



Revaluation 2026

Utilities Committee

Practice Note 8 Valuation of District Heating Facilities

1.0 Introduction

- 1.1 District Heating Facilities in many cases will present themselves as lands and heritages which should feature as entries within the Valuation Roll. A District Heating Facility will generally transmit heat energy via conveyed hot water for the purpose of providing hot water and heating within a series of properties.
- 1.2 Consideration should be given to whether a District Heating Facility, or parts of it, could be judged to be a pertinent of a dwelling house in terms of Section 72 (2) of the Local Government Finance Act 1992.
- 1.3 The Council Tax (Dwellings) (Scotland) Regulations 2010 make special provision for systems with combined heat and power generation sources, specifically defining aspects of the pipework, distribution network and “power station” that in certain situations may be included or excluded within the definition of a dwelling.

2.0 Basis of Value

- 2.1 Subjects covered by this practice note should be valued on the Contractors Basis having regard to the SAA Contractors Basis Valuations Practice Note and the SAA Valuation of Contractors Basis Subjects Areas Adjustment and External Works Practice Note, where appropriate.

3.0 Survey and Measurement

- 3.1 The areas of any buildings which form part of the facility, such as the “energy centre” should be measured on a Gross External Area (GEA) basis.
- 3.2 The flow and return pipework network can be extensive and can form a significant element within the valuation. Distribution pipework will generally be of varying nominal bores or diameters. Efforts should be made to ascertain and schedule the extent of the differing diameters of pipework, both flow and return.

4.0 Valuation – The Distribution Pipework

- 4.1 This will normally be rateable under Class 3, paragraph (g) of the schedule appended to the Valuation for Rating (Plant and Machinery) (Scotland) Regulations 2000.
- 4.2 The cost of the installed distribution pipework can differ greatly depending on various factors including the extent of the pipework, the diameter of the pipework and the terrain to be crossed during installation. In practice, ground conditions and specific locational circumstances will vary in complexity and difficulty in terms of trenching etc.
- 4.3 It is recommended where possible, that a breakdown of the actual cost, specifically related to the pipework installation should be obtained, to assist with the appraisal of the estimated replacement cost. As district heating facilities can vary markedly, it may also be prudent to consider any actual relevant cost information derived from characteristically similar District Heating Facilities. Actual costs may require careful scrutiny and appropriate adjustment, and consideration should be given to comparing recent actual costs with cost information provided in the 2026 Rating Cost Guide Scotland (RCGS)
- 4.4 If actual costs are unobtainable for consideration, it is further recommended that the system, or parts of the system be best categorised as either hard terrain or soft terrain and the appropriate cost rates per linear metre contained within the 2026 RCGS applied to the schedule of pipework to arrive at the estimated replacement cost.
- 4.5 It should be noted that the 2026 RCGS only covers pipework for diameters up to 150 mm, whereas in reality, some schemes may feature pipework with greater diameters.

In the absence of actual costs, the following table provides guidance on the proportional increase in cost of insulated pipework with diameters in excess of 150 mm.

Pipe Diameter	Relationship to 150mm Diameter Pipe
150 mm	1.00
200 mm	1.03
250 mm	1.10
300 mm	1.19
400 mm	1.41
500 mm	1.77
650 mm	2.22

- 4.6 Larger heat networks may be able to achieve economies of scale in respect of pipeline costs. To account for this, it is proposed that the following allowances should be applied to the overall pipeline cost shown in the valuation, where costs have been obtained from the RCGS.

Total pipeline length valued	0 – 5000 linear metres	= 0%
Total pipeline length valued	10000 linear metres	= 5%
Total pipeline length valued	15000 linear metres	= 12.5%
Total pipeline length valued	> 20000 linear metres	= 25%

Interpolate as necessary.

- 4.7 Within phased schemes only the live and connected sections of the network should be valued.

5.0 Valuation – Other Items

- 5.1 Although not exhaustive, details pertaining to further items of plant and machinery, structures and other elements that may be typically encountered within District Heating Facilities are provided in the following paragraphs. Technologies employed within newer facilities are continually evolving and consideration may have to be given to the rateable nature of any items of plant which are not referred to in this Practice Note.
- 5.2 The Energy Centre Building can vary in size and construction and will often be of modern panelled appearance. Some buildings can be more elaborate, providing sizeable areas for demonstration and education purposes and on occasion some energy centres may be incorporated within refurbished existing buildings. If available, actual costs of the shell and basic fit of new buildings should be obtained for consideration and possible use to assist with appraisal of the Estimated Replacement Cost. The actual costs may require adjustment. In the absence of this, equivalent unit costs for the appropriate category and size of industrial building may be obtained from the 2026 RCGS.
- 5.3 Chimney and Flue Structures attached to the Energy Centre, will generally be rateable in terms of Class 4 of the aforementioned schedule. Equivalent costs may be obtained from the 2026 RCGS.
- 5.4 Thermal Storage Tank. Although unlikely to be in excess of 400m³ or 400,000 litres of capacity, the situation of this item should be considered in terms of Class 4 of the aforementioned schedule. The supporting structure is likely to be rateable.
- 5.5 Pump Sets may be rateable in accordance with Class 3 of the aforementioned schedule.
- 5.6 Electrical equipment such as control panels, switchboards circuit breakers, transformers etc may be rateable in accordance with Class 1 of the aforementioned schedule.

- 5.7 Land and Siteworks. Land upon which the energy centre is situated, and any further areas judged to be in the demise of the facility should be valued in accordance with local evidence. Siteworks should be valued by reference to the SAA Valuation of Contractors Basis Subjects Areas Adjustment and External Works Practice Note.
- 5.8 Wayleaves. Valuers should be alert to the consideration of any wayleave agreements instituted to allow for the burial of pipework.