



**UPDATE AND CONSULTATION**

**ON**

**RIVERMEAD COURT FUTURE PIPEWORK**

January 2019

# FOREWORD

Dear fellow resident of Rivermead Court. Much of what is in this document you will have heard before - from me and others at AGMs, from the newsletter or through the grapevine. Please don't let that stop you from reading the document carefully and sharing it with your family or advisers if you wish. It contains some important proposals to allow us to move forward with the pipework project. Later this year there will be a formal ballot on the changes to our leases necessary for the project. Now is your opportunity to raise any concerns you may have with the way the project is shaping up so that we can adjust, if necessary, before the formal ballot or explain better if we have been unclear or not covered a detail that interests you.

I promise you that we have done everything we can to shape the proposals in the long-term interests of our position as residents and shareholders in Rivermead Court Limited.

We say in the document that we have growing confidence that the decisions we took in 2013/14 are the right ones. Once the new system is connected to your flat, you will have cold water that will be consistently cold (I know this is a bug-bear of many); hot water at a temperature you control and at mains pressure; underfloor heating, if you wish, or any number of radiators; individual room temperature control; no Legionella risk; and a heating charge based on what you use. The new system will be fit for the future.

I appreciate this is a lot to take in. We have grappled with some complex legal and technical issues. I hope we have given adequate explanation - neither too complex nor too simplistic. I look forward to receiving your comments.

Tim Soane

# UPDATE AND CONSULTATION ON RIVERMEAD COURT FUTURE PIPEWORK

## Purpose

This document:

- Informs fellow leaseholders about the approach proposed by Rivermead Court Limited (RCL) to replacing our aged pipework (the Old System);
- Provides an overview of the work planned, ahead of asking for leaseholders' formal agreement to make the necessary changes to our leases to allow the works to begin; and
- Requests leaseholders to identify any questions or concerns they may have about the work and the lease changes needed.

## Rationale

As was set out in presentations and consultations in late 2013, a new pipework infrastructure for Rivermead Court (the New System) is necessary because the existing pipework is well beyond its design life and extensive technical investigations have found it to be in disrepair. Parts of the system fail regularly and the costs of repairs and maintenance are increasing. Moreover, if there were to be a significant failure, it might take some days to restore service. The current system might even prove to be impossible to repair in some inaccessible places. For the same reason, it cannot practically be replaced 'as is'. Existing pipes are buried in the walls of flats and replacing them where they are would mean breaking in to the ducts, typically 5 or 6 in every flat, which would be massively disruptive, messy and expensive; there would be long periods when there would be no water or heating for the 8 flats in the vertical stack affected; and, perhaps most important of all, it would not solve the underlying design weaknesses of the current system.

Aside from the increasing costs, we are also at risk from another Legionella infection. We are taking the necessary precautions - regular flushing by residents, routinely disinfecting the system and frequent and regular monitoring. These precautions also have a cost (currently many £10,000s a year). The sooner we can avoid the risk and costs, the better. None of us wants another Legionella incident.

As the heating sub-committee of your Board have progressed with the detail, our confidence in the proposals outlined in this document has increased. It is clear that a 'district heating system' based on HIUs is in line with current best practice for residential blocks such as ours; and will bring Rivermead Court very much up to date and ready for the future. In practice there is no sensible alternative; and the proposals that follow come with the unanimous recommendation of the sub-committee.

## The Work

The plan, supported by 86% of those responding to our last consultation in 2013/2014, is to install a new pipework system for Rivermead Court from the boiler house under the Centre block to the area around each flat's back door. This will drive an HIU (Heat Interface Unit) and provide a single supply for each flat of:

- Potable cold water;
- Hot water (at mains pressure and a temperature you can set); and
- Central heating you can control.

The HIUs act very like a combi boiler. Rivermead Court's systems will provide heat to one side of the HIU (where a combi would use a gas burner) and, on the other side, the HIU will provide domestic hot water to showers and taps etc and central heating water to the flat it serves. There will be a new potable cold water mains supply alongside. All of this equipment outside the flat will be owned and maintained by RCL. For the more technically minded, a technical sheet of a typical HIU is at Appendix A. From mid-January an example of an HIU will be available to see outside the Estate Manager's office in the basement of the Centre block.

## Costs

**The overall cost of the replacement infrastructure is likely to be of the order of £3m. This will be funded by RCL, including the cost of HIUs<sup>1</sup>.** The funds will come from the premiums we pay on lease extensions, as has been explained in separate communications. This is the most tax efficient method. Happily, the amount of money raised by RCL from lease extensions will cover the anticipated costs of the new communal pipework system and RCL has sufficient funds to cope with any short-term cash flow mis-matches between the income from lease extensions and outgoings on pipework. A breakdown of these estimated costs is at Appendix B.

**The cost of internal works to each flat to make the connections between the HIU and radiators or underfloor heating and outlets in bathrooms and kitchens will be the responsibility of the leaseholder.** These are difficult to estimate. There are, broadly speaking, three approaches that flat owners could take:

- Internal works undertaken as part of a full refurbishment, including for example, major bathroom and kitchen works. Such works usually require flooring to be lifted for other reasons, and the incremental cost of re-plumbing internally will not be a significant proportion of the total cost.

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<sup>1</sup> Those leaseholders that have already contributed to an HIU installation are being reimbursed.

- A less than total refurbishment, but nevertheless lifting much of the flooring. This will enable the optimisation of internal pipework arrangements, with all pipes hidden, normally under the floors.
- A 'least disruption' option. At the time of our earlier investigations an independent surveyor confirmed that it would be entirely possible and technically satisfactory to undertake a 'least disruption', and therefore lowest cost, approach which would result in some pipework being visible or 'boxed-in'.

## Transition period of 15 years

It is clear that the pipework changes within flats will be disruptive, which is why our whole proposal is based on the concept of a 15-year transition period, when both Old and New Systems will run in parallel. In the vast majority of cases, this will enable the pipework changes to be undertaken alongside other refurbishment inside the flat.

The decision when, within the 15 years, to make the transition will be yours. The works will be subject to our usual 'Alteration Licence' arrangements and advice and guidance will be available in the form of recommended pipework arrangements. Leaseholders will be free to choose the number, location and sizing of radiators, or underfloor heating, and the control system (subject to minimum requirements). Some have already made the necessary changes internally and are ready to connect when the time comes.

**We are now proposing that the 15-year period runs to 31 March 2034.** There is no definitive reason for picking 15 years. The longer the period: the higher the costs of running two systems in parallel; the greater the risk the Old System will fail; and the greater the risk of another Legionella outbreak. We have to set these considerations against the disruption and the frequency of flat refurbishment and changes in ownership. There was support for 15 years in 2013. Meanwhile some flats have undertaken the work as they have refurbished. In effect the transition period has stretched to 20 years. Once the New System is fully operational, the existing pipework will be drained and decommissioned.

## Progress and experience of using HIUs so far

There is of course an ongoing demand to upgrade and refurbish flats (often when flats change hands); and for the last few years we have asked that refurbishments include 'future-proof' pipework. In other words that the internal pipework systems are re-laid and upgraded to be 'HIU ready'. This is a very simple arrangement that includes a convenient location at which connection can be made to the New System.

In fact, subject to some technical limitations, our 'old' hot water system is capable of

'powering' some HIUs; and we have been encouraging leaseholders to do this when refurbishing. So far across Rivermead Court we are running 11 HIUs this way and a further 16 flats have been future-proofed but remain connected directly to the 'old' system. We have just ordered the next batch of six HIUs.

These 'early adopters' have given the technical team very valuable experience; and we are now able to provide comprehensive advice on pipework refurbishments. If you are considering a refurbishment, please contact Faraday, the Managing Agents, in the usual way.

There will eventually be a limit to the number of HIUs that the 'old' system can support, but we are not near that limit yet. We have learned from experience that the Old System does not provide sufficient performance to power an HIU on the top two floors – although direct connection to future-proofed pipework works fine.

## Lease changes

Even though RCL proposes to fund all the capital costs of the infrastructure, advice from Leading Counsel is that our current leases contain provisions that are incompatible with the approach set out in this document. In particular, two aspects of our leases require change:

### **Charging for heat used**

In 2013/4 we agreed that each flat would pay for their heat used rather than the fixed percentage we currently pay. Meanwhile the law has caught up and it is now a requirement for new systems to operate in this way.<sup>2</sup> Given the change in the law, our leases do not require a change on this count. However, Leading Counsel has advised that it would be prudent to write into our leases provisions corresponding to those in the law. This will allow us to charge for heat used even if the Government revokes the law. More details on charging are set out at Appendix C.

### **Disconnection**

Our existing leases, understandably, make no provision for replacing the heating and hot water system or running two systems in parallel. We therefore need to write into all leases appropriate transitional provisions for the time when both systems are running and provisions to allow RCL to disconnect the Old System when the time comes. We propose that disconnection will be in 2034 or sooner if either there have been significant failures in the Old System or there is faster than expected take-up of HIUs. This point is discussed at more length in Appendix D.

**In order to make these changes to our leases we are advised by Leading Counsel that we need to make application to the First Tier Tribunal (Property Chamber) (FTT) under**

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<sup>2</sup> The Heat Network (Metering and Billing) Regulations 2014

**the relevant landlord and tenant legislation.** In this way we proceed on the basis that all leases are the same. We cannot rely on a voluntary arrangement.

## Water meters

Once connected to the New System, it will be possible to fit a meter to the incoming mains water supply to each flat. Indeed, Thames Water will insist on it. In most cases this will result in a reduction in the water bill payable. Though flats with many occupants or with high consumption may pay more.

An alternative that we are also exploring is the possibility of switching to a bulk supply with one bill for Rivermead Court as a whole and RCL apportioning the charges between flats. This would probably also be on the basis of meters on each flat's supply. To this end, we have started to monitor water usage for Rivermead Court as a whole. Until we have better usage statistics, it is not clear whether bulk supply will offer us savings. We will explore this further and make a proposal to leaseholders if it represents better value for money.

## Next steps, timing and making the application to the FTT

Now that the interaction between lease extensions and the pipework project are clear, we are ready to proceed.

To date we have avoided duplicate costs of both solicitors and Counsel by consulting Counsel (Mr Philip Rainey QC) under the 'direct access rules'. Counsel's opinions are available on request. Going forward we shall also need solicitors to handle:

- The detailed drafting of the lease changes, under the guidance of Mr Rainey;
- The administration of the application to the FTT;
- The process of implementing the lease changes – both those needed for the pipework project and those needed for the lease extensions. We are advised that changes can be managed as two independent 'deeds of variation' which:
  - avoids the need to issue entirely new leases; and
  - keeps the timing of the two changes independent of one another.

The appointment of solicitors is now underway. We are currently running a formal selection process, seeking detailed proposals and costs, before making an appointment.

Next steps will be as follows:

- Consider responses from leaseholders to this consultation document;
- Appoint solicitors;
- Finalise guidance from Mr Rainey and draft lease changes; and

- Prepare final and formal consultation with leaseholders, which will include
  - Final draft lease changes; and
  - Latest estimates of pipework project costs and timescales.

The formal part of the consultation will be conducted as a ballot; and we shall need approval from at least 75% of leaseholders and objections from fewer than 10%.

## Leaseholder Focus Group

We appreciate that what we are proposing is complex. The actual lease changes will be legalistic. To assist leaseholders to understand the implications in their capacity as leaseholder (as distinct from their capacity as shareholders of RCL), we have established a Leaseholder Focus Group. Although we are all both leaseholders and shareholders in RCL, it is possible that the freehold company's interests and those of leaseholders may not align completely. This is where the Focus Group comes in. **They will represent the interests of leaseholders only.** The group comprises:

Annabel Barkes 144 RC, 020 7610 6550

Patrick Hanratty 169 RC, 020 7731 5540

Julian & Jane Thompson 42 RC, 020 7736 1443

The group have been involved in our recent planning and deliberations and have been a great source of independent advice and constructive criticism. We thank them very much for their work to date. In addition to commenting on the plans in general, the group will instruct their own independent solicitors to advise from a leaseholder perspective on the proposals RCL makes to the FTT. RCL will pay for this but will not influence the advice in any way. This advice will be shared by the Focus Group with all leaseholders. Of course, every leaseholder will be entirely free to seek their own legal advice should they wish to do so; but we hope that the advice produced by the Focus Group will be a cost-effective way of giving most leaseholders sufficient reassurance that they are being protected.

All responses to this document will be shared with the Focus Group, so they can take these into account when obtaining the leaseholder legal advice.

## Responsibilities

The Heating and Pipework sub-Committee of the RCL Board is leading this work. It currently comprises Tim Soane (#24), Peter Green (#34) and Michael Stevens (#155). The group is supported by Anne Isaacs (Estate Manager) and has bought in technical advice from John Wells (JRM Associates). RCL expects to appoint lead consulting engineers, Ramboll, to design the infrastructure, evaluate tenders and oversee the construction. Construction will be



undertaken by a fully competent M&E company. As already mentioned, RCL will be appointing solicitors to act on its behalf at the FTT and handle the lease changes.

## Comments

The proposals contained in this paper have been drawn up with the best interests of leaseholders and shareholders in mind. Between them, the RCL Board, the Pipework Committee and the Focus Group represent a broad cross-section of Rivermead Court leaseholders. Inevitably, however, we cannot take account of every interest. **That is why we want you to read this document carefully and let us know if you have any questions or comments (however small) on the proposals we are making.** Please send these to Tim Soane by email ([tim@rivermeadcourt.co.uk](mailto:tim@rivermeadcourt.co.uk)) or in writing (by leaving a letter in the box outside the Estate Manager's office in the basement of Centre block). If you would like to discuss anything over the phone, Tim would be very happy to do so, but please email first as he may be in a different time zone.

Heating and Pipework Committee

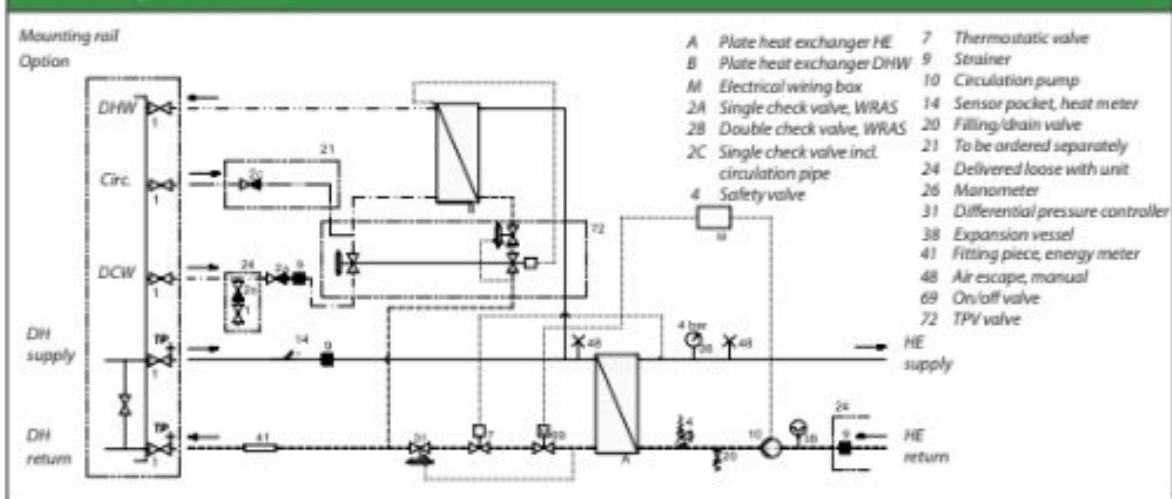
## Appendix A - Image and specification of typical HIU



### SAV FlatStations - 7 Series DS

Indirect FlatStation for flats and single family houses

#### Circuit diagram - example



#### Technical parameters:

Nominal pressure: PN 10<sup>9</sup>  
 DH supply temperature:  $T_{max} = 120\text{ }^{\circ}\text{C}$   
 DCW static pressure:  $p_{min} = 1\text{ bar}$   
 Brazing material (HEX): Copper  
\* PN 16 versions are available on enquiry  
 Max pri. diff. pressure:  $P_{max} = 6\text{ bar}$   
 DHW setting range:  $T = 45\text{-}65\text{ }^{\circ}\text{C}$

**Weight incl. cover:** 29 kg (incl. packing)

**Cover:** White-lacquered steel sheet

#### Dimensions (mm):

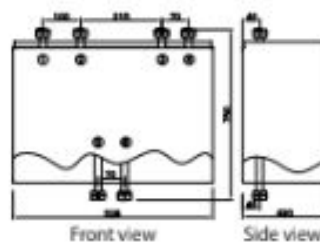
Without cover:  
 H 750 x W 528 x D 420  
 With cover:  
 H 800 x W 540 x D 430

Alternative dimensions (with hook-on cover):

H 800 x W 540 x D 385  
 H 650 x W 425 x D 420

#### Connections:

- 1 District heating (DH) supply
- 2 District heating (DH) return
- 3 Domestic hot water (DHW)
- 4 Domestic cold water (DCW)
- 5 Heating (HE) supply
- 6 Heating (HE) return



#### Connections sizes:

All connections: G 1/4" (int. thread)

#### Options:

- Booster pump (increases DH flow)
- Separate mixing circuit
- White-lacquered steel cover
- Safety valve (10 bar)
- Safety valve with thermostatic circulation set
- Thermostatic circulation set
- Pressure compensation valve (GTU)
- Electronic controller
- Room thermostat
- Connection for circulation

## Appendix B - Costs breakdown

Item	December 2018
	£
Cold water risers	289,000
Building works etc	37,000
Scaffolding	49,000
Contingencies	38,000
Fees	61,000
VAT	95,000
Heat supply risers	482,000
Boiler capacity and connection	55,000
Building etc	50,000
Contingencies	54,000
Fees	88,000
VAT	136,000
HIU with meter each flat	530,000
Building, installation etc	122,000
Valved connections into each flat	122,000
Fees	104,000
VAT	186,000
Contingencies	52,000
Subtotal pipework	2,551,000
RCL staff flats	39,000
RCL owned flats	26,000
<b>Total RCL costs</b>	<b>2,615,000</b>
Cost per flat	13,000

NB The above figures are based on estimates prepared in 2013 or thereabouts by our technical consultants and updated by the relevant cost index. When our consulting engineers have designed the New System in detail we will have more accurate figures and these will be shared with leaseholders.

## Appendix C - Charging

Rivermead Court has a community heating and hot water system which serves a total of 212 flats (including 3 staff flats) and all the halls, landings and stairwells (the common parts). As leaseholders we pay for all the heating costs - including those for the common parts and maintaining the system - through the half-yearly service charge according to the percentages set out in the fifth schedule of our leases.

When all flats are connected to the New System, the underlying costs of running and maintaining the infrastructure (**the fixed heating charge**) and heating the common parts will continue to be part of the general service charge under our leases (i.e. allocated according to the lease percentages). In this respect we envisage the current policy continuing unchanged. In addition, in respect of **the variable heating charge**, instead of paying a fixed percentage for hot water and heating, leaseholders will pay a charge based on their individual consumption of hot water and heating. This new variable heating charge will be based on the proportion of heat taken as metered by their HIU in the previous period.<sup>3</sup>

### Transition period

We also need charging arrangements for the period when the New System is installed but some flats are still on the Old System - the transition period.

We have looked at many methods of apportioning the variable heating charge between those on the Old System and those on the New System. With no data on the impact of the New System in advance of it being run for a period, we have decided, subject to legal advice, to base this apportionment on a set of principles. These are:

- Unconverted flats should be treated as they are now:
  - paying a variable heating charge **based on their lease percentages** (there will be a new line in the service charge bills identifying separately the general and heating elements. The two together will be equivalent to the current combined service charge);
  - if applicable, paying the additional radiator supplement as now;
- After connection to the New System (see below), converted flats pay the variable heating charge **based on their metered consumption**;

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<sup>3</sup> There will therefore not be a price per kilowatt as such. In our circumstances, such a pricing method would be superfluous and risks under- or over-charging. Unlike a typical energy supplier, RCL will only recover its costs in line with the principles in our existing leases.

- The division of variable heating charges between Old and New Systems will be estimated annually, and subject to audit, such that neither New System nor Old System leaseholders are advantaged or disadvantaged by the other compared to now.

### Connections

When flats connect to the New System for the first time, the first metered bill will be raised when there is a full year of meter readings after connection. Until then, the 'Old System' charge will continue to apply.

### Change of ownership

Where there is a change of ownership of a flat, a meter reading will be taken at the time of the transfer and a pro-rata adjustment will need to be agreed between buyer and seller in the usual way.

### Landlords

We will be discussing with leaseholders who rent out their flats how best to produce data on their tenants' heat consumption. If you are such a landlord and would like to be part of this discussion, please let Tim Soane know of your interest.

## Appendix D - Switching off the old system

Because every Rivermead Court leaseholder owns a share in RCL, we do not have the sort of adversarial landlord/tenant relationship generally envisaged in the leasehold legislation. Nevertheless, we are advised by Leading Counsel that we should make provisions now in our leases for the circumstances in 10-15 years time when most leaseholders have connected to the New System but a few are still relying on the Old System. Clearly, there has to come a point when the Old System is turned off.

Although running two systems side by side will add to costs, we have set a long transition period to maximise the chance of leaseholders being able to plan the internal pipework changes to coincide with other refurbishment work. We proposed a 15-year transition in 2013 and this was accepted. We plan to stick to 15 years but from now not 2013, i.e. to 31 March 2034.

Two events might require us to modify this plan:

- Some major failure of the existing pipework; and/or
- Faster than expected adoption of HIUs by leaseholders.

We hope the first is unlikely but we should make allowance for such an eventuality.

The second might be more likely. The HIUs will give a much better service than the existing system:

- Cold water will be consistently cold (provided internal pipework is correctly installed);
- Plentiful and consistent hot water;
- Underfloor heating, if desired;
- Any number of radiators per flat;
- Temperature control room by room and controllable hot water temperature;
- Charging based on consumption; and
- Elimination of the Legionella risk;

We propose therefore to write into our leases provisions to disconnect the Old System when the first of the following conditions arises:

- 31 March 2034 is reached;
- If there have been significant failures in the obsolete system, entailing costly repairs, which can reasonably be expected to recur; or
- If fewer than 20 flats have yet to be connected to the New System.

We cannot know what significant failures might look like. An incident this week - where a jammed towel rail valve in one flat has revealed a jammed valve in the undercroft which in turn will mean a significant number of flats being without hot water for a period to enable both valves to be replaced - is not sufficient. It shows the age of the system; but to trigger this provision would take a good deal more. **Should such a situation arise, there would be full consultation before the decision was taken.**

**In all cases, RCL will give leaseholders who have not converted two years notice of the proposed disconnection.** This will be followed up by regular reminders. As now, RCL will advise leaseholders or their architects on the necessary pipework specifications and will ensure the work is compliant.