

**NOTTING DALE HEAT NETWORK LTD****(Company Number 13882225)**

Minutes of a meeting of the board of directors of Notting Dale Heat Network Ltd (**Company**) held at Unit 1, Baseline Studios on Thursday 4 August 2022 at 1.30pm.

**PRESENT:****NAME****POSITION**

Terry Oliver Director (interim Chair)

Liam McCusker Director

Susan Al-Safadi Director

Daniel Chin Director

**IN ATTENDANCE:****NAME****POSITION**

Jeff Laidler Heat Network Programme Manager

James Caspell Strategic Advisor and Project Sponsor

Tina Buchanan Financial Controller

Abbas Dadou Chair of Lancaster West Residents Association (Observer)

David O'Connell Vice-Chair of Lancaster West Residents Association (Observer)

Michelle Active Secretary of Lancaster West Residents Association (Observer)

Tara Rogers Solicitor at Bevan Brittan LLP

**1 CHAIR**

Terry Oliver was appointed chair of the meeting.

**2 NOTICE AND QUORUM**

The chair reported that due notice of the meeting had been given and that a quorum was present. Accordingly, the chair declared the meeting open.

**3 BUSINESS OF THE MEETING**

3.1 The chair reported that the business of the meeting was to:

3.1.1 Report on the appointment of two non-executive directors;

- 3.1.2 Provide an update on the Project as defined in the Local Authority Funding Agreement made between the Council, the Secretary of State for Business, Energy and Industrial Strategy and Triple Point Investment Management LLP;
- 3.1.3 Discuss the draft three-year Business Plan prepared in relation to Notting Dale Heat (**Draft Business Plan**);
- 3.1.4 Consider, and if thought fit, approve the six recommendations set out in the Banking Options Appraisal (**Banking Recommendations**);
- 3.1.5 Consider, and if thought fit, approve the appointment of an External Auditor (**Appointment**); and
- 3.1.6 Agree a provisional date for the next meeting of the board of directors and an Away Day.

#### **4 DECLARATIONS OF INTEREST**

- 4.1 There was produced to the meeting a Conflicts of Interest Register, in which each director present declared the nature and extent of their interest in the arrangements to be considered at the meeting in accordance with the requirements of section 177 of the Companies Act 2006 and the Company's Articles of Association.
- 4.2 It was noted that pursuant to Article 17.3 of the Company's Articles of Association, a director may vote and form part of the quorum in relation to any proposed transaction or arrangement in which they are interested subject to complying with the restrictions contained in Article 17.3.
- 4.3 Liam McCusker and Terry Oliver declared that they are both Company Directors and Council employees.

#### **5 DOCUMENTS PRODUCED TO THE MEETING**

- 5.1 There was produced to the meeting the following documents:
  - 5.1.1 Banking Options Appraisal;
  - 5.1.2 External Auditor appointment;
  - 5.1.3 Draft Business Plan

#### **6 DIRECTORS**

- 6.1 It was noted that the following, each of whom had indicated a willingness to act, had been appointed as directors of the Company pursuant to a notice of appointment being received by the Company:
  - 6.1.1 Susan Al-Safadi
  - 6.1.2 Daniel Chin
- 6.2 Abbas Dadou welcomed the appointment of the two Resident Board Members.
- 6.3 It was further noted that the details of the first two directors had been entered into the Company's register of directors.

#### **7 HEAT NETWORK UPDATE**

Since the first Board meeting on 8 February 2022, the heat network has continued to generate momentum. We now have four workstreams:

### **Workstream 1: Commercialisation of the core scheme at Lancaster West Estate (Phase 1)**

- Enabled Council's receipt of £1.116 million Heat Network Investment Project grant from central government.
- Obtained £220,000 grant from the GLA's Local Energy Accelerator for Stage 2 Commercialisation of the core heat network at LancWest.
- Organised 2 successful Bidder's Days and extensive soft market testing to help drive development of the tender packs for the 2 main heat network procurements.
- Drafted the tender packs for the 2 main heat network contracts.
- Updated the Stage 3 design to maximise the reliability of the heat network for customers. The new design enables the heat network to achieve zero-carbon from first 'Heat On' in 2024, which is 6 years earlier than planned.
- Ran a Heat Network Roadshow, engaging over 50 residents across Lancaster West Estate.
- Developed the principles of the Heat Supply Agreement for Kensington Leisure Centre.
- Secured signed Heads of Terms with Kensington Aldridge Academy for a Heat Supply Agreement.
- Prepared Section 20 Leaseholder Consultation.
- Developed pre-application submission for the energy centres, ahead of a formal planning application.
- Started the procurement for Architects to work with residents on the procurement evaluation, for the architects to design the external buildings for both the reuse of the Camelford Court boiler room and the new thermal store outside Kensington Leisure Centre.

### **Workstream 2: heat network expansion into Notting Dale ward (Phase 2)**

- Started work to develop the Outline Business Case for heat network expansion, which is due to report later this year.
- We are actively working with colleagues in both Sustainability, Housing, and Social Investment and Property, to maximise the opportunity to again combine a 100% renewable heat network with energy efficiency improvements to the building fabric.
- There is the potential opportunity to double the size of the core scheme. As heat networks are most efficient when developed at scale, this is why heat network expansion helps protect customers from rising energy prices and fuel poverty

### **Workstream 3: setting up a local energy company**

- Developed Resident Prospectus, making the roles as accessible as possible to residents across the Estate. Provided Director Training to 10 residents.
- Shortlisted 8 Residents with significant skills and expertise
- Appointed Susan Al-Safadi and Daniel Chin as the 2 Resident Board Members, who have already added significant value, helping to shape the draft Business Plan
- Organised the Council's first Shareholder Committee on 18 July at Baseline Studios
- Developed the draft of 3-year Rolling Business Plan
- Held a workshop on the principles of good governance with Haringey Borough Council, showcasing how Kensington and Chelsea set up Notting Dale Heat, taking lessons learned from elsewhere and applying them locally. This workshop was facilitated by the GLA.

### **Workstream 4: Cross Borough Energy Masterplan**

- Developed scope of works with sustainability, planning, property and housing colleagues from both officers from Kensington and Chelsea, and the neighbouring borough of Hammersmith and Fulham
- Ran a mini-competition to appoint a consultancy to deliver the energy masterplan, with the successful contractor due to be appointed soon. The Cross Borough Energy Masterplan will report later in the year and includes several senior stakeholder workshops.
- Early-stage discussions about strategic heat network opportunities and the Cross Borough Energy Masterplan with Planning, Social Investment and Property, and Housing colleagues.

- Started to consider other heat network opportunities, including World's End Estate, Earl's Court Opportunity Area, Kensal Canalside Opportunity Area, Wornington Green, and maximising the strategic fit with Old Oak and Park Royal.

7.2 Abbas Dadou asked if a single company can bid to undertake both the Design, Build, Operate and Maintain contract and the Design and Build contract.

7.3 Jeff Laidler confirmed that there are two separate procurements and two contracts, to give us the flexibility to be able to appoint the best company for each contract. The soft market testing has confirmed that several companies may decide to bid for both contracts. As a result we could end up with two separate companies for each contract, or one company that does both contracts.

7.4 James Caspell confirmed that residents can be involved as much as they wish to be in these two procurements. Residents will have the opportunity to input into the quality criteria via email, so residents can suggest comments and updates.

7.5 Terry Oliver asked if we are on track with the heat network programme. Jeff Laidler confirmed that the Final Investment Decision has been moved from December 2022 to March 2023, to enable the updated Stage 3 design with the ambition to maximise reliability for customers. Overall we are still on track for first 'Heat On' in Autumn 2024.

## 8 PREVIOUS MINUTES

8.1 The previous minutes from the Board meeting on 8 February 2022 and actions were confirmed by the Directors as being correct, with no updates suggested.

## 9 SHAREHOLDER COMMITTEE MEETING, 18 JULY 2022

9.1 The Council's Shareholder Committee met on 18 July 2022 and approved:

- The final terms of the Shareholder's Agreement and Delegations Matrix.
- A Combined Written Resolution authorising the change to Articles and approving the Heat Network Investment Project (HNIP) transactions.
- Appointment of Susan Al-Safadi and Daniel Chin as two Resident Non-Executive Board Members.
- Appointment of a part-time interim Managing Director for 1 day/week from September 2022 in line with Delegations Matrix, which increases to 0.5FTE after Final Investment Decision and until the permanent Managing Director starts.

## 10 BANKING OPTIONS

10.1 Tina Buchanan presented the Banking Options paper, noting the need to set up a bank one month before any funds are transferred. The Board discussed the six recommendations.

10.2 *Recommendation 1: use NatWest as the company's bankers.*

Action 1: Tina Buchanan to investigate the ethics policies of different banks and make a recommendation accordingly, noting the need for Notting Dale Heat to lead by example on sustainability. Circulate this Options Analysis online with a recommendation to Directors for decision.

10.3 *Recommendation 2: the company administers its own online bank account.*

Action 2: Notting Dale Heat to administer its own bank account, so that if any account settings need to be changed, this can be done without Council intervention and potential delay. Administration rights will be carefully controlled and monitored to ensure that this is properly managed.

10.4 *Recommendation 3: the Financial Controller sets up all payments.*

Action 3: this was agreed.

Following a question by Susan Al-Safadi, Tina Buchanan confirmed that if the Financial Controller is unavailable, the Directors can set up a supplier for payment.

10.5 *Recommendation 4: Directors authorise transactions within the above limits.*

Action 4: the following authorisation limits were agreed:

- Under £5,000: Liam McCusker and Terry Oliver each able to authorise payments under £5,000
- Over £5,000: Any two directors required to authorise payments over £5,000, one of which must be an RBKC officer. Non-Executive Directors are authorised as reserve signatories in the absence of sufficient RBKC officers.

10.6 *Recommendation 5: at least 3 Directors are set up to authorise transactions.*

Action 5: all Directors be set up to authorise transactions, noting that there are four registered company Directors at this stage.

10.7 Recommendation 6: set up the account one month ahead of an expected requirement, in August 2022.

Action 6: set up the bank account once the Board approves the options analysis and preferred option for the company's bank (Recommendation 1).

## 11 DRAFT BUSINESS PLAN

- 11.1 Jeff noted that for each heat network phase there is a Business Case. In addition, the local energy company needs its own Business Plan, which is a 'live' action document and tool for the Board to make appropriate decisions to manage the company's budget, mitigate risks and maximise business development opportunities. The Business Plan needs to appeal to multiple audiences, including the Council as sole shareholder and the heat network customers, both residents and commercial customers.
- 11.2 Noting Abbas Dadou's comment at the first Board meeting about how the heat network is future-proofed if James Caspell (Project Sponsor) leaves. As a result the Business Plan includes 4 principles that the company will consider when the Board makes decisions. To be able to enshrine Lancaster West Neighbourhood Team's approach to putting residents first within the company's DNA, all Board Reports will apply the following Decision-Making Principles:
1. **Safety:** maximise resident and worker safety in the design, delivery and maintenance of the network
  2. **Quality:** prioritise quality over price to ensure high-quality homes and a positive heat network experience
  3. **Value for money:** provide heat that is more affordable than the alternatives
  4. **Sustainability:** 100% renewable heating from first 'Heat On'
- 11.3 Abbas Dadou raised a query about how residents will benefit from the heat network being a nationally significant scheme. James Caspell confirmed that by undertaking the heat network in conjunction with a deep retrofit, we forecast that we will reduce resident's heat demand by at least 25%. The Council has also developed the co-designed Resident Price Promise, whereby residents will pay the cheaper of gas or renewable heat up until 2030. The energy centres and primary network won't be recharged to leaseholders. In addition, there is a progressive Standing Charge that is fair, so residents with larger flats pay more. Terry Oliver confirmed that by being nationally significant additional benefits include our ability to attract additional funding and additional due diligence on what we are doing.
- 11.4 David O'Connell asked with gas price increases, how will the Resident Price Promise be pegged. James Caspell confirmed that residents will never pay more than gas, paying the cheaper of gas or the 100% renewable heat. Jeff Laidler confirmed that heat networks will be regulated and that we have met with Ofgem, to make sure we stay ahead of regulation. In addition, Notting Dale Heat will be applying to the Heat Trust, a voluntary industry minimum standard.

- 11.5 The following points in the Draft Business Plan were raised, considered and discussed by the directors and attendees of the meeting:
- 11.5.1 Executive Summary:
- Action 7 – move the carbon neutral targets in the Executive Summary to fit under Director of Cleaner, Greener and Cultural Services.
- 11.5.2 Objectives:
- Action 8 - add 'reliability' under an excellent customer experience.
- 11.5.3 Working with Residents:
- Action 9 - develop a Vulnerability Policy to confirm how we support residents, both financially and helping residents make the most of the new heat technologies in their home to save money, energy and carbon. Also refer to the Engagement Strategy in Section 9.
- 11.5.4 Services Provided: Daniel Chin raised the importance of residents needing to understand that Notting Dale Heat is their renewable heating supplier.
- Action 10 - expand the section on White Labelling and its links to resident bills and Benefits, ready to present at the next Board meeting.
- 11.5.5 SWOT Analysis:
- Action 11 - Liam McCusker requested that increasing interest rates be added as a 'Threat.'
- Action 12 – add actions on what we're doing to mitigate the weaknesses and threats, and how we are maximising the strengths and opportunities.
- 11.5.6 Financial Plan: the Working Capital Facility figure is indicative and will be confirmed at Final Investment Decision, once all costs are confirmed and the financial model has been re-run. As electricity costs increase, the turnover and costs will both increase.
- Action 13 - Tina Buchanan to develop a draft template of the Management Accounts for the next Board meeting.
- 11.5.7 Governance: Daniel Chin asked about the appointment of the interim Managing Director. James Caspell responded that he has a few thoughts and happy to discuss this outside of the Board meeting. The company is holding off recruiting the permanent Managing Director until after Final Investment Decision.

## 12 CONSIDERATION OF MATTERS

- 12.1 The directors reviewed and considered and confirmed their understanding of the Banking Recommendations and the Appointment.

## 13 RESOLUTIONS

- 13.1 After careful consideration, including consideration of the matters referred to in section 172(1) of the Companies Act 2006, **IT WAS RESOLVED** to:
- 13.1.1 Approve the Banking Recommendations, with the exception of Recommendation 1 and the Options Analysis (Action 1);
- 13.1.2 Approve the appointment of Anderson, Anderson & Brown LLP as External Auditor;
- 13.1.3 Authorise any director of the Company to do all such acts and things and agree and execute on behalf of the Company all such other documents to which the Company is a party and

all other documents as may be required in relation to the Banking Recommendations and Appointment and generally to sign all such certificates and notices (including without limitation bank mandates, interest rate hedging instructions, confirmation and documentation, drawdown notices, signatory certificates and other confirmatory certificates) and other documents as may be required, subject in each case to such amendments as those executing the same on behalf of the Company think fit; and

## **14 FUTURE DATES**

- 14.1 [Action 14: it was agreed that an Away Day will be provisionally arranged for early October 2022, once the two industry Board Members are appointed.](#)
- 14.2 [Action 15: provisionally arrange the next meeting of the board of directors for late October 2022.](#)
- 14.3 [Action 16: provisionally arrange the next Shareholder Committee for late September, where the updated draft Business Plan will be presented.](#)
- 14.4 [Action 17: provisionally schedule a further Shareholder Committee for November 2022, to discuss approval of the final Business Plan.](#)

## **15 NEXT STEPS**

- 15.1 The chair reported that the next steps to be actioned by the Company are to:
  - 15.1.1 Appoint two additional directors as Industry Non-Executive Directors (as defined in the Company's Articles of Association) to the board of the Company, noting that the four current directors will have the opportunity to assist in the recruitment process; and
  - 15.1.2 Produce an advanced draft of the Business Plan incorporating the comments and responses shared in the meeting today for further discussion at the Away Day.

## **16 PART B ITEMS**

See separate paper

## **17 BUSINESS PLAN REVIEW**

- 17.1 [Action 19: change the text in Appendix 5 into a conventional Risk Register spreadsheet.](#)
- 17.2 No comments were received on the Business Development Strategy.

## **18 CLOSE**

There was no further business and the chair declared the meeting closed.



Chair

01 September 2022