

	Officer Key Decision 31 March 2026
	Report from the Corporate Director of Neighbourhoods and Regeneration
	Lead Cabinet Member for Climate Action and Community Power
Authority to Award the Design, Build, Operate and Maintain (DBOM) contract for the South Kilburn District Heat Network	

Wards Affected:	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:	None
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Neil Martin Head of Capital Delivery neil.martin@brent.gov.uk Oliver Myers Head of Environment Strategy & Climate Action oliver.myers@brent.gov.uk Daniel Gallagher Heat Network Strategy Manager daniel.gallagher@brent.gov.uk

1.0 Executive Summary

- 1.1. This report concerns the South Kilburn District Heat Network (SK DHN) project. This report requests authority to award the design, build, operate and maintain (DBOM) contract to Vital Energi Utilities Limited, as required by Contract Standing Order 88 following satisfactory completion of the preferred bidder stage.

2.0 Recommendation(s)

That the Corporate Director Neighbourhoods and Regeneration in consultation with the Lead Member for Climate Action and Community Power:

2.1 Approves the award of the design, build, operate and maintain (DBOM) contract to Vital Energi Utilities Limited for a total sum of £37,768,947.

3.0 Detail

3.1 Contribution to Borough Plan Priorities & Strategic Context

3.1.1 Brent's commitment to tackling the climate and ecological emergency continues to be a top priority for this administration, as reflected in the 'Cleaner, Greener Future' theme within the Borough Plan (2023-2027). This includes commitments to create 'a climate friendly and sustainable borough' and to ensure that 'sustainability is central to the growth of our borough and local economy'.

3.1.2 The proposed works and services to be delivered through the SK DHN Design Build Operate and Maintain (DBOM) Contract will enable the council to comply with London Plan requirements and deliver low carbon, affordable heat and hot water to circa 3,000 dwellings and several non-residential buildings.

3.2 Background

3.2.1 The SK DHN is a core infrastructure project supporting the South Kilburn Regeneration Programme, designed to deliver affordable, reliable and low carbon heating and hot water to new and existing homes, community facilities and local businesses. The network will utilise centralised air source heat pump technology to meet London Plan requirements, reduce carbon emissions and provide a long-term, sustainable energy solution across the growth area, contributing to the Council's climate objectives and wider regeneration outcomes.

3.2.2 A competitive dialogue procurement process has been completed to appoint a Design, Build, Operate and Maintain (DBOM) contractor, supported by specialist technical, legal and commercial advisors. This has included selection, dialogue and final tender stages, culminating in the identification of a preferred bidder, Vital Energi Utilities Limited, whose proposal meets the Council's requirements for affordability, carbon reduction, service quality and social value.

3.2.3 In January 2026, Cabinet delegated authority to the Corporate Director Neighbourhoods and Regeneration, in consultation with the Lead Member for Climate Action and Community Power, to finalise the contract and award the SKDHN Main Contractor contract to the preferred bidder in accordance with Contract Standing Order 88, subject to satisfactory completion of the preferred bidder stage. This stage, including final contract negotiations, has now been successfully completed.

3.2.4 The outcome of this process is that it is recommended to award the SK DHN DBOM contract to Vital Energi Utilities Limited for a total sum of £37,768,947.

4.0 Stakeholder and ward member consultation and engagement

- 4.1 Officers continue to engage with the building operators and management organisations of the existing blocks and developers currently constructing blocks in South Kilburn.
- 4.2 Officers continue to engage with Ward Councillors, South Kilburn Tenant Steering Group and residents to keep them updated on progress on the SKDHN project delivery progress. The engagement to date has included biannual updates and Q&A sessions with residents at the in person South Kilburn Tenant Steering Group, updates within the South Kilburn Newsletter as well as updates on the Brent website.
- 4.3 This will continue during the design and build phases of the DBOM contract, with details on planning applications, works commencement and logistics as the contractor delivers the scheme. There will also be engagement with the local community as part of the contractor's delivery of their social value commitments.

5.0 Financial Considerations

- 5.1 The total contract amount is £37,768,947 plus VAT. This consists of £30,104,997 capital for the design and build and £7,663,950 revenue costs for the fifteen years of operation and maintenance services.
- 5.2 Cabinet delegated authority to the Corporate Director of Neighbourhoods and Regeneration, in consultation with the Lead Member for Climate Action and Community Power, to award the contract.
- 5.3 There is sufficient budgetary provision for the £30,104,997 capital spend under the contract because it will be funded from the £36,000,000 South Kilburn District Heat Network Capital Budget. The budget is funded through a combination of external grant funding, developer contributions, Council resources and borrowing, including £8.3m from the Green Heat Network Fund, £7.5m in Section 106 contributions, £5.55m Strategic CIL, £1.15m Carbon Offset funding and £12.0m prudential borrowing from the Green Finance Facility.
- 5.4 The revenue costs will be funded by the income from heat sales. Brent will recharge the HRA for its contribution to maintenance costs based on the number of Brent owned properties included in the scheme, to avoid any cross-subsidisation.
- 5.5 The financial model indicates that the scheme is viable over the long term, with income generated from heat sales expected to cover borrowing and operational costs, resulting in a positive net present value over the 40-year life of the project and no adverse impact on Council revenue budgets.
- 5.6 The VAT on the contract is recoverable under the Council's usual VAT recovery procedures. The Council is currently in the process of procuring external VAT

advice to ensure the scheme is set up in the most tax advantageous way and does not impact the Council's partial exemption position.

6.0 Legal Considerations

6.1 The Council has the legal powers to establish and operate the district heat network under the Local Government Act 1972, with the ability to recover costs for heat supply under the Local Government Act 2003. The DBOM contract has been procured using a competitive dialogue procedure appropriate to the complexity of the project and in accordance with the Public Contracts Regulations 2015, and the award is subject to the Council's Contract Standing Orders and constitutional requirements for high value contracts. A mandatory ten-day standstill period following notification of the contract award decision has been observed and has now concluded. The Council will also enter into connection and heat supply agreements with relevant parties, incorporating appropriate risk allocation and consumer protections, including those under the Energy Act 2023, and will comply with the conditions attached to Green Heat Network Fund grant funding.

6.2 As stated herein, on the 19th of January 2026, Cabinet approved the selection of Vital Energi Utilities Limited as preferred bidder, and delegated authority to the Corporate Director Neighbourhoods and Regeneration, in consultation with the Lead Member for Climate Action and Community Power, to finalise the contract and award the SKDHN Main Contractor contract to the preferred bidder in accordance with Contract Standing Order 88, subject to satisfactory completion of the preferred bidder stage. This stage, including final contract negotiations, has now been successfully completed and thus the Corporate Director Neighbourhoods and Regeneration, in consultation with the Lead Member for Climate Action and Community Power may take this decision.

7.0 Equity, 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 The procurement of the SK DHN itself has a neutral position / no impacts on protected characteristics groups as per the Equalities Impact Assessment issued with the January 2026 Cabinet report. The initiative is expected to maintain overall annual energy costs at current levels at the very least for 99% of properties. However, some groups (e.g. older people, people with disabilities, pregnant people) may have higher heating needs. While this does not constitute a direct negative impact, it represents a potential affordability risk for high-consumption households. To mitigate this, residents will have the ability to monitor and control their own usage, and targeted support will be available where excess usage leads to affordability issues.

8.0 Climate Change and Environmental Considerations

- 8.1 This project supports the Council's Climate & Ecological Emergency Strategy (2021-2030) in reducing carbon emissions for a large number of dwellings in South Kilburn. As stated in the report, the estimated average annual carbon savings from this project are 980 tCO₂e per annum, with cumulative savings of 39,200 tCO₂e over the project lifetime (assuming 40 years). The SK DHN remains integral to South Kilburn's selection as one of Brent's Green Neighbourhood pilot areas.
- 8.2 The project requirements and procurement took into account specific objectives in-line with the Council's Sustainable Procurement policies reducing carbon both in operation and in construction and minimising the generation of other harmful gases and impacts.

9.0 Human Resources/Property Considerations

- 9.1 There are no Human Resources implications as the contract will be delivered by an external organisation.
- 9.2 Officers are having discussions with the identified off takers (both Council owned and otherwise) with the intention to connect to the SK DHN upon completion. This will involve wayleaves to provide access for installation works as well as heat supply agreements.

10.0 Communication Considerations

- 10.1 Local residents will be kept up to date with progress and this will be included in any estate wide publications and contractor newsletters as they progress the contract delivery.

10.2 Brent is committed to DESNEZ's Green Heat Network Fund Market Transformation Commitments including uploading updates onto the heat network exchange noticeboard.

<https://www.heatnetworkexchange.co.uk/opportunities/>

Related documents:

Cabinet Report 19th January 2026, titled "[South Kilburn District Heat Network – Tender Outcome and Financial Model Report](#)"

Report sign off:

Jehan Weerasinghe

Corporate Director of Neighbourhoods and Regeneration