District heating factsheet for leaseholders and freeholders

The council regularly receives requests from homeowners asking for permission to disconnect from the district heating system as they want to install their own heating system. Unfortunately, in the majority of situations, we are unable to give permission. So we have written this factsheet for all of our homeowners who are connected to a district heating system to explain how our district heating systems work, and why in most circumstances, it is the better option. At this time, the council will not usually allow leaseholders to disconnect from their district heating system.

Background information

Southwark Council has a large number of blocks (approx. 17,000 dwellings) originally built with district heating systems that provide full or partial heating and/or hot water to the individual homes within a block or estate. It is normally provided by a large central boiler house, underground mains and plant rooms on an estate which provide hot water all year round and heating in the colder months.

As the landlord, the council is responsible for maintaining the boiler system, the pipework and radiators that feed into your home. As the homeowner, you are responsible for paying for the costs of providing you with the heating and hot water and any maintenance charges as part of your annual service charges. There is a condition in your lease that says you must not disconnect the flat from the district heating system without council permission. Freeholders will have a similar condition as part of their transfer agreement; there is more information on this later in this article.

What you pay for

Everyone who is connected to the boiler house pays a share of the total costs of running the boiler house. Larger properties with more bedrooms pay more than properties that have fewer bedrooms which we call the ‘bed-weighting’ method. We use this method to calculate the amount you pay in your service charges for your heating, hot water and other services. Properties that receive partial heating pay less than those that receive full central heating.

What happens after disconnection?

In running our district heating systems, the council uses its collective bargaining power to bulk buy the fuel (gas) required to run the systems each year and these contracts are negotiated over a number of years based on estimated minimum usage. The cost of the fuel purchased by the council provides far better value for money than the fuel prices available on the open market.

Other than the cost for fuel there is also the ongoing cost of maintenance, repairs, and future major works.

District heating systems are complicated pieces of machinery and for the system to run smoothly the system needs to work in optimal conditions. One condition is the pressure of the system as a whole. Should a homeowner disconnect from the district heating system the pressure has to redistribute within the system. In many cases this causes an imbalance of pressure and may result in the system erupting, causing severe damage. This could also see an increase in minor breakdowns caused by the imbalance of pressure, which results in additional maintenance works. As a result, if we give
permission for an individual to disconnect from the system, these costs are then levied across the remaining homeowners and tenants, who then face an increased financial burden.

As the landlord, we have to be fair to everyone who lives in the block and consider their needs and financial commitments, not just the individual. This is a major consideration in why the council does not usually permit disconnection.

The easiest way to explain this is using the following example: In a block of 20 properties served by a central district heating boiler, if we give permission to allow one leaseholder to disconnect, then the actual running costs and maintenance will be divided between the remaining 19 occupiers. So the costs will increase for those who remain connected.

Although allowing a disconnection will increase maintenance costs to other residents who remain connected, any reduction in usage costs is negligible. This is because the hot water still needs to be heated to the appropriate temperature (usually around 80 degrees centigrade) and delivered to the remaining dwellings.

**District heating versus individual heating**

There are many factors to take into consideration when comparing the price of heat from a typical gas boiler located inside a home to the heat supplied from a district or community heat network. The Heat Trust has developed a Heat Cost Calculator which compares costs. The calculator factors in many of the invisible costs of conventional heating, such as boiler efficiency, repair and maintenance costs and the cost to replace a boiler at the end of its lifetime.

The calculator is a guide, not a bespoke assessment for each individual householder, but it is designed to give customers a good indication whether the price they are being charged is fair. It is easy to use, simply requiring customers to input their postcode, property size and annual heat and hot water use/costs. This will produce a comparison against a similar sized property heated with an individual gas boiler. It is usually found that district heating is cheaper than individual heating.

The heat cost calculator is available here: [http://heattrust.org/index.php/test-the-comparato](http://heattrust.org/index.php/test-the-comparato)

**Other housing providers**

Other authorities are broadly split in their approach to disconnections, with some allowing it and others not. Those that do allow it generally do so where certain conditions are met or prevail, i.e. for health reasons. Others do not allow disconnection from newly built properties or those connected to combined heat and power provision, or if there is a significant impact on other properties.

**Freeholders**

The Transfer Agreement registered against your title allows a freeholder to disconnect from a district heating system. However there are still costs that you will need to pay if you are considering this option.

When an individual property disconnects from the communal heating system, maintenance costs and the overall energy requirements of the system do not decrease. Moreover, the system will
gradually become imbalanced – meaning that it will no longer operate with efficiency. This will eventually render the system unfit for purpose and unable to serve your estate.

This has an adverse impact on the other residents of your estate as it places a greater burden of costs on those that remain connected. The costs of maintaining and running the communal heating system must either be shared among fewer residents or funded by the rent of the council’s housing tenants. The council does not view this as fair or equitable.

Therefore, if you wish to disconnect, you will need to agree to pay a sum to the council equal to all of the costs and expenses incurred directly or indirectly by the council as a result of your disconnection. The council cannot increase costs for its other residents who use the district heating system. These costs are made up as follows:

**Direct costs**: these are the costs relating to the physical works of disconnecting from the communal heating system, such as materials and labour;

- **Indirect costs**: these are the fixed costs incurred that would otherwise be recoverable by the council if your property was connected to the communal heating system. As the council will no longer invoice you annually, a current valuation is used. The upfront sum is usually between £15,000 and £20,000, depending on the size of your property and condition of your current communal heating system;

- **Admin fee**: £735 which includes a £235 administration fee for processing your application and a £500 engineering fee for an engineer to check your works specifications and carry out a post completion inspection to ensure the works were done to the required standards;

- **Legal fees**: we would instruct the council’s solicitors to vary your transfer to reflect that you have been released from certain covenants, which enabled you to carry out the disconnection. You would be responsible for our solicitors’ fees in the region of £299 + VAT and are advised to instruct solicitors to act on your behalf.

Should you wish to disconnect then please email us at hsg.conveyancing@southwark.gov.uk and we will be able to provide you with a breakdown of these costs. Should your disconnection from the system also involve external alterations, you will be required to make an application for consent to alterations via our online form. Once you have received consent in principle and made payment of the council’s cost you will be provided consent in writing to disconnect from the system.

Disconnecting without payment will result in a breach of your transfer agreement and we will take enforcement action for the costs of disconnection.