



**17 SEPTEMBER 2024**

<b>REPORT TITLE:</b>	<b>BIRKENHEAD DISTRICT HEAT NETWORK – APPOINTMENT OF CONSULTANTS</b>
<b>REPORT OF:</b>	<b>ASSISTANT DIRECTOR – SPECIAL PROJECTS</b>

**REPORT SUMMARY**

The report seeks authority of Director of Finance to appoint consultants to manage the commercial, financial and technical aspects of a proposed heat network for Birkenhead, through the commercialisation stage of the project’s development.

As this tender award falls within the proposed budget for the scheme, which is over £100K, but under £500K, it is not a key decision.

This decision only affects the Birkenhead and Tranmere ward.

**RECOMMENDATION**

The Director of Finance approve the recommendation to appoint The Carbon Trust under NEC3 Professional Services Contract, for a total sum of £348,311.00 for a period of up to twenty months from August 2024 to March 2026 inclusive.

**SUPPORTING INFORMATION**

**1.0 REASON FOR RECOMMENDATION**

1.1 A compliant procurement process has been facilitated via the CCS Demand Management & Renewables Framework – RM6314 (Lot 5).

1.2 A total of 2 bids were received, which included qualitative (technical), commercial price and social value elements with a recommendation to appoint Carbon Trust under NEC3 Professional Services Contract for a total sum of £348,311.00 and a social value commitment of circa £30,000 which includes:

- 19 hours spent on local school and college visits supporting pupils e.g. delivering career talks, curriculum support, literacy support, safety talks;
- 70 hours of meaningful work placements that pay Real Living wage;
- 10 hours of expert business advice to help VCSEs and MSMEs achieve net zero carbon;
- £2,000 spend in the local supply chain.

The process and recommendations are fully aligned to the grant funding conditions.

1.3 Appendix 1 sets out evaluation details of the two tenders received.

## **2.0 OTHER OPTIONS CONSIDERED**

2.1 No other options have been considered given the specialist nature of this commission.

## **3.0 BACKGROUND INFORMATION**

3.1 The Chancellor's 2019 Spring Statement and Future Homes Consultation sets the commitment that fossil fuel heating will no longer be permitted in new homes from 2025. The UK Government estimates that around 18% of UK heat will need to come from heat networks by 2050 if the UK is to meet its carbon targets cost effectively. Heat Networks supply heat from a central source to consumers via a network of underground pipes carrying hot water. On 15 July 2019, Wirral Council declared an Environment and Climate Emergency at a meeting of full Council, and through this committed to action to address the ecological and climate crisis.

3.2 The Environment and Climate Emergency Policy recognised the importance of:

- achieving 'net zero' carbon emissions;
- promoting sustainable regeneration;
- managing our use of energy, water, and resources as efficiently as possible;
- promoting a wider shift to non-fossil fuel clean energy sources.

3.3 Wirral's Cool2 Climate Change Strategy 2019 includes an objective to generate and/or source all our local energy needs from zero carbon and renewable sources by around 2041 and commitment to progress heat networks. Provision has been made within the Local Plan to support the heat network through safeguarding of energy centre and mandating suitable buildings for connection to a heat network. Birkenhead Heat Network is listed as 1 of 8 catalyst projects in the Birkenhead Regeneration Framework.

3.4 Department for Energy Security and Net Zero (DESNZ) Heat Network Delivery Unit (HNDU) has funded the Wirral Heat Mapping and Masterplanning study (2019) and Wirral Heat Network Feasibility Study (2020). The feasibility study looked at heat pump (air, ground, water, wastewater) geothermal, waste heat, biomass and gas combined heat and power (CHP) technologies were assessed as options. A combination of open water from docks, tunnel water from Shore Road Pumping Station and wastewater from Birkenhead wastewater treatment works (WWTW) was identified as the priority option to serve planned new and existing development in Birkenhead.

3.5 Following this HNDU awarded grant funding and Liverpool City Region Combined Authority (LCRCA) awarded match funding for the engagement of an external Project Manager and a Detailed Project Development study (DPD) and Outline Business Case (OBC) preparation.

3.6 Following the completion of the OBC for the Birkenhead Heat Network (BHN), the Council in conjunction with its external project manager, successfully applied for

additional funding from DESNZ via Green Heat Network Fund (GHNF) to support the following activities to take the project through to commercialisation:

- i. Project development and financial /commercial advice & support
- ii. Technical advisor support
- iii. Legal advisor support

3.7 Further information regarding the activities that will be undertaken for (i) and (ii) above are contained within Appendix 2 at the back of this report.

3.8 The appointment of specialist legal advisors to support the project through commercialisation has been managed through the Crown Commercial Service framework and will be subject to a separate ODN.

#### **4.0 FINANCIAL IMPLICATIONS**

4.1 The cost of the project is being met from an award of £887,000 from Green Heat Network Fund (GHNF) which has been received by the Council, subject to acceptance of a Grant Funding Agreement and Memorandum of Understanding from DESNZ.

4.2 The commercialisation tenders were issued via the CCS Demand Management & Renewables Framework with 11 suppliers initially submitting an Expression of Interest. Tenders were received on a qualitative (technical), commercial price and social value basis.

#### **5.0 LEGAL IMPLICATIONS**

5.1 The commission of services detailed in this report will be undertaken in accordance with The Public Contract Regulations 2015 and the Councils Contract Procedure Rules.

5.2 The award of this contract is being made on most economically advantageous tender basis. The Council's Contract Procedure rules set out how contracts are to be awarded by the Council in accordance with the Procurement Strategy requirements.

5.3 The award of a contract will be underpinned by a formal contract drawn up by the Councils legal team.

5.4 In respect of GHNF award, the Authority will be expected to enter into a Grant Funding Agreement (GFA) and Memorandum of Understanding (MOU) with DESNZ. In respect of the receipt of grant funding, express delegation is given to the Section 151 Officer in accordance with 2(d) of Part(C) of the Constitution 'Overview and Scheme of Delegations of Authority to Officers'.

#### **6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS**

6.1 Existing staff resources in the Regeneration and Place Directorate and council wide Steering Group will be used to support the consultants to facilitate this piece of work.

6.2 There are no other direct staffing or ICT implications arising from this report.

## **7.0 RELEVANT RISKS**

7.1 There are a number of key constraints in that anticipated developments in Birkenhead don't take place or the developers involved choose to use their own heating systems rather than tap into the heat network. However, these can be largely mitigated through ongoing and continued engagement with developers for all proposed new developments to be connected and with key stakeholders such as potential energy customers. This along with some "soft market" testing will be a key feature of the consultant's brief. Based on the consultants track record in delivering these projects elsewhere within UK, we believe this risk is generally low.

## **8.0 ENGAGEMENT/CONSULTATION**

8.1 Stakeholder engagement will be undertaken with potential off-takers (heat network customers), by the consultant team as part of the commercialisation stage, with a view to securing future sign up.

## **9.0 EQUALITY IMPLICATIONS**

9.1 The potential impact of the heat network programme has been reviewed with regard to equality and links to the existing EIA conducted for Wirral's Climate Emergency Action Plan and no amendments have been made. Therefore, the original EIA is still valid.

<https://www.wirral.gov.uk/communities-and-neighbourhoods/equality-impact-assessments/equality-impact-assessments-2017/delivery>

## **10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS**

10.1 Heat networks will be vital to making net zero a reality in the UK. In recognition of their importance to the future energy mix, the Committee on Climate Change have estimated that around 18 per-cent of UK heat will need to come from heat networks by 2050, if the UK is to meet its carbon targets cost effectively.

## **11.0 COMMUNITY WEALTH IMPLICATIONS**

11.1 Heat networks are a proven, cost-effective way of providing reliable, efficient, low carbon heat at a fair price to consumers, while supporting local regeneration.

11.2 As part of their submission, the Carbon Trust have indicated they will undertake a number of activities, that will derive social value – work placements, site visits for students, webinar for SME's and the creation of a part time internship opportunity for a graduate to work on the project.

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**APPENDICES**

Appendix 1 – Tender Evaluation & Scoring (Exempt)

Appendix 2 – Schedule of Services (Exempt)

**BACKGROUND PAPERS**

Tender specification

Bid submissions from respective applicants (exempt from publication)

**SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
Economic Regeneration & Housing Committee	22 January 2024