

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 Baseline Studios, Whitchurch Road, London, W11 4AT on Friday 29 September 2023 at 1.00pm.

PRESENT:

NAME	POSITION
Terry Oliver	Director and Interim Chair
Liam McCusker	Director
Susan Al-Safadi	Director
Daniel Chin	Director
Heidi Hellmann	Director
Faisal Butt	Director

IN ATTENDANCE:

NAME	POSITION
Jeff Laidler	Heat Network Programme Manager
James Caspell	Strategic Advisor and Project Sponsor
Shaun Haden	Head of Strategic Programmes and Innovation
Yusuf Erol	Financial Controller (interim)
Janet Hall	Resident engagement lead (heat network team)

APOLOGIES:

Abbas Dadou	Chair of Lancaster West Residents Association
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1 CHAIR

Terry Oliver was appointed chair of the meeting pursuant to article 15.4.1 of the Articles of Association of the Company (**Articles**).

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 approve the previous minutes;
- 3.1.2 provide a heat network update;
- 3.1.3 provide a Cross Borough Energy Masterplan update;
- 3.1.4 provide a Company Development update;
- 3.1.5 provide a Finance update;
- 3.1.6 provide an Academy Commercial Agreement update
- 3.1.7 provide an Insurance Strategy update;
- 3.1.8 provide a Performance Reporting update;
- 3.1.9 provide a Strategic Risk Register update;
- 3.1.10 Consider and, if thought fit, approve the Company's proposed:
 - Management Options; and
 - Branding Guidelines & Company Logo

4 DECLARATIONS OF INTEREST

4.1 There is a Conflicts of Interest Register, in which each director present has 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 Articles.

4.2 Accordingly, it was noted that the directors had no direct or indirect interest in any way in the proposed business of the meeting and could vote and count in the quorum at the meeting.

5 DOCUMENTS PRODUCED TO THE MEETING

5.1 The following documents were produced to the meeting:

- 5.1.1 Cross Borough Energy Masterplan update (Part A)
- 5.1.2 Branding Guidelines and Company Logo (Part A)
- 5.1.3 Insurance Strategy update (Part A)
- 5.1.4 Company Development update, including Management Options (Part B)

- 5.1.5 Finance update (Part B)
- 5.1.6 Proposed Academy Commercial Arrangement (Part B)
- 5.1.7 Performance Reporting update (Part B)
- 5.1.8 Strategic Risk Register (Part B)

6 PREVIOUS MINUTES

- 6.1 The previous minutes from the Board meeting on 25 April 2023 and actions were confirmed by the Directors as being correct, with no updates suggested.

	Previous Action	Response
1	Create a Notting Dale Heat Action Tracker and SharePoint site.	Completed

7 HEAT NETWORK UPDATE

Jeff Laidler reported that the heat network continues to generate momentum and that the Company has four principal workstreams, the status of which is as follows:

Heat Network Programme Management

Ahead of delivery with Vital Energi and Cenergist, a new programme workbook and SharePoint site is now live, setting ourselves up as an intelligent client. This work has defined roles and responsibilities; established a consistent approach to risk and opportunity management; and set-up a new series of delivery meetings. We have taken stock of lessons learned from our Commercialisation Stage, using these to refine and improve our ways of working during Construction.

Phase 1 of the Notting Dale Heat Network, Design & Construction

The Vital Energi kick-start meeting took place on 17 August, and design and construction meetings are now underway. A draft Early Works contract for £100k of work has been issued, enabling Vital to bring in the sub-contractors (Structural Engineers) to ensure we submit our planning application in November 2023.

The Cenergist kick-start meeting took place on 6 September. Cenergist have their team in place and have previously worked with the Vital team. Cenergist will now join Vital at the weekly design and construction meetings, to ensure that the primary, secondary and tertiary networks are designed and built with through partnership working.

The Section 20 Leaseholder Charges have been finalised. Appropriate legal advice has been sought where required. Informal resident communications will provide leaseholders with information on the associated costs and benefits of the refurbishment programme and heat network. This is the first Estate-wide section 20 consultation, so the wider context regarding Refurbishment Programme recharges has also been provided.

For an average £139,000 investment, existing leaseholders are being recharged around 5% of costs, new leaseholders around 9% and non-residential leaseholders around 13%, with payments able to be spread over many years.

Once the Section 20 consultation is concluded, the Council will formally contract with both Vital Energi and Cenergist for the main DBOM and D&B contracts. The schedules in these contracts are being populated with information from the Final Tender Packs. The longstop date is 23 November 2023, to ensure that we take full advantage of these fixed price contracts.

Leisure Centre Heat Supply Agreement: the Head of Corporate Property and the Head of Parks are happy to proceed with the following approach, subject to final checks regarding our procurement strategy with Bevan Brittan:

- Contract 1: Heat Supply Agreement (“HSA”) between NDH and GLL. A 10-year contract, with early termination of the HSA in the event of early termination or expiry of the Leisure Operating Contract. NDH to supply heat. GLL to pay for heat.
- Contract 2: Connection and Supply Agreement (“CSA”) between NDH and RBKC. A 10-year contract. NDH will be responsible for the design, build, operation and maintenance of the primary network and substation (including the equipment in the substation) on the leisure centre site, excluding any responsibility in relation to the secondary network. RBKC to pay NDH a connection fee (c.£1.14 million).
- Contract 3: Variation to Leisure Operating Contract and/or KLC Lease (“Variation”) to implement the heat network arrangements.

In parallel, the Head of Parks is preparing a Leadership Report on an Options Analysis regarding the Leisure Centre contract. We have provided comments to make sure that we’re fully joined up, flagging the various interdependencies that also need to be considered i.e. the leisure centre roof replacement; installation of the Heat Pump System on the Leisure Centre roof; energy efficiency improvements to the building fabric as part of these works; the new solar panels that are due to be installed by Kensington Community Energy; and replacement of the existing green roof, which is now unfortunately brown.

Terry Oliver noted the opportunity with a current Public Sector Decarbonisation Fund bid to Salix, which if successful, offers the Council the opportunity to offer additional leverage to persuade the Academy to connect, with no match funding requirement.

Once Bevan Brittan have drafted the three contracts, we will meet with GLL to gain their agreement and ask BB to finalise the contractual arrangements for signature. The aim is to make sure that GLL are no worse off financially.

With regard to the Heat Supply Agreement with Kensington Aldridge Academy, a meeting was held on 5 September with both Bruno Paulsen, Head of Kensington Aldridge Academy’s Business Committee, and Laurence Weeks, Finance Director. Now that the Heat Pump System was no longer being located on the Academy’s roof, the aim was to negotiate and secure the detailed Terms and Conditions, enabling formal approval by both parties. A position was agreed for presentation to the Academy’s Business Committee, with a recommendation to refer it to the Board of Trustees on 3 October. Details of the commercial arrangement are provided in a supporting paper.

We are still aiming for planning application submission in November 2023. Key issues that we need to resolve before as part of Vital Energi’s early works relate to:

1. Confirming the exact location of the 2 ASHPs and 1 WSHP on the roof of Kensington Leisure Centre, so that we can complete the associated acoustic assessment. The Council requires a noise standard that is 10dB(A) below British Standard 4142, which is particularly challenging.
2. Narrowing down the red line boundary of the pipe route, which now avoids trees and reduces the requirement for 10% Biodiversity Net Gain. However, working on the assumption that we’ll still need to provide significant BNG and that this is the right thing to do, we’re assessing different options across Lancaster West Estate.
3. Confirming the land ownership at the proposed location of the Renewable Heat Store at the southern end of Kensington Leisure Centre.

During the project we have built a strong relationship with UKPN that has allowed us to successfully negotiate:

- Extension of the budgetary application validity period from 14 December 2022 to 30 June 2023.
- Further extension of the budgetary application validity period from 30 June 2023 to 31 July 2023.
- A 220% increase of electrical import capacity from 681 kVA to 1500 kVA, reserved until 31 July 2023.

Two UKPN budgetary applications of 2,460 kVA and 1,500 kVA were obtained to cover the electrical import requirements for Camelford Walk electric boilers and the Heat Pump System respectively. In the Leadership Report at Final Investment Decision in July 2023 we reserved:

1. £1.7 million excluding VAT (£2.04 million including VAT) for the electrical power upgrade at Camelford Walk. *This quote expired on 31 July 2023. This is split into £1.3m non-contestable works with UKPN for National Grid reinforcements with £0.4m contestable works to create a new spur from Barandon Walk and to construct a new electrical substation with high voltage cabling.*
2. £124,596 excluding VAT (£149,515 million including VAT) for an electrical power upgrade at Kensington Leisure Centre. *This quote expired on 31 July 2023. First part is non-contestable for £14,474 that has been paid to UKPN for enabling works. The remainder is the estimated budget for contestable works for a single electrical substation (no extra high voltage cabling is required), which will be competitively tendered through 3 ICP quotes via Vital Energy.*

This equated to a potential £1.824 million excl. VAT (£2.19 million with VAT) electrical upgrade cost. Whilst accepting and paying the £14,474, and seeking 3 quotes for the Contestable Works, we declined the £1.3m Camelford Walk electric boiler room quote, on the basis that a change in regulation enables us to avoid some of the second comer costs. The good news is that UKPN have now advised that the second-comer charges will be removed, instead using an alternative tie-in point on the electrical grid. The revised quote is £25k, saving £1.275m excluding VAT, which now forms additional contingency.

The Resident Transition is working closely with colleagues across Lancaster West Neighbourhood Team to put processes in place for contractors starting engagement with residents. This includes information pathways, reporting structures and training for all RLOs on the heat network. The team are also in process of installing energy monitors into a small number of homes. These installations have proven difficult, providing the team with various lessons learned e.g. variation of existing heat systems and pipework and accuracy of supplier information. The first data collected from energy monitors is now live and will help with resident communications over the next few months.

Phase 2 expansion of the Notting Dale Heat Network into Notting Dale ward

Work will shortly be undertaken to develop a project plan for the next phase, including engagement with the identified potential heat loads. This is with the aim of engaging interest in connection and completing the Outline Business Case for Phase 2 expansion.

Setting up Notting Dale Heat

Yusuf Erol was successfully recruited in August 2023 as Notting Dale Heat's interim part-time Financial Controller. Yusuf is a chartered certified accountant with significant pre-and post-qualification experience in developing and implementing strategic plans; business development; system implementation; process improvement; corporate governance; supplier/customer due diligence; and cost reduction. Through other interim roles, Yusuf currently oversees both the setting and ongoing monitoring of a c.£400m budget. As an interim at Woking Borough Council, Yusuf is helping to reorganise their group of 20+ companies.

For Notting Dale Heat, Yusuf has set up the company's bank account and is on track to submit the first set of management accounts to Companies House by 31 October 2023, which is a legal requirement.

Burgess Salmon has provided the first draft of the Service Level Agreement between the Council and Notting Dale Heat, including the Key Performance indicators developed through the DBOM and D&B tenders. Jeff Laidler, Kat Drake and Michael King are working to populate the associated schedules to purchase various Council services. Womble Bond Dickinson will then be asked to provide legal advice on behalf of the company, with a subsequent report brought to the Board for comment and approval.

Cross Borough Energy Masterplan

A draft report was received at the end of July 2023 to meet the GLA's funding deadline. Extensive comments provided by the relevant Council teams, including the Lancaster West's heat network

team. CSE and SEL (the contractors) are now working on the final version, which includes an Exec Summary and will be submitted by the end of September 2023. The final report will be shared with the NDH Board for info.

	Actions	Response
1	Share a sample illustration of proposed leaseholder recharges for repairs with the Board, as part of the bigger picture of improvements and grants for both the heat network and Refurbishment Programme	Shaun Haden
2	Organise a breaking ground photo opportunity for Lead Members	Janet Hall
3	Share link to Cross Borough Energy Masterplan final report	Shaun Haden
4	Add resident co-design overview into Branding Guidelines	Janet Hall
5	Share DBOM contract with the Board	Jeff Laidler
6	Determine how to formally gain Council approval for the SLA	Shaun Haden
7	Aim for Management Accounts for the next Board meeting	Yusuf Erol
8	Organise a Risk Workshop ahead of construction start date and appointment of NDH Staff, to set the baseline for different risks and review the overall Risk Diagram	Jeff Laidler
9	Check on Capital Programme update regarding the Leisure Centre roof, including cost breakdown	Shaun Haden
10	Share monthly performance reports with the Board, which are then reviewed at quarterly Board meetings	Shaun Haden

8 CONSIDERATION OF MATTERS (PART A)

- 8.1 Janet Hall presented an overview of the Branding Guidelines and Company Logo. Susan, Daniel and Heidi noted that they are 'Really good.'
- 8.2 Yusuf Erol presented an overview of the Statutory Accounts for the period to 31 January 2023.

9 RESOLUTIONS (PART A)

- 9.1 Note, review and approve the Branding Guidelines and Company Logo.
- 9.2 Note, review and approve the Statutory Accounts for the period to 31 January 2023.

10 CONSIDERATION OF MATTERS (PART B)

- 10.1 See separate Part B reports.

11 RESOLUTIONS (PART B)

- 11.1 See separate Part B papers.

11 NEXT STEPS¹

12.1 The chair reported that the next steps to be actioned by the Company are to:

12.1.1 review, and if thought fit, approve the Service Level Agreement between the Company and the Council, including the DBOM contract novation.

12.1.2 review, and if through fit, approve the commercial Heat Supply Agreements with Kensington Leisure Centre and Kensington Aldridge Academy, and as the Bulk Supply Agreement (including the Baseline Studio Heat Supply Agreement) with the Council.

12.1.3 review and, if thought fit, approve Company Policies. In accordance with the Shareholders Agreement, certain of these policies will be subject to Shareholder approval.²

12.1.4 review and, if thought fit, approve the Metering and Billing Options Analysis and preferred option, noting that if the final contract value is greater than £250k it will need to go to the Shareholder Committee for approval.

13 ANY OTHER BUSINESS

13.1 None

14 CLOSE

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

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Chair

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Date
