted to tenants only and that leaseholders are not eligible for refunds/compensation under the specific scheme.

Refunds are normally paid where there has been a loss of amenities for 3 consecutive days or more. The refund amount will be linked to the actual service charge billed at the time when the failure of service actually occurred.

3.6 **Proposed Plant Room Improvements - Trend System Improvements.**

Internal discussions in 2014 identified potential improvements to the existing controls of the Trend Building management system. A BMS (Building Management System) can help;

- Reduce energy consumption and Carbon Dioxide (CO₂) emissions
- Improve occupant comfort
- Operate building services plant more effectively
- Transfer data to other functions, such as monitoring and targeting software and maintenance management software .

The existing BMS system “Trend System” is set-up to control Low Temperature Hot Water (LTHW) plant such as boilers, pumps and valves within the plant rooms. Residential users generally have localised control using thermostatic radiator valves, programmers and room thermostats in the majority of cases.

Plant that requires continued operation such as the boilers and pump systems are fitted with an alarm system in the BMS that produces alerts via telephone text alarm for LBI, the maintenance contractor and the Trend engineers when an interruption to normal service occurs. This current configuration informs LBI what plant has failed allowing the maintenance contractor to investigate further. The existing fault diagnosis is set-up using wireless modems which have a tendency to be slow and cumbersome to use.

3.7 **Plant Room and External Sensors**

It is important that communal heating sensors are maintained and checked during the planned preventative maintenance and it is just as important to ensure that adequate or correctly located plant room sensors have been installed. LTHW temperature sensors should be within a tolerance of +/- 5 0C. and calibrated or replaced if necessary on an annual basis.

To ensure best efficiency from the system there is a requirement to ensure the sensors are positioned and installed in locations not effected by significant rising heat (e.g. fix sensors to north facing wall), and avoid walls subject to internal heat gains, such as chimneys.

The position of water temperature sensors in all plant rooms has been identified as a potential concern and will now be flagged up to the maintenance contractor to check for the optimum position during their monthly maintenance inspections. This will ensure sensors used to measure the temperature of the water are not too close to other pipework which could interfere with the readings used to set the water temperature . Sensors which are poorly located can result in the misleading water temperature readings while looking perfectly acceptable when analysed remotely via the Trend Building Management System.

The proposal where appropriate is to reposition plant room water sensors to the location where the optimum reading of water temperature will always be provided. Works to reposition sensors will progress in early 2015.

3.8 **Instant Desktop Screen Alerts**

The Trend system can provide a range of display options that allow different user types to interact with their BEMS without the fear of damage to the overall system. The range covers single controller set-point adjustment via push button to touch screen options through to site-wide graphical touch screen displays units.

It is proposed to enhance the existing controllers to new 3G routers which will allow the users to interface with a variety of screen alerts, depending on system upgrades and plant upgrades.

Its enhanced design and intuitive display will allow system users to access and act upon energy management information that is displayed thereby saving on energy . With the ability to compare and monitor energy consumption against BEMS control behaviours and automatically receive alerts of energy overuse and probable causes the system can demonstrate savings and energy efficiencies to stakeholders. Further training will be required by the system operating engineers prior to upgrading the system which could identify energy savings.

The cost of installation would be subject to the plant current configurations for each individual upgrade, but as Trend is generally installed throughout the borough, they are generally designed to be able to adapt to the existing controls system and acts as add-ons rather than complete new controls systems. An estimate of circa £2,000 per plant room for budget purposes is anticipated, subject to existing configuration in each plant room.

3.9 Long term improvements to Trend Systems

Enhancing the 3G routers and upgrading the controls to a later version of Trend IQ controllers could enable users to have real-time information and reduce time and cost which result in unnecessary engineer site visits. Enhanced 3G routers will allow more remote system diagnosis and system re-setting. This will promote a requirement for further BMS training for the engineers prior to using the upgraded system.

Advantages include;

- Displays utility performance data in an accessible format for staff, customer and public view
- Ability to add and then customise meters in terms of labels, units and CO2 conversion factor
- Uses 'traffic lights' icons to display site data against key performance indicators
- Displays free form text for customer specific messages
- Runs as standalone application on networked windows computer

The costs of the above is difficult to identify and will depend on existing system arrangements, current maintenance agreements. A speculative budget of £3,000 per annum has been identified. It is estimated the likely savings on energy could be 15-20%, but this depends on the current condition of the plant and how the controls can enhance the existing system design.

3.10 Other Possible System Improvements

To improve the plant system in conjunction with the controls, various new devices could be considered, some of which have been mentioned above. i.e. devices such as gas solenoid valves, CO2 sensors, pulse meters, control valves, and positioning remote sensors in properties within blocks to identify actual temperatures delivered into resident homes.

3.11 Whether the rent arrears is a national policy or can it be influenced locally

Tenants receiving communal heating are charged for this service as a service charge on their rent account. Other service charges on the rent account include estate services, water rates and CCTV. In Islington the council do not operate separate accounts for all of the separate charges, and we assume that all monies paid towards housing costs are spread evenly across all of the charges on the account, including rent and service charges.

This local policy is in place because it keeps things as simple and convenient as possible for tenants. Tenants just have one balance to manage which national research around welfare reform has shown makes budgeting easier for those on low incomes. Creating separate accounts for all of the service charges would also make it much more difficult to collect these non-rent charges.

Evicting tenants for rent arrears is very much the last resort and it is very rare that families in Islington are evicted for rent arrears. If tenants approach the council because they are struggling to meet their housing costs the council offer a range of support such as independent debt and budgeting advice through the FIT money project and support to move into employment through the BEST team and benefit advice through the Income maximisation team. We also work with tenants to agree affordable payment plans if they do fall into arrears.

If just heating service charges were levied through a separate account then it would still be more difficult and complex to collect this income due. Any loss of income would have to be offset by a cut in services. The council do not consider this to be fair as it would mean tenants not receiving communal

heating would be subsidising those that do.

3.12 **Communication and Complaints Handling**

It is recognised that positive interaction with residents is central to understanding specific concerns or areas which may require further consideration. Managing customer complaints is also key to service improvement and to help this area all senior staff in the mechanical team are scheduled to attend complaints handling training in 2015.

4.0 **Implications**

Financial Implications

It is envisaged that the financial implications of the proposed communal system improvements be met from savings identified within the existing communal maintenance contract excluding the costs associated to training requirements..

Legal Implications

N/A

Environmental Implications

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.

5.0 **Conclusion and reasons for recommendations**

- 5.1 Further consultation with residents on communal heating is scheduled to take place early in 2015 to identify if further improvements can be made to the service as currently provided.
- 5.2 Improvements to the working of the Communal plant have been identified . The council are looking to progress some of these improvements in early 2015. Trend building management system improvements can help improve resident experience of the communal heating system, help reduce energy consumption and Co2 emissions. It is proposed to progress improvements such as new 3G Routers progressed in 2015 in plant rooms which would benefit from this technology.
- 5.3 The council are of the opinion that the existing arrangement for charging tenants and Leaseholders is fair and reasonable and a change to this arrangement is not envisaged at this time.
- 5.4 The council believe that communal heating provides better value for money than individual gas boiler units . They also recognise that there are other associated benefits to communal heating systems which the council and residents benefit from.
- 5.5 Tenants receiving communal heating are charged for this service as a service charge on their rent account. This local policy is in place to keeps things as simple and convenient as possible for residents. Evicting tenants for rent arrears is very much the last resort, and it is very rare that families are evicted for rent arrears.

Final report clearance.

Signed by:

Corporate Director for Joint Board or Executive Date.
Member for Executive.

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