

**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 Wednesday 8 May 2024 at 10.00am.

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

Terry Oliver

Director and 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

Shaun Haden

Head of Strategic Programmes  
and Innovation

Yusuf Erol

Financial Controller (interim)

**APOLOGIES:**

Heidi Hellmann

Director

Faisal Butt

Director

Abbas Dadou

Chair of Lancaster West

Residents Association

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 Review the Performance Dashboard Report for April 2024 (Part A)
- 3.1.2 Review the Options Paper on Pensions for NDH Employees (Part A)
- 3.1.3 Review the Draft Paper on Terms of Reference for NDH Sub-Committees (Part A)
- 3.1.4 Review the Options Analysis following loss of KAA anchor heat load (Part B)
- 3.1.5 Review the Finance update (Part B).

## 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.
- 4.3 For the record, Yusuf Erol noted that he also provides consultancy accountancy support to Woking Borough Council and TCMK, which is its heat network subsidiary. Terry Oliver confirmed that this is not considered to be a Conflict of Interest, and if anything, strengthens the project.

## 5 DOCUMENTS PRODUCED TO THE MEETING

The following documents were produced to the meeting:

- 5.1.1 Performance Dashboard Report for April 2024 (Part A)
- 5.1.2 Options Paper on Pensions for NDH Employees (Part A)
- 5.1.3 Draft Paper on Terms of Reference for NDH Sub-Committees (Part A)
- 5.1.4 Options Analysis following loss of KAA anchor heat load (Part B)
- 5.1.5 Finance update (Part B)

## 6 PREVIOUS MINUTES

6.1 The previous minutes from the Board meeting on 29 September 2023 and actions were confirmed by the Directors as being correct, with no updates suggested.

	Previous Action	Update
1	Organise a breaking ground photo opportunity for Lead Members	To happen when break ground

2	Check on Capital Programme update regarding the Leisure Centre roof, including cost breakdown	No longer relevant, as wider KLC roof works have been separated from the Heat Pump System installation
3	Share monthly performance reports with the Board, which are then reviewed at quarterly Board meetings	Completed. Ongoing
4	Produce an extended timeline of activity on the programme	Completed. See Performance Dashboard.
5	Reach out to Amanda Reid about planning committee	Completed
6	Contaminated Land – Leisure Centre and Lancaster Green. JL to tie in activity with other activity happening in and around the Leisure Centre – Speak to Becky Brown	Work in progress
7	Review sales pricing/tariff section in the Financial Procedures to ensure it syncs with the heat supply agreements; differentiates between residential and commercial customers; and considers both electricity purchase, the Bulk Heat Supply Agreement and Council risk regarding what it bills residents linked to the HRA Business Plan.	Review sales pricing/tariff section in the Financial Procedures to ensure it syncs with the heat supply agreements; differentiates between residential and commercial customers; and considers both electricity purchase, the Bulk Heat Supply Agreement and Council risk regarding what it bills residents linked to the HRA Business Plan. Yusuf will review during the year.
8	Confirm if energy purchase via the Council is covered by the Bulk Heat Supply Agreement or SLA	Completed. It's covered by a separate legal agreement.
9	Spend for company to be signed off by Liam going forwards – SH to check in with Liam	Completed – Chair will sign off expenditure in the interim
10	April 2025 – check connection points in relation to the revenues	Mike Read has completed an update of the financial model.
11	Clarify whether there is slippage in the programme regarding Heat On dates for the commercial heat loads	Vital have made a claim for programme slippage of 6 months, which the Council is robustly disputing via RLB, the heat network's Contract Administrators. We do not currently anticipate a slippage from first 'Heat On' in Spring 2025.
12	Pensions – ask again about NDH being part of Council set up to avoid a two-tier recruitment system	See Board paper
13	Add Health & Safety as a Standing Item to future Board meetings	Completed
14	Set up 2 x quarterly Subcommittee meetings for  1) Risks & Commercial, including contract variations (Terry & Heidi) 2) Finance & Operations (Liam & Daniel)	Established 2 meetings but IT error meant no attendees. SH to reconvene. Terms of reference starter for ten produced for discussion

	Include officer presentations. Report back to the Full Board for decision making, highlighting any concerns and/or recommendations. Business Development Subcommittee to be set up in the future.	
15	Organise meet up with Shareholder Committee	Completed
16	Consider the opportunity to add St Francis of Assisi school into Phase 1, together with Whitchurch and Blechyndon.	Requested Cenergist and Vital costs for Blechyndon and Whitchurch. A review of the 5 primary schools will follow, including St. Francis of Assisi.
17	Review any updates needed to the Shareholder Agreement	Work in progress – reviewed to include new portfolios. Need to confirm if lead member for property, parks, leisure will be added to the Shareholder Committee. In addition there may be changes required as part of funding agreement.
18	Review Resident Price Promise to ensure that it's still relevant and protects residents.	Completed with presentation to the LWRA and residents on 30/04/2024.
19	Produce an annual cash flow forecast	Completed. Included in finance update

## 7 HEAT NETWORK UPDATE

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

### Heat Network Programme Management

A Strategic Risk and Opportunities Register has been developed and is now integrated with a new monthly Performance Dashboard for the Notting Dale Heat Board, Shareholder Committee, the Project Sponsor and senior Council officers. Future reports will also include a standing Health and Safety update from our two Principal Designers, RLB (for Vital Energi's DBOM contract) and DeRisk (for Cenergist's D&B contract).

Terry Oliver noted that the Performance Report is a useful document and is a useful addition to the Board pack. The overall progress needs to be updated to Amber, given the loss of KAA as a heat load and estimated 2-month slippage in Vital Energi's construction programme due to the lift redesign at the Renewable Boiler Room and the additional roof inspection at Kensington Leisure Centre. Cenergist are still on track with their construction programme. There is no significant impact on residents at this stage. This will change if the heat network programme is delayed again and first 'Heat On' moves into the new heating season for 2025/2026.

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

The Council's determined the heat network planning application on 29 February 2024, with unanimous approval, just two comments and a comment from the Planning Committee Chair

regarding its splendid design. The heat network team is now working closely with Vital Energi to enable the discharge of five pre-commencement planning conditions.

Build Over Agreement now agreed in principle with Thames Water, avoiding the need to seek an alternative location for the thermal store. This would have delayed the programme; have been difficult to achieve on a space constrained site; and would have required variation of the planning permission, with a minimum of an 8-week delay. Written confirmation is required from Thames Water. Pre and post CCTV condition surveys instructed.

A successful initial Section 20 Leaseholder consultation resulted in just 6 formal responses, which we have responded to. The main queries related to recharges and what it means for specific households. Informal resident communication for the refurbishment and heat network was issued in advance.

A subsequent statutory consultation for Schedule 3 of Section 20 is about to commence, as leaseholder costs are > £250/annum and both the D&B and DBOM contracts are Qualifying Long-Term Agreements greater than 12 months. This final step is required to be able to recover leaseholder costs.

Work is progressing well to develop three legal agreements for Kensington Leisure Centre:

- 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.

Both Contract 1 and 3 are impacted by the positive news of the Council winning a £4.6 million grant for heat pump improvements at Kensington Leisure Centre. The technical design is now being reviewed to make best use of this extra funding, with the aim of finding the simplest way to ensure that the heat network project is enhanced. In addition, the loss of KAA as an anchor heat load and proposed mitigation strategy, which involves the supply of 100% of Kensington Leisure Centre’s heating and hot water from 2025 (rather than 2030), creates an additional complexity at this late stage.

### **Contractor Performance**

A verbal update was provided regarding Cenergist and Vital Energi’s performance to date. The client-side team has pushed Vital to improve its performance reporting, recruit an RLO and be much clearer regarding Roles and Responsibilities. This has led to a noticeable improvement in performance, adding to some excellent design work. The Cenergist team continue to impress, both in terms of design work and their resident engagement.

### **Health & Safety**

Health and Safety updates from the heat network programme’s Principal Designers will now form an integral part of the monthly Performance Report. The current focus is on reviewing the Construction Safety Plans issued by both Cenergist and Vital Energi. In addition, and in pursuit of the Council’s ambition to be best in class, we wrote to the HSE’s Chief Executive to request additional due diligence at this sensitive location. Unfortunately this isn’t possible, due to the strict regulatory role of the HSE.

### **Loss of KAA Anchor Heat Load**

The Board of Trustees at Kensington Aldridge Academy has confirmed that this anchor heat load won’t connect to the heat network, despite signing Heads of Terms in March 2021 and the Council leveraging £800k of Salix grant funding.

This is a strategic risk to both the Council and the company. A briefing document has been produced summarising the options to progress the programme. It is intended that the briefing document produced for this meeting will inform further documents to be presented to the Councils' Joint Leadership Team and /or Shareholder Committee in July. It is important to note that the loss of the KAA presents a financial risk to the programme, company and by definition the Council, hence the briefing document. The heat network's financial model has been re-run with no Academy connection.

The Board discussed the drop-dead date for filling the Academy heat load gap and concluded that that it is July's Shareholder Committee, if construction on site is to immediately follow.

The Council's Sustainability team will explore the use of the £800k Salix funding that has been awarded for Kensington Aldridge Academy, to see if it can be used to future proof the Academy for heat network connection.

We're aiming to keep the core design of the heat network the same, recognising that it has always been designed with additional capacity for expansion.

### **Refurbishment Programme**

Shaun Haden and James Caspell provided an update on the Refurbishment Programme, noting that there a £60 million funding gap remains on the wider Refurbishment Programme between resident commitments and funding successfully obtained. Work continues to close the gap, with conversations underway with both DLUC, UKIB and the GLA's Green Finance Fund. The LW11 have also identified and factored in £12 million of savings from a reduction in expenditure linked to updated assumptions. James Caspell noted that even if the funding gap can be closed, the delivery timeline for the Refurbishment Programme is still heavily constrained by the lack of available resident decants.

**The Resident Transition** is working closely with colleagues across Lancaster West Neighbourhood Team to put processes in place for contractors starting resident engagement for the build phase.

### **Contractor engagement with residents**

Cenergist have been on site for several months and have brought a new energy to resident engagement. Their team have carried out around 100 property surveys of occupied, and void homes. They have also hosted their first 'Meet the Team' event in the Walkways. The event attracted 19 residents, placing it as the highest-turnout event on the Estate this year so far. Cenergist are also about to release their first resident short-film, which is highly engaging. The team have been warmly welcomed by residents so far, with only two 'no access' issues, and one resident issue noted. The team are now preparing for works within the Walkways. A weekly meeting brings together LWNT RLOs, Cenergist's RLO, and our communications and engagement teams. This meeting will soon adopt a new agenda reflecting the needs of live construction.

Vital Energi continue to work remotely on the project and have unfortunately had two RLOs quit since contract start. This contract failure has been escalated. A third RLO has now been appointed. Meanwhile, the communications team provided by Vital have been helpful in arranging a forthcoming public event. A meet the team / heat network construction launch will be held at Kensington Leisure Centre on 16 May 2024. This will be an opportunity for LWE and non-LWE local residents to review and discuss Vital Energi's construction phasing plans.

### **Heat Trust**

The Heat Trust are currently reviewing the Council's first draft application to register with the consumer champion. The first application will be made specifically for Treadgold House, then subsequent applications made for individual residential blocks across the Estate. Each residential block is considered a 'Site' by the Heat Trust. The application will be an iterative process, as further information becomes available to the project e.g. via the appointment of the Metering and Billing provider for Treadgold House.

**Heat monitoring** – the initial small scale heat monitoring pilot is to be extended to further homes at LWE. This will be integrated into the internal refurbishment programme for installation efficiency.

**Heat tariffs** – a presentation to LWRA, residents and Councillor Thalassites took place on 30 April to review the pricing principles, and how these are applied in a retrofit / non-retrofit scenario. We are

pleased to be able to share good news with the LWRA in both retrofit and non-retrofit scenarios. There is forecast to be up to a 50% reduction in heat demand with the retrofit. Residents are also still expected to save money on their energy bills with no retrofit and the Resident Price Promise.

**Cost Calculator** – the heat cost calculator is entering its final stages of development. The calculator will be soft-launched at the end of May with Treadgold House residents.

**Treadgold House home introduction** – a short series of resident drop-ins have been outlined for residents of Treadgold House. This is an opportunity to test some of the materials and resources required to introduce residents to their new heating system. Due to delays of the Treadgold House refurbishment programme, it is likely that this engagement will need to be repeated in September 2024, closer to the period when residents will re-enter their homes.

**Communications** – the Resident Transition team have put together a series of communication headlines they would like to deliver this year. These headlines have been based on questions asked by residents, and key messages required through construction.

**Offer to leaseholders / freeholders** – a letter has recently been issued to Verity Close residents, requesting their Expression of Interest in joining the heat network. It has also been agreed that leaseholders / freeholders that currently have gas boilers will be able to connect to the heat network on a call-off basis from Spring 2025. This means that leaseholders whose boiler may soon require replacing can opt to join the heat network sooner rather than later in the heat network programme.

**Metering and billing** – Sycous are being appointed to provide Metering and Billing to Treadgold House for a 1-year period. This will give approximately 4-months of trial services and data prior to the start of Metering and Billing for the other blocks on the Estate.

**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.

In addition, the Council’s heat network team is considering the opportunity for early connection of Blechyndon and Whitworth blocks, with 51 Council-owned sheltered housing that are undergoing a major refurbishment and located directly to the north of Kensington Aldridge Academy.

3 primary schools are also in close proximity to the Lancaster West Estate and have been retrofitted by the Council’s sustainability team using Public Sector Decarbonisation Scheme funding. As a result, these schools are ‘Heat Network Ready.’

**Setting up Notting Dale Heat**

Recruitment is taking place for Notting Dale Heat’s Operations and Programme Manager. 19 applications were received, and a preferred candidate selected and offered the role. This is now on hold whilst we work through practical items linked to recruitment of the candidate such as setting up a pension scheme, obtaining Employer’s Liability Insurance and developing an employment contract. This isn’t considered to be a fundamental project risk. Rather, the appointment will strengthen the quality and depth of an experienced client-side heat network team.

**Actions**

Action #	Description	Owner
1	Update overall risk rating of heat network programme to Amber	Jeff Laidler

2	Incorporate Heidi Hellmann's feedback into the next update on the Performance Report	Jeff Laidler
3	Add Contract Variation summary into next Performance update	Jeff Laidler
4	Update residents on timing issues linked to the lack of decants and the funding shortfall in the Refurbishment Programme.	James Caspell
5	The Council's Sustainability team will explore the use of the £800k Salix funding that has been awarded for Kensington Aldridge Academy, to see if it can be used to future proof the Academy for heat network connection.	Terry Oliver
6	Check with design team to ensure that with 100% heat supply to Kensington Leisure Centre from 2025, that there is still sufficient heat capacity built in, both in terms of annual and peak load.	Jeff Laidler
7	Investigate if Salix funding for commercial buildings can be utilised for the new secondary heating system at Baseline Studios, thereby releasing some of the Council's Green Fund to be used to fund double glazing the few remaining single-glazed business units.	Terry Oliver
8	Provide summary paper for next NDH Board meeting on commercial contracts, focussing on the must sign contracts.	Jeff Laidler & Shaun Haden
9	Review how the Notting Dale Heat agenda is structured, with input from Womble Bond Dickinson	Shaun Haden
10	Share new Resident Price Promise slide deck with the Board	Shaun Haden
11	Arrange an informal Board meeting if required, following informal Shareholder Committee's review of the Options Analysis	Shaun Haden
12	Double check with Mike Curtis if a Local Government Pension for NDH employees is a definite no, and then develop a preferred option and Board recommendation with Yusuf Erol.	Liam McCusker
13	Update Terms of Reference for NDH Sub-Committees to reflect Heidi Hellmann's written comments. Also confirm the purpose of each sub-committee, where further detailed consideration will be given to specific items.	Shaun Haden
14	Book in the first Finance & Operations Sub-Committee meeting for mid to late June, so that Daniel and Liam can review the draft contracts. Book in the Risk & Commercial Sub-Committee to first meet in August.	Shaun Haden
15	Update Options Analysis to highlight the pre and post 2030 KLC options, sunk costs; potential loss of government's HNIP grant + reputational risk linked to resident commitments, the Mayor of London's Future Neighbourhoods fund and reverting back to gas (fire risk and goes against Goodbye to Gas). Highlight the wider benefits of the heat network + energy retrofit linked to comfort, resident control of their energy bills and health. Confirm that KLC is paying its fair share and also isn't cross-subsidising the housing stock. Highlight the resident co-design story. Create a KLC infographic.	Shaun Haden & Jeff Laidler

## 8 CONSIDERATION OF MATTERS (PART A)

8.1 Jeff Laidler presented the Performance Dashboard Report for April 2024 (Part A)



- 8.2 Yusuf Erol presented the Options Paper on Pensions for NDH Employees (Part A).
- 8.3 Shaun Haden presented the Draft Paper on Terms of Reference for NDH Sub-Committees (Part A)

## **9 RESOLUTIONS (PART A)**

- 9.1 Note, review and approve the Performance Dashboard Report for April 2024 (Part A)
- 9.2 Note, review and approve the Options Paper on Pensions for NDH Employees (Part A).
- 9.3 Note, review and approve the Draft Paper on Terms of Reference for NDH Sub-Committees (Part A), subject to NDH Board feedback.

## **10 CONSIDERATION OF MATTERS (PART B)**

- 10.1 See separate Part B reports.

## **11 RESOLUTIONS (PART B)**

- 11.1 See separate Part B reports.

## **12 NEXT STEPS<sup>1</sup>**

### **THE CHAIR REPORTED THAT THE NEXT STEPS TO BE ACTIONED BY THE COMPANY ARE TO:**

- 12.1.1 review, and if through fit, approve the commercial Heat Supply Agreements with Kensington Leisure Centre, and the Bulk Supply Agreement (including the Baseline Studio Heat Supply Agreement) with the Council.
- 12.1.2 review, and if thought fit, approve the Service Level Agreement, DBOM Contract Novation and Funding Agreement.
- 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.<sup>2</sup>
- 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.



Terry Oliver

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Chair

15/07/24

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Date