



Report to the Corporate Director of Finance and Resources

Temporary plant (heat source) at NWCC and Peel in South Kilburn

Wards Affected:	South Kilburn
Key or Non-Key Decision:	Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
List of Appendices:	
Background Papers:	
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Oliver Myers, Head of Environment Strategy Waste and Climate Action

1.0 Executive Summary and Recommendations

- 1.1 Due to delays in the procurement and construction of the South Kilburn District Heat Network (SKDHN), a temporary heating system needs to be installed to supply heat to NWCC East (cores E, F and G), NWCC West (cores A,B,C and D) and Peel Phase 4 in South Kilburn, to provide heat until the (SKDHN) is fully operational.
- 1.2 This report seeks approval from the Corporate Director, Finance and Resources:
- 1.2.1 To vary the original Development Agreement between the Council and Countryside Properties in order to incorporate installation of a temporary plant (heat source) into the Agreement at the value of £462,671. The temporary plant will serve NWCC East (cores E, F and G), NWCC West (cores A, B, C and D) and Peel Phase 4, whilst the South Kilburn Decentralised Energy Network (SKDEN) is being built and becomes available as a permanent heat source.
- 1.2.2 To vary the original Development Agreement between the Council and Countryside Properties in order to incorporate the installation of a heat pipework section under the section of Neville Road within the NWCC site, for use when the SKDHN is connected, at a capped value of

£326,572, to avoid the greater cost and disruption of installing this at a later date.

- 1.2.3 For a budget of £50k to decommission the temporary plant when the SKDHN becomes available for permanent connection in January 2026.

2.0 Detail

South Kilburn District Heat Network

- 2.1 The SKDHN will supply heat generated from air source heat pumps (ASHP) located in two energy centres. Peak load will be supplied by back up gas boilers located in the first energy centre. The complete network will supply heat to 34 sites via a buried network (spine trench length of 2.7km). The total annual heat demand to be supplied by the network is expected to be 20.8 GWh. The network will provide low carbon heat to developments and community infrastructure within the South Kilburn Regeneration Programme.
- 2.2 On 22 May 2023, Cabinet approved the proposed delivery approach for the SKDHN. Brent Council will own the network and directly manage the main contractor to be appointed. The tender pack to appoint a main contractor to design, build, maintain and operate the SKDHN will be issued imminently. A competitive dialogue process is expected to take about nine months and culminate with the award of a contract for 15 years with up to 10 years extension to the preferred bidder by autumn 2024. The appointed main contractor will, over four phases of build out, design each phase to RIBA 4, build, then maintain and operate the network. The construction of the network's first phase is expected to take up to eighteen months. Sites connecting to the first phase of the SKDHN are expected to be supplied low carbon heat by the beginning of 2026.

Options for temporary heat provision at NWCC and Peel development

- 2.3 The network will not be ready in time to provide heat to Blocks E, F and G at NWCC and, if delayed any further, would not be ready in time for Peel Phase 4.

Block name	Projected completion date	Projected SKDHN connection date
NWCC (E, F, G)	E (Nov. 25) F (Jan.26) G (April 26)	Jan 26
Peel 4	April 26	Jan 26

2.4 The Council and Countryside explored various options for temporary heat solutions.

Option	Financial implication	Notes
Option 1		
1A ASHP plant on the roof, connected straight onto HIUs within flats	<ul style="list-style-type: none"> • No S106 contribution (£810K) to be paid by Countryside. • No additional cost to be paid by the Council. 	<p>ASHP plant located on the roof would require a redesign of the building and additional planning consent.</p> <p>The riser pipe sizing would be incompatible with the SKDHN and could therefore not connect in the future.</p>
1B - ASHP and Water Source Heat Pump (WSHP) plant on the roof, connected straight onto HIUs within flats.	<ul style="list-style-type: none"> • S106 (£810K) to be paid by Countryside for 225 units at NWCC and (£381,600) to be paid by Countryside for 106 units at Peel phase 4. • Council to pay £856k. 	<p>Pipe sizing is connectable to the SKDHN. More space required on the roof. More complex strategy involving ASHP and WSHP and expensive.</p> <p>Heat losses, although not significant, would fail to meet the criteria for the Green Heat Network Funding (GHNF).</p>
Option 2		
2 - ASHP plant on the roof, connected straight onto WSHP within flats	<ul style="list-style-type: none"> • S106 (£810K) to be paid by Countryside or 225 units at NWCC and (£381,600) to be paid by Countryside for 106 units at Peel phase 4. • Council to pay £2.27m. 	<p>Option 2 is not compatible with the DHN or compliant with the Green Heat Network Fund.</p> <p>Low supply temperatures, feed individual heat pumps in each flat. Needs more space in utility cupboard and substantially more expensive.</p> <p>ASHP plant located on the roof would require a redesign of the building and additional planning consent.</p>
Option 3A / 3B		
3A (<u>Preferred Option</u>) – Installing	S106 (£810K) to be paid by Countryside for 225 units at NWCC and (£381,600) to be paid by	Simplest option and least sacrificial pipework as the boilers are located adjacent to the SKDHN connection point.

Temporary (gas boiler) plant	Countryside for 106 units at Peel phase 4. Council to pay £462,671 for installation and £50k to switchover when SKDHN becomes available for permanent connection.	Minimal Design and Planning implications. Relatively straightforward switchover process. Least expensive option.
3B – Renting containerised temporary plant	S106 (£810K) to be paid by Countryside or 225 units at NWCC and (£381,600) to be paid by Countryside for 106 units at Peel phase 4. Council to pay £439,222 + prelims, OHP, design. Switchover costs not estimated but likely to be higher than £50k.	Cost to the Council based on two years' rental which is comparable to installing a temporary boiler. If SKDHN is delayed, rental costs will rise further. Space to locate the container some distance from the plant room necessitates extra sacrificial pipework, the cost of which erodes the savings made by renting. Under-provision of cycle parking during the temporary phase. The switchover cost likely to be high be as the cycle store will need to be provided in the place of the container.

Temporary Gas Boiler – the Preferred Option

Cost of the temporary plant and heat network pipework installation

- 2.5 The Council has reviewed the costs internally and sought advice from Sustainable Energy Limited, the council's technical adviser on the SKDHN, to confirm the costings and the feasibility of the preferred option and they have confirmed that this option delivers best Value for Money.

ITEMS		COST	PRELIMS	OVERHEAD + DESIGN	TOTAL
1	Gas fired boilers / associated plant to provide central heating/ hot water prior to delivery of SKDEN, comprising wall hung boilers, pumps, dosing pot, dirt separator, pressurisation unit,	£334,258	£41,782	£33,844 + £15,000	£424,884

	expansion vessel & flue				
2	Gas supply + meters	£30,000	£3,750	£3,038 + £1,000	£37,788
	SUB TOTAL				£462,671
3	Plate heat exchangers located within the NWCC East plant room	£82,682	£10,335	£ 12,372	£105,389
4	SKDEN pipework running along northern section of Neville Road within NWCC site, with capped spur into plant room (190m)	£173,850	£21,731	£25,602	£221,184
	SUB TOTAL				£326,572
5	Switchover costs within NWCC site including disconnection of gas boilers from PHE, removal of boilers and flue and connect into the wider SKDEN system.				£50,000
	TOTAL				£839,243

Contract arrangements to deliver, maintain and manage the Temporary gas boiler and connect into the SKDHN

- 2.6 The contract arrangement will be a variation to the existing Development Agreement between the Council and Countryside Properties, incorporating provisions for sourcing and installation of the heat source as required. This will be put in place by Supplemental Agreement to the Development Agreement. As part of this agreement, Countryside Properties will be responsible for the design and build of the temporary plant in time for the first completion of Block E at NWCC in November 2025. The design and specification has been

reviewed by consultant engineers at Sustainable Energy Limited to ensure they are appropriate and consistent with the specification of the SKDHN.

- 2.7 Countryside will source the temporary plant via their M&E subcontractor, who will install it as part of the heating and hot water system to serve the flats. The temporary plant will be contained in a plant room in NWCC Core E and will serve NWCC East (cores E, F and G), NWCC West (cores A, B, C, D), and Peel Phase 4.
- 2.8 Block E is one of the affordable blocks that will be owned freehold by Brent Council. As the plant will be shared with other cores including those sold on long leases to Countryside (NWCC cores A, B and C and all of Peel Phase 4), a managing agent will be appointed to oversee maintenance of the secondary network including Core E plant room, with a service charge collected from Brent, its residents and from Countryside. This arrangement will remain in place for the temporary plant stage and thereafter continue when the blocks are permanently connected to SKDHN.
- 2.9 Upon completion of SKDHN in January 2026, the SKDHN contractor will be instructed to decommission the temporary plant including removal of gas boilers and flue and connect permanently to the SKDHN inlet.

Design and Planning implications of the recommended option

- 2.10 The temporary plant will be accommodated within the existing plant room on the ground floor of Block E.
- 2.11 There are some minor Planning implications of the temporary plant, these are:
- Approval of installation of a flue on the side elevation of Block E.
 - Approval of installation of a kiosk on the pavement to house the gas supply meter.
 - Dispensation of requirement to meet 35% on Part L 2013 for the temporary plant.
- 2.12 These matters have been raised with the Local Planning Authority and the expectation is that they can be approved through a S96a non-material Planning Application.

3.0 Benefits of the temporary solution / Plant

- 3.1 The installation of the temporary plant is necessary to ensure that heat is ready to be supplied to the blocks at the specified locations in advance of resident occupation, to ensure that homes can be heated.

3.2 The Preferred Option 3A is the lowest cost option that is compatible with future connection to the SKDHN and guarantees the s106 contributions that are necessary to fund the network.

4.0 Stakeholder and ward member consultation and engagement

4.1 Residents of South Kilburn estate and the wider South Kilburn community receive regular communication on the progress of the regeneration of South Kilburn Estate. Weekly drop-in sessions with members of the Regeneration team are held at the Regeneration Office on the Estate for residents. Ward members and portfolio are given monthly progress updates and consulted on key decisions.

5.0 Financial Considerations

5.1 As detailed at 2.5 above, the expected cost of the temporary plant at NWCC and Peel is £462,671 and the expected cost of the section of buried heat network pipework is £326,572, totalling a value of £789,243 for the proposed Variation to the Development Agreement. An additional £50k is to be allocated for switchover costs to the SKDHN.

5.2 The additional cost is expected to be absorbed into the broader financial model for the heat network and will be funded through existing S106 and grant funding received to date. The Council has received £2.1m S106 financing, of which £0.4m has been spent in 2023/24 on project costs. The Council has also received £4.7m GLA capital grant to fund the development of the heat network including the temporary plant. A further £5.4m of S106 receipts are expected between 2027 and 2029 though these may be received earlier than planned. Prudential borrowing of £5.3m is required for the completion of the heat network once all other funding sources have been exhausted. However, it is anticipated that there will be a zero requirement of the borrowing for the temporary plant as existing funding sources should be sufficient to cover the cost of the temporary plant.

5.3 It is anticipated that the heat network will generate sufficient income in the medium term to cover the costs now arising with the temporary heat solution.

6.0 Legal Considerations

6.1 Officers are seeking to vary the current Development Agreement, dated 31 March 2023, between the Council and Countryside Properties for sale, purchase and development of 1-8 Neville House, 1-64 Winterleys, 113-128

Carlton House and Carlton Hall, South Kilburn, Brent, London NW6 5DR as part of the Regeneration of South Kilburn.

- 6.2 The purpose of the variation to the agreement is to incorporate provisions for the installation of a temporary heating system (temporary solution) and installation of a heat network pipework as detailed in paragraph 1 of this report. This would be achieved by way of a Supplemental Agreement to the Development Agreement. The value of the proposed variation is £789,243. As this is above £500,000, the decision sought by Officers in this report is considered a Key Decision under the Council's Constitution. As such there is a requirement for the decision to be put on the Forward Plan.
- 6.3 Officers have advised of the benefits of the proposed variation in section 3.0 of this report. Under section 3(b) of the table at paragraph 9.5 of Part 3 of the Constitution, Chief Officers are able to vary contracts and agreements without the need for Cabinet approval provided that the variation would not be in breach of Procurement Legislation and does not substantially alter the terms and conditions of the contract.
- 6.4 Officers have advised that the temporary solution would be consistent with the specification of the SKDHN. Other than the provisions for sourcing and installation of the temporary heating system which would form the supplemental agreement to the existing agreement, there would be no alteration to the terms and conditions of the agreement.
- 6.5 The above provisions of the Constitution are satisfied in that a variation to the agreement as proposed by Officers would not be a breach of Procurement Legislation. Regulation 72(c) of the Public Contracts Regulations, 2015, also provides for modification of contracts during its term where all of the following conditions are fulfilled:
- (i) the need for modification has been brought about by circumstances which a diligent contracting authority could not have foreseen. Officers have set out in section 2 why the needs have arisen.
 - (ii) the modification does not alter the overall nature of the contract – the variation proposed by Officers as set out in section 2 of this report does not alter the overall nature of the contract.
 - (iii) any increase in price brought about by the proposed variation to, and extension of, the Contract does not exceed 50% of the value of the original contract.

6.6 It is considered that you have delegated authority under the Constitution to approve the proposed variation in that the constitutional provisions are satisfied. Contract Standing Order 112.

7.0 Equality, Diversity & Inclusion (EDI) Considerations

7.1 Pursuant to s149 Equality Act 2010 (the “Public Sector Equality Duty”), the Council must, in the exercise of its functions, have due regard to the need to:

- (a) eliminate discrimination, harassment and victimisation and other conduct prohibited under the Act
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it,

7.2 The Public Sector Equality Duty covers the following nine protected characteristics: age, disability, marriage and civil partnership, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

7.3 Having due regard involves the need to enquire into whether and how a proposed decision disproportionately affects people with a protected characteristic and the need to consider taking steps to meet the needs of persons who share a protected characteristic that are different from the needs of persons who do not share it. This includes removing or minimising disadvantages suffered by persons who share a protected characteristic that are connected to that characteristic.

7.4 There is no prescribed manner in which the council must exercise its public sector equality duty but having an adequate evidence base for its decision is necessary.

7.5 This project has potential equality impact implications in terms of ability of residents to pay for heat and to ensure that dwellings are affordable to heat.

7.6 The preferred option to provide temporary heating will ensure that the homes at the specified locations can be supplied with heat in time for occupation by residents. The Council’s Metering and Billing policy for credit billing managed by the Council, ensures that any equality implications can be mitigated within that process.

7.7 The procurement and construction of the SKDHN itself has no adverse equality implications.

8.0 Climate Change and Environmental Considerations

8.1 The SKDHN will supply low carbon heat across the South Kilburn regeneration area. The preferred option for temporary heating at the specified locations will enable the s106 contributions for these sites to contribute to the costs of constructing the network.

9.0 Human Resources/Property Considerations

9.1 There are no HR implications arising from this report. Property considerations and detailed elsewhere within this report .

10.0 Communication Considerations

10.1 Countryside Properties, the appointed contractors, distribute regular newsletters with a named contact for resident enquiries to inform and advice the local community of works being undertaken.

Report sign off:

Minesh Patel

Corporate Director of Finance and Resources