

Item No. 6	Classification: Open	Date: 21 March 2024	Meeting name: Housing, Community Safety and Community Engagement Scrutiny Commission
Report title:		Heating and Hot water outages across the London Borough of Southwark	
Ward(s) or groups affected:		All	
From:		Asset Management	

RECOMMENDATION(S)

1. That the Housing and Community Safety Scrutiny Commission notes the responses provided against each of the questions posed.

BACKGROUND INFORMATION

2. The Housing and Community Safety Scrutiny Commission has requested a report on Heating and Hot water outages across the council's housing stock , covering the following points:
 - improvements/changes made as a result of Cabinet's response to recommendations from Housing Scrutiny (district heating) in January 2021;
 - affordability and long term financial implications of the procurement of existing and new contracts (Service providers) on residents and the Housing Revenue Account;
 - customer data collection across the borough (data);
 - contract management for monitoring service providers across the Borough (data);
 - performance data of repairs (heating & hot water) over the past 5 years across the Borough (data);
 - assessment of reliability issues with individual estates' heating networks' across the Borough(data);
 - maintenance and planned works for heating and hot water issues across the Borough (data); and
 - district and communal heating networks improvements (planned / completed) across the Borough

RESPONSES TO QUESTIONS RAISED

3. **Improvements/changes made as a result of Cabinet’s response to recommendations from Housing Scrutiny (district heating) in January 2021.**
4. The first columns in the table below are from the council’s 2021 response to the previous scrutiny recommendations. The final column provides the requested update.

#	Original scrutiny recommendation	Summary of response	March 2024 update
1	Encourage the use of SELCHP (a low carbon option) through the planning process for example by investigating the use of “Local Development Orders (LDOs).	Agreed, though investigation into LDOs is ongoing amid changing heat market regulation. The council is actively encouraging expansion and connection to the SELCHP heat network and an LDO may be a way of speeding up delivery of works.	An LDO for SELCHP expansion has now been implemented (approved by cabinet in June 2023).
2	Ensure internal investment options are exhausted before partnering with the private sector.	Agreed. The council is focussing efforts on maximising in-house resources and existing partner relationships while not excluding the possibility of new private sector delivery.	This continues to be the case despite challenging HRA conditions. Asset management have sought to maximise use of public grants. In the last three years asset management have benefited from: Heat Network Investment Programme, Green Heat Network Fund, Heat Network Efficiency Scheme, Heat Network Optimisation Opportunities, Major’s Energy Efficiency Fund, Renewable Heat Incentive and Local Energy Accelerator grant/loan/incentive funding.
3	Investigate the feasibility of developing a ‘sinking fund’ to avoid large leaseholder charges.	Agreed, investigation ongoing. An initial review of the potential has taken place and identified a number of possible difficulties. Other models that could achieve the	This was investigated and the result was in line with the initial review mentioned (left). The primary difficulties of sinking funds were found to be: <ol style="list-style-type: none"> 1. requirement to change lease terms; 2. technical difficulty of setting appropriate sinking fund payments (advance techno-economic

		<p>same overall objective are now being looked at.</p>	<p>modelling for all parts of all district systems in the borough);</p> <ol style="list-style-type: none"> 3. difficulty in forecasting construction sector inflation rates; 4. transfer of risk wholly to the council; 5. absence of starter funds (council borrowing would be needed to set up working capital, or additional bills to leaseholders); and 6. transparency – currently leaseholder charges can be evidenced with tenders and contracts. Under a sinking fund leaseholders would not have any insight into what their contributions are for. <p>Upon reaching this conclusion officers investigated setting up a wholly-owned subsidiary Special Purpose vehicle (SPV) which could take loans and pay for works then charge the council for the benefit of the works of a defined period. The council could then pass these costs on to leaseholders and they would be smoothed out and accompanied by evidence. Legal counsel was taken which highlighted a number of complexities and drawbacks. The costs of setting up and administering such an SPV would outweigh the benefits. Instead continuing with the current payment options (monthly instalments, service charge loan or equity share¹) was seen positively.</p>
4	<p>Spread best practice from research project across to other heat networks.</p>	<p>Agreed. A draft report from the consultant has now been received and is being reviewed but HSC is right that lessons from this project should be applied as widely as possible.</p>	<p>The project referred to was a “Heat Network Optimisation Opportunities” funded study into possible efficiency improvements to the Brandon, Newington and Sylvan Grove networks. Regarding Brandon, further works has since been completed (Local Energy Accelerator funded) to carry out further optioneering and then design. Regarding Newington - design is complete and works are on site. Regarding Sylvan Grove - the</p>

¹ <https://www.southwark.gov.uk/housing/major-works/ways-to-pay-major-works-costs>

			<p>original study did not make a convincing business case for immediate investment.</p> <p>In terms of applying lessons more widely, this has been the case, especially in terms of pump controls which have since been implemented across several sites (also part grant funded).</p>
5a-c	<p>Improve communication... by employing the text message notification service more widely.</p>	<p>Agreed. The council continues to work hard encouraging residents to sign up for text message notification but has not run a stand-alone campaign.</p>	<p>The text message service continues to be popular with residents. We have still not been able to run a stand-alone campaign to increase its use, however, due to the absence of “self-management of contact details” within the current version of the Northgate database. Currently the only way to add someone to the text message service is for them to call the contact centre and ask for it to be done on a case by case basis (residents are also offered this as an option as part of the call-handing process when they call about other matters). However, the best way would be to allow residents to “opt in” online by ticking a box and updating their contact details. This is not currently a possibility, but is still the intention when the Northgate database is updated to the latest version (currently projected for summer 2024).</p>
5d	<p>Improve communication... by investigating the use of social media to report outages.</p>	<p>Several methods of outage reporting are already used including online though not currently social media. Some estates have their own social media networks for this. The council has no current plans to use social media in this way but it is an ongoing discussion, especially in relation to the MySouthwark platform.</p>	<p>Currently outages are communicated via the following methods:</p> <ul style="list-style-type: none"> - Text message (to those registered) - Communal repairs webpage (updated every two hours) - Recorded message on the contact centre phone number - Letters (when outages go over 24 hours) <p>In the last year asset management have also started using ‘microsite’ websites to keep residents aware of major works heating projects affecting their estates, e.g. https://northpeckhamboilerhouse.com monplace.is/</p>

			Finally, the council are soon to launch an “Energy Portal” within MySouthwark to enable residents with a heat meter to view their current and historic heat consumption split down by days, weeks and months, to help them manage their consumption.
5e	Improve communication... by providing pro-active support to the vulnerable.	Vulnerable resident data has improved through the Covid-19 pandemic and the most up to date information is always used to provide pro-active support including out-bound calls.	Resident vulnerability data is kept up to date on Northgate housing database. When Engineering Services become aware of a significant outage, details are passed to Resident Services so that they can make contact with the most vulnerable to offer support.
5f	Consider the risk of vulnerable residents carrying hot water around their homes during an outage	The council seeks to minimise this risk through timing and advance warning for any planned shut downs. For unplanned outages, we seek to keep residents updated as frequently as possible. Resident Services Officers contact vulnerable residents during outages and are best placed to assess risk and determine whether additional support is likely to be needed.	Resident vulnerability data is kept up to date on Northgate housing database. When Engineering Services become aware of a significant outage, details are passed to Resident Services so that they can make contact with the most vulnerable to offer support.
6	Simplify the heating outage compensation process	Agreed. A draft policy is now in place and is being tested. Full roll-out is expected from April 2021.	As presented to Housing and Community Safety Scrutiny Commission in October 2023, the council’s compensation policy was updated in May 2021 to include automatic compensation for heating outages over 24 hours. The policy is now running as intended.
7	Promptly complete the compensation policy review	Agreed. A draft policy is now in place and the processes behind the policy are being	See above.

		tested. Full application of the policy expected from April 2021.	
8	Ensure residents can use other local facilities during outages e.g. leisure centre showers	Agreed. This arrangement is in place already but will be refreshed with council colleagues and our leisure contractor to ensure it is fully applied.	As indicated in January 2021, the process was revisited by asset management and the leisure service. The process was reviewed to ensure correct communication channels were in place.
9	Investigate and resolve reports of noise caused by certain district heating systems	Agreed. Isolated incidents have been thoroughly investigated and some issues resolved. Sadly some issues are proving difficult to resolve fully and are ongoing.	The instances of noise previously reported have since improved after further interventions to key elements of the district heating infrastructure at the Brandon estate.
10-13	With regard to individual heat metering: <ul style="list-style-type: none"> • Pursue a tariff with balances energy efficiency and fuel poverty • Develop a discretionary aid scheme • Provide suitable education and training • Report back to HSC with further detailed proposals as they are developed 	Where heat meters are installed, balancing energy efficiency with fuel poverty would indeed be important, as would suitable education and training to ease the transition to a new billing system. The concept of a discretionary aid scheme may be appropriate but would need careful consideration at the appropriate time. The heat metering regulations have recently been updated and these are being assessed currently. It is difficult to provide complete clarity at	Since the January 2021 report the council has: <ul style="list-style-type: none"> • written a draft heat metering policy; • consulted on the draft policy with all district heating customers; • updated the policy to reflect feedback; • adopted the policy (available on our website here: https://www.southwark.gov.uk/housing/district-heating/heat-metering) • set socially minded tariffs in line with the policy (accepting they are higher than we would like due to global energy prices) which are designed to balance energy efficiency and fuel poverty objectives; • installed the majority of required heat meters; • updated our webpages to provide basic information about heat metering; • written to all customers about to

		<p>this time, though work on this front is progressing quickly.</p>	<p>start paying via consumption charges;</p> <ul style="list-style-type: none"> • organised numerous meetings to allow residents to ask questions; and • developed a MySouthwark Energy Portal (see row 5d above). <p>A discretionary aid scheme specially for heat metering was note set up as this was deemed to discriminate against those on individual heating systems or those without heat meters. Instead the council offers support to all eligible residents via the Cost of Living Fund.</p>
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5. Although not specifically part of the previous scrutiny commission’s recommendations, the current HCSSC may be interested to note that other improvements in the council’s district heating service include:
 - Increasing roll-out of remote BMS (Building Management Systems) across the borough to enable remote monitoring and management of district heating systems and early warning of any problems. Over the last few years asset management have increased from 50% to 70% of its boiler houses and plant rooms being covered;
 - Moving the delivery of major district heating investment projects from the Investment Delivery / Major Works team into the Engineering Services team to provide greater technical oversight of projects and less reliance on external consultants.

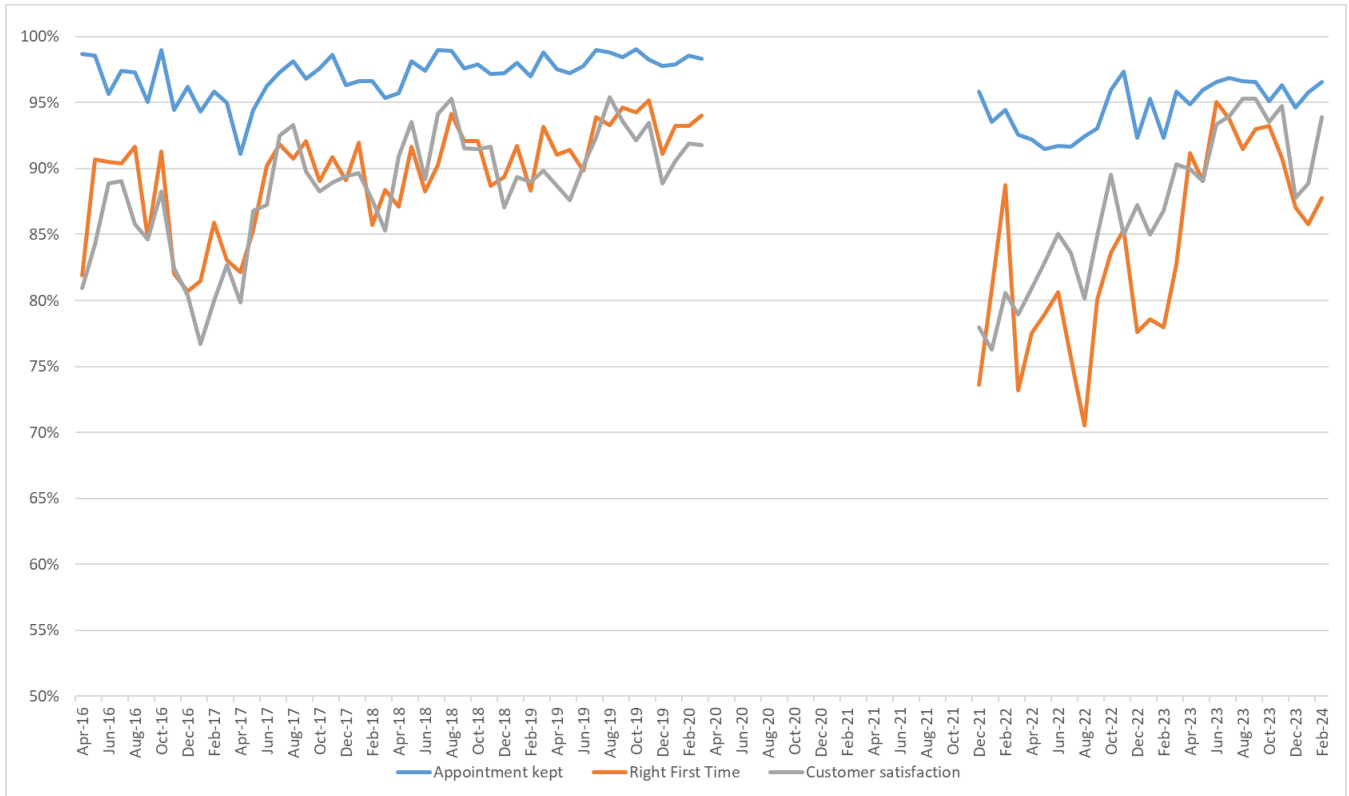
6. **Affordability and long term financial implications of the procurement of existing and new contracts (Service providers) on residents and the HRA**

7. Currently there are two long term Heating and Water Contracts in place that include for all maintenance, servicing, repairs and testing for district and individual heating. These two contracts are split into A and B. Contract A – OCO Ltd (OCO) serves the north of the borough (Walworth, B&B, Bermondsey and Rotherhithe). Contract B – Smith & Byford Ltd (Smith & Byford) serves the south of the borough (Nunhead, Camberwell, Dulwich and Peckham). These two contracts deal with maintenance and repairs, however they have, more recently delivered some urgent large capital projects. The contracts are due to be extended to March 2026 which will allow time to re-procure new contracts. These contracts have delivered on good performance but there has been some capacity issues, especially within OCO. However, OCO have delivered significant improvements when compared to the previous contracts that were in place and expired in March 2016.

8. Asset management did have a Framework in place to deliver heating mains, boilers and internal works (Lot 3). This expired on 15 February 2021.
9. On 12 September 2023 Cabinet approved a GW1 to procure two Lots; Lot 1 (2 contracts for individual heating repairs, maintenance and installation) and Lot 2 (2 contracts for district heating maintenance, refurbishment and replacements). The main difference with this procurement strategy is that no one contractor can be awarded more than one contract.
10. This has a number of benefits from lessons learned;
 - it increases the contractor delivery capacity to the council (therefore should one contractor have a resource issue there are more contractors available to be able to act as back up);
 - it allows the contractor who is maintaining district heating systems to refurbish them. Historically, the council's district heating systems are old and re-designing, especially when refurbishing, requires consultants, asset management technical teams and the contractor(s) to work together and bring all their various skills and expertise together in a collaborative way rather the traditional client/ consultant contractor model; and
 - the two lots (with four contracts in total) allows SMEs to apply. Previously procuring large contracts has meant that a number of specialised SMEs are excluded due to turnover thresholds.
11. The existing Heating and water contracts (OCO & Smith & Byford) are working within current set budgets. There are a number of Major Works QHIP (Quality Home Improvement Programme) Heating schemes delivered through the expired framework contracts referred to above which are currently in the defects period and due to be signed off over the coming months. Due to expediency a number of critical heating QHIP schemes scheduled for 2024/25 are being delivered through the term contracts with the appropriate approvals in place. These are included in the capital budget agreed for the coming year.
12. The affordability of the new contracts will depend on budget setting and the capital programme. The council has a number of key issues with building safety and other legislative requirements that need to be addressed. The long term viability of district heating has been dealt with within other reports and requires significant investment in order to deal with known issues before they fail and impact on service.
13. **Customer data collection across the borough (data)**
14. Several hundred residents are telephoned by the Customer Experience Team each month, following recently completed heating/hot water repairs carried out within their properties by OCO and Smith & Byford. These telephone surveys provide three Key Performance Indicators - percentage of Appointments Kept, percentage of jobs completed Right First Time and a Customer Satisfaction percentage. The Right First Time and Customer Satisfaction KPIs are reported as part of Southwark's Council Delivery Plan

commitments. During the current financial year to date, both OCO and Smith & Byford are meeting the targets of 90% of jobs completed RFT and 90% resident satisfaction, from around 3,000 completed surveys. S&B and OCO KPI data can be provided if required (and is already provided quarterly within CDP).

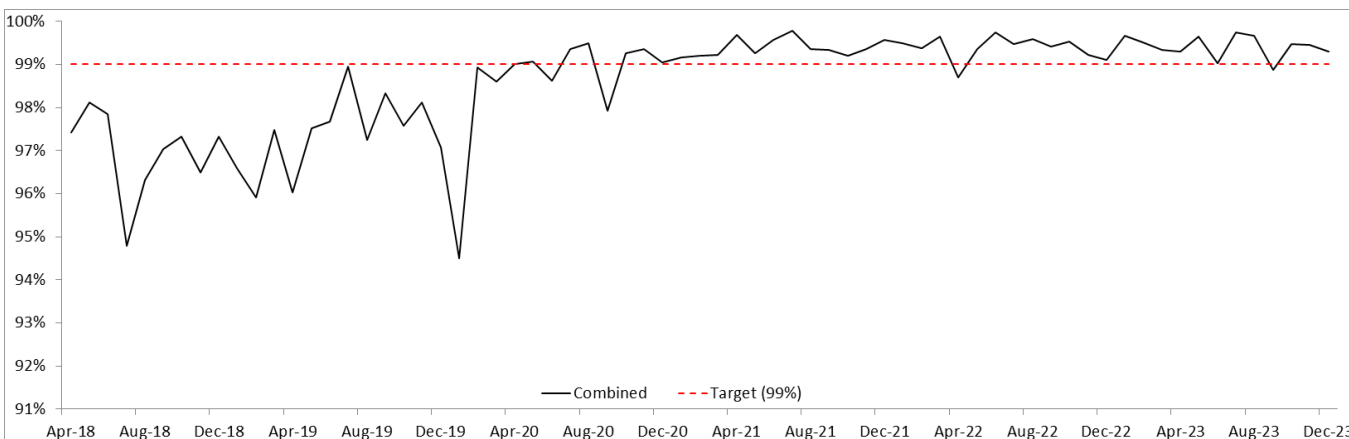
15. As well as customer satisfaction data, the council collects (only for those residents with a heat meter) customer heat consumption records. This is in the format of flow and return temperature, flow rates and energy consumed (kWh). For some customers only the kWh consumption data is collected (differing systems). Heat energy consumption data is considered 'personal data' though is not sensitive or special category data. In collecting and storing heat data we are careful to comply with our duties under data protection legislation, including the GDPR.
16. **Contract Management for monitoring service providers across the Borough (data)**
17. Monthly contractor performance meetings are held with both Smith & Byford and with OCO. These meetings cover all aspects of performance, compliance, social value, finance and health and safety, along with other contract management agenda items.
18. In addition to the monthly meetings, we receive monthly service monitoring data to cover the four KPIs of:
 - appointments kept
 - right first time
 - customer satisfaction
 - availability
19. **Performance data of repairs (heating & hot water) over the past 5 years across the borough (data)**
20. As referenced above (paragraph 18), the council conducts monthly outbound phone call surveys (several thousand per year) to collect data directly from customers about their experience of district heating repairs. The graph below shows the results of the first three KPIs listed above, over the duration of the contracts (from 2016 onwards). The gap is due to Covid when customer satisfaction surveys were paused (team redeployed).



21. As can be seen, the performance across all three metrics improved from 2016 to 2020. When data collection recommenced after Covid, all metrics were significantly lower than before the pandemic. This is largely due to the backlog of jobs within residents’ homes which built up during this period. A year and a half on, the results of customer surveys have almost returned to their pre-pandemic levels.

22. **Assessment of reliability issues with individual estates’ heating networks’ across the Borough. (data)**

23. As referenced above (paragraph 18), the council collects monthly system performance data from the term contractors to show a weighted average of ‘Availability’ – i.e. the amount of time, on average, that district heating customers’ heating and hot water was available to them. The ‘availability’ data for the last five years has been presented in the graph below.



24. As discussed in recent scrutiny meetings, the 'availability' dataset provided does not reflect a complete picture as only block outages are reported and recorded in this way, and thus certain localised or individual problems are not represented.
25. Asset management undertake reviews of individual estates' reliability data, normally once per year and this is one of the main bases for reviewing investment priorities. The table provided in Appendix 1 shows the availability statistics for each boiler house during the calendar year of 2022 (the 2023 data has not yet been analysed).
26. **Maintenance and planned works for heating and hot water issues across the borough (data)**
27. Please refer to Appendix 2 "Vol 2 - Doc 6 - Tech Spec - Final - 100215 - Planned Maintenance Tasks.pdf" which lists and explains the various Planned and Preventative Maintenance activities undertaken.
28. **District and communal heating networks improvements (planned / completed) across the Borough**
29. In the last three years the council has completed feasibility studies across the following sites:
- Alberta
 - Brandon
 - Clifton
 - Dighton Court
 - Newington
 - Osprey
 - Sydenham Hill
 - Consort (in progress)
 - D'Eynsford (in progress)
 - Haddonhall 1 (in progress)
 - Lettsom (in progress)
 - Surrey Docks (in progress)
30. In addition to the above the council has completed works across the following sites:
- Albert Barnes boiler house, risers and dwelling internals
 - Aylesbury estate boiler house and plant rooms
 - Brimington underground mains
 - Consort, Newington, Wyndham water source heat pumps
 - Cossall estate boiler house
 - Fielding Street boiler house
 - Harfield Gardnes boiler house
 - Masterman House boiler house, risers and dwelling internals
 - Perronet House boiler and flue work
 - Primrose House boiler house

- Rouel Road and Four Squares plant rooms
 - Salisbury underground mains
 - Sydenham Hill replacement boilers
 - Wyndham estate underground mains (phase 1)
 - North Peckham boiler house (in progress)
 - Newington underground mains (in progress)
 - Dighton Court boiler house (in progress)
 - Sceaux Gardens replacement boilers (in progress)
 - Silverlock estate hot water system
 - Heat meter installations across Cossall estate, Crane House, Osprey estate, Sceaux Gardens and Surrey Docks (Downtown North & South)
31. Planned works include those which are currently in progress (to complete), those which are currently or recently completed feasibility stage (paragraph 29 which will need to be prioritised according to criticality) and the following:
- Gloucester Grove risers
 - Setchell underground mains
 - Wyndham underground mains (phase 2)
 - SELCHP Heat Network Expansion

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Title of document(s) - Response to Housing Scrutiny Commission report into District Heating	Title of department / unit Address	Name Phone number
(Insert hyperlink here)		
Title of document(s) (Insert hyperlink here)	Title of department / unit Address	Name Phone number
(Insert hyperlink here)		

APPENDICES

No.	Title
Appendix 1	Site by site availability KPI data for 2022
Appendix 2	Borough-wide availability KPI data since 2018

AUDIT TRAIL

Lead Officer	Simon Holmes	
Report Author	Simon Holmes	
Version	Final	
Dated	13 March 2024	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Governance	No	No
Strategic Director of Finance and Governance	No	No
List other officers here		
Cabinet Member	Yes	Yes/No
Date final report sent to Constitutional Team / Scrutiny Team	13 March 2024	