



Joint Strategic Committee
6 March 2025

ADUR & WORTHING COUNCILS

Worthing Heat Network: Project Update and Entering into Heat Connection and Supply Agreements for Splashpoint Leisure Centre and Pavillion Theatre

Report by the Director for Sustainability & Resources

Officer Contact Details

Jan Jonker
Assistant Director Operations & Sustainability
jan.jonker@adur-worthing.gov.uk

Executive Summary

Development of the Worthing Heat Network is progressing according to plan with the construction of the Energy Centre underway and the pipework for the pioneer network being installed.

Grant funded works to the council's buildings (the Town Hall, Portland House, Connaught Theatre, Museum, and Assembly Hall) to prepare them for connection are also progressing well. The first buildings have a scheduled **heat on** date of October 2025.

Since the last report to JSC in March 2023, we have secured further Public Sector Decarbonisation Scheme (PSDS) funding to extend the network to the seafront and connect Splashpoint Leisure Centre and the Pavillion Theatre.

This report provides a progress update on the construction of the Worthing Heat Network and the associated work to council owned buildings. It seeks authorisation to enter into connection and supply agreements for Splashpoint Leisure Centre and the Pavillion Theatre.

1. Purpose

- 1.1.** To update members on the progress with the construction of the Worthing Heat Network and the associated preparatory works to council buildings.
- 1.2.** To update on the progress with the Heat Connection and Supply Agreements referred to at Paragraphs 5 & 6 of this Report.
- 1.3.** To seek authority for supply and connection agreements for additional properties, being Splashpoint Leisure Center and Pavilion Theatre.

2. Recommendations

Members are recommended to:

- 2.1.** Note the progress in the report below;
- 2.2.** To delegate to the Director for Sustainability & Resources authority, in consultation with the Executive Members for Resources and Regeneration to:
 - 2.2.1.** Negotiate and enter into the Connection Agreement and Heat Supply Agreement for Splashpoint Leisure Centre and the Pavillion Theatre.
 - 2.2.2.** To authorise payment of the connection fees to Hemiko for the Splash Point Leisure Centre and Pavillion Theatre connections as referenced in the Financial Paragraphs below, with payment to be made from the Public Sector Decarbonisation Scheme Grant Funding further details of which are set out in the financial section to this report.

3. Context

- 3.1** In April 2024 Worthing Borough Council signed a Corporate Concession Agreement to fund, design, build, operate and maintain the

Worthing Heat Network (WHN). Heat networks are a core component of the national strategy to decarbonise heat. They are a utility-level infrastructure that consists of buried insulated pipe that transports hot water from an energy centre to heat off takers. In the case of the Worthing heat network, the energy centre currently under construction at High Street MSCP will generate heat through air source heat pumps.

3.2 The concession agreement was procured through a competitive process and awarded to Hemiko (Worthing ESCO Limited). The background to the project and the procurement process are set out in a report presented to this committee on 6 March 2023. The concession agreement is an evergreen agreement, ensuring Hemiko has a long term interest as a stakeholder in Worthing, investing in, and growing the network over the decades to come.

3.3 The first phase of the project is to construct the initial energy centre and deliver a viable anchor network delivering heat to the public sector estate. The energy centre is currently under construction at High Street MSCP. The anchor network consists of Worthing Hospital and the following council buildings:

- Worthing Town Hall
- Assembly Hall
- Portland House
- Museum
- Connaught Theatre.

4. Heat Network Construction Progress

4.1 Since starting construction in April 2024, the Worthing Heat Network has achieved many project milestones, as well as delivering economic and community benefits in less than 12 months of construction.

4.2 The anchor buildings are on target to be connected to the network by the autumn of 2025. Three 'zones' of pipework construction have been completed (Homefield Park, Union Place and the western side of the hospital) with four to be completed by the end of February.

4.3 The low carbon Energy Centre, outside the High Street Multi-Storey, now has the foundations being poured ready for installation and has been designed to encompass a living green wall that will provide a unique and biodiversity friendly point of interest to the town.

Collaboration with the Worthing Society will see heritage information boards installed.

4.4 Hemiko will install one industrial size (1.5MW) Air Source Heat Pump (ASHP) on the roof of High Street MSCP for the first phase but have made provisions for an additional 2 ASHPs (3MW) to ensure sufficient capacity to decarbonise more of the town.

4.5 Keeping residents, local businesses and the project stakeholders informed with information on traffic diversions, construction works and changes to the town are critical to the project's success given the scale and pace of the works and inevitable disruption caused. To ensure Hemiko engage widely across the town they regularly deliver communications through various avenues including:

- Delivering hard copies of information leaflets. Almost 9,000 local addresses, central to where works are taking place. These are delivered roughly every 4-6 weeks.
- Virtual distribution of communications to almost 200 businesses and organisations in Worthing.
- Sharing information 4 weeks before construction begins so we can face any challenges ahead of work commencing.
- Regular updates to our social media accounts (Facebook and X).
- A regular "Sounding Board" meeting for elected members, key organisational stakeholders and business representatives to receive updates from Hemiko and help identify and resolve issues early
- The feedback Hemiko have received on their communications has been overwhelmingly positive and they regularly receive emails from the community showing support for the work and the sustainable foundations of the project.

4.6 Hemiko have been delivering social, economic, educational, and professional benefits since the project began. A few highlights include:

- Charitable donations to Climate Resilience Centre Worthing, the Worthing Hospital and Guild Care to support their important work.
- Awarding £1.7m in local supply chain contracts from April-December 2024.
- Employing over 30 local FTE contractors and permanent employees since the project began.

- Working with Homefield Primary School on a “Net Zero Hero” art competition – the artwork will soon adorn our site hoarding.
- Providing dates to Northbrook College for our first round of work experience students (scheduled for March 2025).
- A cost-of-living grant to a BN11 post-code student at the University of Brighton.
- Partnering with the DWP and the Worthing Job Centre to support Engineering pathways.
- 72 hours of Volunteering with Friends of Homefield Park to plant spring bulbs and install new raised beds.

5. Public Sector Decarbonisation Funding

5.1 The council has secured £7.75 million in government public sector decarbonisation scheme (PSDS) funding to invest in our buildings to prepare them for the heat network connection. The works are tailored to the specific buildings and include replacement pipework and radiators, and energy efficiency improvements including replacement windows and secondary glazing. The funding has been awarded in two tranches, PSDS3a and PSDS 3b. The council’s match funding contribution to these works is £3.2 million.

5.2 The table below shows the funding secured for the fabric improvements at each site and the works that it will deliver. The PSDS funding also covers the cost of the heat network connection itself which is detailed in the financial implications for Splashpoint and Pavillion Theatre.

Building	Match Funding (from WBC)	Amount of PSDS Funding (£)	TOTAL	Deliverables
3b Worthing Town Hall	£217k	£116k	£333k	MEP Improvements Asbestos removal
3b Assembly Hall	£265k	£493k	£200k £200k £358k	Replacement lighting Secondary glazing MEP Improvements
3b Portland House	£81k	£152	£233k	MEP Improvements

3c Museum	£147k	£988k	£935k £200k	MEP Improvements Replacement windows Secondary glazing
3b Connaught Theatre	£433k	£833k	£300k £200k £766k	Replacement windows Secondary glazing MEP Improvements Asbestos removal
3c Pavillion Theatre	£151k	£1,013k	£1,164k	Secondary glazing MEP Improvements Asbestos removal
3c Splashpoint	£50k	£334k	£384k	MEP Improvements

*Some figures are estimated as not all works have commenced/completed

*Table does not include HEMIKO Connection fees, these are detailed in the financial implications.

*PSDS Grant / Match Funding % Split is different on 3b & 3c

MEP = Mechanical, ELectrical & Plumbing

5.3 The grant also contributes the cost of our staff working on the project, legal costs and the cost of preparatory work to High Street MSCP ahead of the construction of the energy centre.

5.4 AECOM Ltd (a multi-disciplinary consultancy) have been appointed to lead the above work, including design, and surveying works, drawing up specifications for procurement and overseeing the building program. The grant spend deadlines are a significant constraint to the project and are being tightly managed.

6. Heat Network Contracts

6.1 The council has committed to three contracts as part of the heat network:

- The Corporate Concession Agreement (signed in April '24)
- A Connection Agreement for each building. This agreement sets out the rights and obligations of both parties when making a connection to the heat network, essentially replacing (or supplementing) existing gas-network connections. There is a 'Connection Fee' associated with the Connection Agreement that is payable to the heat network operator using PSDS grant monies. The Connection Charge (or Fee) is the cost of physically

connecting to the network. It is a shared cost of the infrastructure and construction of the network, proportionately calculated based on each connection's demand on the network. It is calculated by the agreed rate as set out in the Concession Agreement in £ per kW multiplied by the Heat Capacity in kW specified in the relevant Connection Agreement. The Concession Agreement ensures that the Base Connection Charge will be less than the Commercial Counterfactual cost of installing an equivalent compliant decarbonised heating solution at an individual building level, based upon an ASHP solution.

- A Supply Agreement for each building, which translates the pricing policy into an ongoing transactional document between the offtaker and the heat network.

7. Issues for consideration

- 7.1 The connection and supply agreements have been drawn up and signed for the Town Hall, Assembly Hall, Portland House, Museum and Connaught theatre based on the decisions in the March 2023 JSC report. Where appropriate Hemiko will also enter into a direct supply agreement with the occupiers of the buildings who are liable for the payment of heat charges.
- 7.2 At the time of the March JSC report, the PSDS funding for Splashpoint and the Pavillion Theatre had not yet been secured, and the connection and supply agreements had not yet been signed (as yet still a pending requirement). This report seeks delegated authority for the Director for Sustainability and Resources to review, negotiate and sign the agreements, in consultation with the Worthing Cabinet Member for Regeneration and the Worthing Cabinet member for Resources. The agreements need to be finalised by the end of March 2025 in order to draw down PSDS grant funding for these costs. The agreements will be subject to SDL and WTM agreeing the connections and signing the direct supply agreements through their internal governance processes.

8. Engagement and Communication

- 8.1 The works to the buildings have the potential to be disruptive, particularly for the theatre, museum and leisure centre, given the nature of their activities. Officers are working closely with WTM and SDL on project delivery to minimise any impacts. The heat network will

significantly help both trusts to decarbonise, and the grant funding provides an opportunity to cover connection costs and upgrade the buildings, ensuring they will be compliant with future energy efficiency standards.

9. Financial Implications

- 9.1 The current connection fee for Splashpoint Leisure Centre is £2,190,000 which is expected to be paid in two instalments, an initial instalment of 90% of the charge £1,971,000 with a further 10% retained and due as the second instalment of £219,000. These amounts are subject to indexation so will be subject to increases in line with CPI inflation for any delay between the agreement and payment of connection charges. Though no significant delay is anticipated. This amount is embedded within the PSDS Grant Funding as detailed in 5.2, it is funded as part of that budget, made up of grant and matched funding.
- 9.2 The current connection fee for The Pavilion Theatre is £345,000 which is expected to be paid in two instalments, an initial instalment of 90% of the charge £315,360 with a further 10% retained and due as the second instalment of £35,040. These amounts are subject to indexation so will be subject to increases in line with CPI inflation for any delay between the agreement and payment of connection charges. Though no significant delay is anticipated. This amount is embedded within the PSDS Grant Funding as detailed in 5.2, it and is funded as part of that budget, made up of grant and matched funding.
- 9.3 It is difficult to provide full certainty on these figures whilst a process of negotiation is underway in confirming and agreeing the final content of the contracts to be entered into.
- 9.4 The funding and expenditure of the planned works for building improvements are detailed above at 5.2. These improvements in building efficiencies will provide a benefit to Worthing Theatres and Museum and South Downs Leisure in the buildings in which they operate. Though the initial cost of heat will be higher, as is expected for a low carbon solution, the Concessionaire agreement agreed by the council in relation to this network will apply to the above connections. Included in this is a counterfactual clause, meaning that the cost of heat from the network is capped at the equivalent cost of a building level solution, such as an air source heat pump.

9.5 Regarding the supply agreement, this will act in a similar manner to any other utility being billed to the leaseholders of each corresponding building.

10. Legal Implications

- 10.1 The Climate Change Act 2008 as amended by the (2050 Target Amendment) Order 2019 is the basis of the UK's approach to tackling and responding to climate change. The Act requires emissions of carbon dioxide and other greenhouse gases to be reduced from 80% to 100% by 2050 and the Council is committed to working towards this goal.
- 10.2 Section 3(1) of the Local Government Act 1999 contains a general duty on a best value authority to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 10.3 Under section 111 of the Local Government Act 1972 the Council has the power to do anything that is calculated to facilitate, or which is conducive or incidental to, the discharge of any of their functions.
- 10.4 Section 1 of the Localism Act 2011 empowers the Council to do anything an individual can do apart from that which is specifically prohibited by pre-existing legislation.
- 10.5 Section 1 of the Local Government (Contracts) Act 1997 provides that every statutory provision conferring or imposing a function on a Local Authority confers the powers on the Local Authority to enter into a contract with another person for the provision or making available of assets or services, or both (whether or not together with goods) for the purposes of, or in connection with, the discharge of the function by the Local Authority.
- 10.6 In procuring for works goods or services to comply with its climate change proposals the Council must have regard to The Procurement Act 2023 and take detailed legal advice as appropriate for each project.
- 10.7 When entering any arrangement with a provider the Council is to ensure that it does not infringe the rules relating to subsidies detailed in the Trade and Co-operation Agreement 2020 which are set out in Article 3 of the Agreement.

- 10.8 The Council is to remain fully compliant with any relevant grant funding terms and conditions and where there is an on-grant to an appointed provider, the Council is to ensure that there are appropriate indemnities in place in favour of the Council for any potential breaches of the funding terms, by that provider.

Background Papers

- Worthing Heat Network: letting of contract to design, build, fund, operate and maintain a low carbon heat network for Worthing Town Centre and agreement to enter into heat supply and connection agreements for WBC estate. Joint Strategic Sub Committee (Worthing) 6 March 2023.

Sustainability & Risk Assessment

1. Economic

- The heat network will provide secure, low carbon heat to the pioneer network reducing energy costs of the medium to long term. The pioneer network will form the basis to serve

2. Social

2.1 Social Value

- As part of their contract, Hemiko have a strong social value commitment in terms of local employment, using local sub contractors where possible, community engagement and working with schools and colleges. They have supported free parking and bus travel in the run up to Christmas, and sponsored the town centre Christmas tree. This is part of their commitment to build positive relationships with the community as an evergreen partner.

2.2 Equality Issues

- Matter considered and no issues identified.

2.3 Community Safety Issues (Section 17)

- Matter considered and no issues identified.

2.4 Human Rights Issues

- Matter considered and no issues identified.

3. Environmental

- The heating sector accounts for approximately 30% of the UKs annual carbon footprint, and 17% come from heating homes. It is estimated that 20% of heat can be decarbonised through heat networks. The pioneer heat network currently under construction in Worthing will form the basis for expansion enabling every property in Worthing to connect, and thereby decarbonise by 2050. It will avoid the need for individual buildings to install individual air source heat pumps, and provides a more efficient and resilient solution.

4. Governance

- The construction of the Worthing Heat Network is a key component of the councils net zero strategy in relation to its own emissions, and a key contributor towards its Thriving Economy and Thriving Environment priorities. In time it will provide a lower cost heating option for Worthing compared to other other low carbon solutions.