

**RECORD OF DECISION TAKEN UNDER
DELEGATED AUTHORITY FROM
EXECUTIVE/COUNCIL/COMMITTEE
DELEGATED POWERS OUTLINED IN
THE CONSTITUTION**



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| DELEGATED OFFICER DECISION TAKEN BY: | Strategic Director of Growth & Development |
| DELEGATED BY: | Choose an item. (date of delegation) |
| IN CONSULTATION WITH: | Executive Member |
| PORTFOLIO AREA: | Growth & Development |

SUBJECT: Procurement of Technical Consultants for Heat Network Studies

1. DECISION

Subject to receipt of grant from the Heat Network Delivery Unit, technical consultants to be appointed to progress detailed project development work for a potential Heat Network; including techno-economic feasibility.

2. REASON FOR DECISION

As part of the Council's work to decarbonise the heating of its key buildings, work has commenced to understand the potential for Heat Networks in Blackburn and Darwen town centres. Further detailed work is now needed to test and check the initial project findings and to undertake a detailed technical and economic analysis that provides the Council with sufficient information to determine whether to invest in progressing the scheme(s).

Grant funding to support the work is being sought from the Heat Network Delivery Unit as described below.

3. BACKGROUND

The Council declared a climate Emergency in 2019 and pledged to work towards becoming carbon neutral by 2030. Included within the supporting Climate Emergency Action Plan is an objective to cut emissions from the heat supply to Council buildings.

A Heat Decarbonisation Plan (HDP) prepared in Q4 of 2022/23 for 13 of the Council's highest energy consuming buildings concluded that heat pumps would be the most practical way to cut emissions and that heat networks would be more efficient than individual standalone heat pumps for each building. All but two of the buildings are located in either Blackburn or Darwen town centre. The conclusion reinforced a heat mapping and masterplanning study undertaken in 2019

that identified potential networks in the borough, but which wasn't followed up due to lack of resource and then the outbreak of Covid-19. This study received a grant of £26,281 from the Heat Network Development Unit in 2018/19.

Heat networks (also known as district heating) supply heat from a central source to consumers, via a network of underground pipes carrying hot water. Heat networks can cover a large area or be fairly local supplying a small cluster of buildings. They can be expanded over time and heat 'off-takers' other than Council can connect to them.

Further, detailed work is needed to test and check the initial findings and to undertake a detailed technical and economic analysis that provides the Council with sufficient information to determine whether to invest in progressing the scheme(s).

The proposal is to commission technical consultants who can undertake:

1. Heat Network Zoning:

To identify potential strategic heat network zone(s) and determine potential core heat networks in the borough, which based on detailed technical and economic analysis, offer the lowest cost solution to consumers, in accordance with Heat Zoning Technical Specification section 3.

The Technical Consultant will be working with client and stakeholders to collect local data that will add to and improve the data within the HNDU/DESNZ heat network zoning model for this area.

2. Techno-Economic Feasibility of Core Heat Networks:

To develop a clear set of recommendations, based on detailed technical and economic analysis, as to the feasibility of developing a low-carbon heat network scheme(s) for the borough, how it may be expanded in the short and long terms to align with the Heat Network Zoning ambitions identified in the first stage of works.

The detailed technical assessment and economic optimisation of the recommended core scheme option(s) includes detailed cash flow modelling; outline scheme design for the energy centre(s) to at least RIBA Stage 2 'Concept Design', pipe network, and cooling and private wire networks (where relevant); design of customer interface connections; and a clear assessment of the deliverability of key options.

The study must provide the Client with a clear and justifiable basis upon which to evaluate the full potential for heat networks in the study area for both the short and long-term and how these may best be delivered and enable the Client to complete an HM Treasury compliant Outline Business Case. Schemes should be designed to a carbon intensity which is, at least or better than, circa 100gCO₂e/kWh delivered heat.

Assuming techno-economic viability of one or more heat networks is demonstrated:

3. Project Development:

Further technical, financial, legal, and commercial project development beyond techno-economic feasibility leading to the production of a Business Case and all other associated project specific documentation required to obtain a positive decision to proceed with delivery of the project.

This work will take the project through to completion of ITT specifications for the delivery of heat network infrastructure.

The Heat Network Delivery Unit (HNDU) offers financial assistance to undertake heat network viability assessment.

- HNDU will fund 100% of the heat network zoning element, capped at £40,000.
- Grants of 67% of the cost of detailed techno-economic feasibility and project development are available, subject to a satisfactory application. The threshold values are £100,000 for

techno-economic feasibility and £200,000 for project development (for a borough of our size). In reality, total costs are expected to be lower.

The remainder of the cost, capped at 33% of the threshold value set by the HNDU for any stage of the work, will be met from the Council's Climate Emergency budget.

Public sector bodies can also request support for an external project management and stakeholder engagement resource. HNDU will meet 100% of the cost up to a maximum threshold of £30,000 for techno-economic feasibility and £50,000 for project development. This element of the project will be tendered separately.

An application is to HNDU is in preparation for support for all elements of the project, including external support, is in preparation.

The commission will be tendered using a CCS framework (Heat Network Design) and competitive award.

The contract will be evaluated 80% quality, 20% price.

The evaluation criteria for the tenders are as follows:

| Category | Category Weighting | Element | Element Weighting Score |
|--------------------------------|--------------------|---|-------------------------|
| Approach | 35% | Detail how you intend to undertake this commission, demonstrating how you will meet the Council's aims, objectives, and scope of study and the specific local circumstances of Blackburn with Darwen | 25% |
| | | Provide information demonstrating recent and relevant experience of delivering at least 3 similar projects over the last 3 years to timescale, budget and Client requirements | 10% |
| Staff & Experience | 25% | Provide details of named staff who will be allocated to deliver the scope of works, including name, position, full CVs (not summaries), specific project roles, key assigned tasks, hours, cost rates, costs and specific relevant experience. The number of hours and charge-out rates shall be provided for each staff member working on the project. (NB: the allocated hours/costs per individual staff member may vary during the delivery of the project, but the overall cost submitted and the assessment of individual staff allocations is at the <u>Consultant's risk</u> if subsequently deemed by the Consultant to be insufficient to meet this specification. For the avoidance of doubt the Consultant's fee will not exceed the tendered amount under any circumstances except where the Client instructs a variation to this scope of works that has been signed off by HNDU. | 20% |
| | | What are your contingency proposals to ensure deliverability of the proposed programme to timescale and budget in the event of loss or absence of staff? | 5% |
| Project & Programme Management | 20% | Detail your proposals for project management and quality assurance, including how you will deal with the Council's issues and concerns. | 10% |
| | | Provide a project programme and associated Gantt chart for key work packages | 10% |

The length of contract is expected to be 18 months from January 2024 to June 2025, assuming all stages of the work are implemented. Heat network zoning and techno-economic feasibility is expected to take 6 months and project development 12 months.

The project will be overseen by a Project Management group comprising internal and external project managers and representatives from Growth & Development, Highways, Finance, Procurement and Building Maintenance. The Project Sponsor will be the Strategic Director of Growth & Development.

Further financial assistance from Government is available from the Green Heat Network Fund (GHNF), which provides capital grant support for both the commercialisation and construction of

new low- and zero-carbon heat networks. This funding route would be explored at the end of the feasibility and project development phase.

4. KEY ISSUES AND RISKS

The commission covers three stages of heat network development work. They are being tendered together to guarantee the same consultants oversee the project from start to finish, avoiding the need to have earlier work reviewed or repeated. There are break points at the end of each stage to allow the work to be brought to a close should it be concluded that there is no economic case for continuing with the commission.

Stage one involves verifying modelling work already done by the Department of Energy Security and Net Zero that there are viable heat zones and core networks in the borough. Earlier work done by the Council confirms that there are; however, there is a risk that stage one of this commission does not provide the evidence needed by HNDU. There should be no financial risk to the Council as the costs of this part of the study are fully met by HNDU.

Stage 2 involves techno-economic feasibility of core networks, with 33% of the cost met by the Council. It is possible that the outcome of the work concludes that development of the networks is not economically viable. This would result in a financial loss to the Council.

HNDU require earlier heat network and masterplanning studies to be reviewed and updated, if necessary, prior to detailed techno-economic feasibility, unless convinced otherwise. The case for skipping this step is included in the grant application form. However, if HNDU disagrees, the review will have to be undertaken at the Council's expense, as no grant is available for this stage of the work.

Stage 3 involves developing the project in readiness for commercialisation and construction. The key risk is that full Detailed Project Development is not, in fact, required and that an alternative, such as DPD-lite or DPD-Concession is preferred. The format will depend on the outcome of the previous stage and the Council's appetite for risk and investment. It is necessary, however, to spec for full DPD to avoid under-estimating costs and to ensure a full grant allocation can be secured.

Without financial support from the Heat Network Delivery Unit, the financial burden on the Council would be significant and the project is unlikely to go ahead in its current form. A compliant bid is likely to be supported (assuming funding is available), however, and HNDU provide support to ensure that applications meet their criteria.

5. FINANCIAL IMPLICATIONS

An application is being made to the Heat Network Delivery Unit for financial support towards the commission and its project management. The Council's contribution would be capped at 33% of the threshold value set by the Heat Network Development Unit, for any stage of the work. The contribution towards the cost is expected to be no more than £100,000, to be met from the Council's Climate Emergency budget.

6. LEGAL IMPLICATIONS

The procurement process would follow the Council's contract and procurement procedure rules.

7. RESOURCE IMPLICATIONS

The project would require input from officers in Growth and Development, Highways, Finance, Procurement and Building Maintenance. Additional time would be required to appoint and manage the external project management resource needed for the project.

8. OPTIONS CONSIDERED AND REJECTED

Consideration was given to tendering each stage of the study separately, but rejected to avoid having to repeat earlier stage of work or have them reviewed, adding to costs and project timescales.

An open tender was considered, but there is a large number of consultancies capable of undertaking the work. Use of a framework reduces the number of potential returns to a manageable number from a list of pre-approved suppliers.

9. CONSULTATIONS

None

10. DECLARATION OF INTEREST

All Declarations of Interest of the officer with delegation and any Member who has been consulted, and note of any dispensation granted should be recorded below:

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| CONTACT OFFICER: | Gwen Kinloch |
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| DATE: | 22 nd August 2023 |
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| BACKGROUND DOCUMENTS: | |
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