



ADUR & WORTHING
COUNCILS

ADC Executive Member for
Environment & WBC Executive
Member for Regeneration

2 June 2020

Decision to be taken on or after
10 June 2020

Key Decision: Yes

Ward(s) Affected: St Mary's, Southwick Green, Eastbrook

External Grant Funding to develop a business case for the development of a district heat network serving development at Shoreham town centre and the Harbour.

Report by the Director for Digital & Resources

Executive Summary

1. Purpose

- 1.1 Adur District Council, in partnership with West Sussex County Council, has identified an opportunity for a heat network to be delivered serving new developments in the vicinity of Shoreham town centre and Shoreham Harbour.
- 1.2 The Council has been awarded funding from the Heat Network Delivery Unit (Department for Business, Energy and Industrial Strategy) and West Sussex County Council for the detailed project development of the Shoreham Heat Network. Adur District Council is currently inviting tenders for technical, financial and legal services to develop a business case for the proposed heat network. This report requests that delegated authority is granted to the Director for Digital and Resources to award the contract(s) to the preferred bidder(s) following evaluation of tenders for quality and price.

2. Recommendations

2.1 The Executive Member is recommended to:

- i) Approve the creation of a revenue budget of £220,000 funded by a combination of external funding and council resources;
- ii) Delegate authority to the Director for Digital and Resources to award the contract(s) to the preferred bidder(s) for the provision of technical, financial and legal services to develop the business case for the Shoreham Heat Network.

3. Context

- 3.1. In January 2019, the Leaders of Adur District Council and Worthing Borough Council signed the [UK 100 Cities Pledge](#), committing to achieve 100% clean energy across the District and Borough by 2050. On July 9th 2019, the [Joint Strategic Committee](#) of Adur & Worthing Councils declared a Climate Emergency, and committed to working towards becoming carbon neutral by 2030. In 2019, the Climate Change Act 2008 was amended to set a legally binding target to reduce greenhouse gas emissions by 100% (from a 1990 baseline).
- 3.2. Around 37% of greenhouse gas emissions in the UK are attributable to heating. In Adur, 91% of domestic properties use gas for space and water heating. 89% of non-domestic properties use gas or oil fired burners. Tackling emissions from heating is therefore vital if local and national emissions reductions targets are to be met. The [Clean Growth Strategy](#) and [Energy South2East Local Energy Strategy](#) identify the development of heat networks as a priority to achieve the decarbonisation of heating. A heat network involves the centralised generation of heat to serve multiple buildings.
- 3.3. Through the Shoreham Harbour Regeneration project, Adur District Council, in partnership with West Sussex County Council, has identified an opportunity for a heat network to be delivered serving new developments in the vicinity of Shoreham town centre and Shoreham Harbour.
- 3.4. Policies 8 and 19 of the [Adur Local Plan](#), and Policy SH1 of the [Shoreham Harbour Joint Area Action Plan](#) require new development in these areas to be future-proofed for connection to a heat network. This has been a condition of

approval for a number of planning applications, including Free Wharf and The Mannings.

3.5. The Council was awarded funding from the Heat Network Delivery Unit (HNDU) (Department for Business, Energy and Industrial Strategy) to commission consultants to prepare the [Shoreham Harbour Heat Network Study](#) and [Shoreham Harbour District Energy Feasibility Study](#). These studies have determined that a heat network supplied by marine source heat pump is the most deliverable solution.

3.6. The Council has been awarded further funding from the HNDU and West Sussex County Council to commission technical, financial and legal services to develop the business case for the proposed heat network. HNDU has additionally awarded full funding for project management support. The project funding is as follows:

Detailed Project Development:

- HNDU - £113,333
- WSCC - £30,000
- ADC - £6,000
- Unallocated grant funding £20,667

Project Management:

- HNDU - £50,000

3.7. The total budget for this phase of work is £220,000. Of this, £170,00 is for technical, financial and legal consultancy services, and £50,000 is for project management support.

3.8. The Council is inviting joint tenders for the technical, financial and legal services as these disciplines will need to work closely together in preparing the business case. It is intended to contract directly with the lead bidder for each of these services. The preferred bidder(s) will be selected after evaluation of tenders for quality and price. The evaluation panel will comprise the Strategic Sustainability Manager and Project Manager (Shoreham Harbour) and West Sussex County Council's Energy Services Manager.

3.9. The Executive Member is requested to delegate authority to the Director for Digital and Resources to award the contract(s) to the preferred bidder(s) for

the provision of technical, financial and legal services to develop the business case for the Shoreham Heat Network.

4. Issues for consideration

- 4.1. Adur & Worthing Councils are making good progress on the carbon reduction agenda. Tackling Climate Change and Supporting Our Natural Environment are core principles of the strategic vision in [Platforms for Our Places - Going Further](#).
- 4.2. Strong commitments have been made in Sustainable AW to reduce carbon emissions; including signing up to the UK100 Cities Pledge to achieve 100% Clean Energy by 2050 and the government's voluntary Emissions Reduction Pledge 2020, to report on annual energy use and emissions.
- 4.3. The advantage of a heat network is that a single project can enable multiple buildings to switch to a low carbon heat source in one go, speeding up the process of fuel switching. Heat networks can also enable the use of lower carbon heat, larger and more efficient equipment, thereby delivering higher carbon savings with lower capital and operational costs than solutions for each individual building.
- 4.4. The Shoreham Harbour Heat Network Study (2016) and Shoreham Harbour District Energy Feasibility Study (2018) were produced by the Carbon Trust and Sustainable Energy Ltd to explore the potential for developing a heat network in this area. The feasibility study identified a 2.1km heat network served by a 2MW marine source heat pump, with peak demand met by 300kWe gas-CHP engine. The network would serve the redevelopment of a large area at Shoreham Harbour, and extend into Shoreham-by-Sea town centre. The complete network has the potential to deliver lifetime customer savings of £28,531,375 and lifetime carbon savings of 67,990 tCO₂e.
- 4.5. In addition to reducing emissions of greenhouse gases, there are a number of objectives that could be addressed through delivery of a heat network. These include:
 - supporting economic growth
 - income generation
 - security of energy supply
 - affordable warmth
 - cleaner air
- 4.6. These studies have considered alternative heat supply, including the do-nothing scenario (in this case individual gas or electric boilers are likely to be installed). Additionally, large scale gas combined heat and power (CHP)

was considered. However this will not deliver a carbon saving over the longer term.

- 4.7. The current phase of work will review previous studies to identify a feasible and viable scheme which will consider financial viability. The business case will be prepared in accordance with the HM Treasury Five Case Model.
- 4.8. Central government is actively pursuing the development of heat networks. Assuming a satisfactory business case, Adur will be eligible to apply for delivery funding through the Heat Network Investment Project (HNIP).

5. Engagement and Communication

- 5.1. There is significant community interest in expediting our work towards carbon neutrality. The heat network policies in the Adur Local Plan, Shoreham Harbour Joint Area Action Plan and Sustainable Energy SPD have been supported during public consultation. During Examination of the Joint Area Action Plan the Inspector recommended that policies were strengthened to ensure developments can connect to the network.
- 5.2. The Council and it's appointed consultants have engaged with a number of developers and landowners during the production of previous studies. Further engagement is planned during the next phase of work.
- 5.3. The Council has worked closely with West Sussex County Council and Shoreham Port Authority in developing the previous heat network studies.
- 5.4. The findings of the review of previous work and outputs from the development of the outline business case will be presented to appropriate officers, the Strategic Finance Board, Council leadership Team and Major Projects Board. In the event of progressing the project to investment, the business case will be presented to the Joint Strategic Committee, Informal Cabinet and Full Council.

6. Financial Implications

- 6.1. The total budget available for the work is £220,000 funded from a combination of external funding (£193,333) and other council resources.
- 6.2. Under the Council's financial regulations, any successful external funding bids of over £100,000 and up to £250,000 should be approved by the Executive members. Any such report will include the approval of any budget virement and any procurement activity.

7. Legal Implications

- 7.1. Section 1 of the Local Government (Contracts) Act 1997 provides that every statutory provision conferring or imposing a function on a local authority confers power 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.

- 7.2 Section 1 of the Localism Act 2011 allows the Council to do anything an individual can do except that which is specifically prohibited by legislation.
- 7.3 The Council must comply with Contract Standing Orders which require the Executive or the relevant Executive Member to award the contract. If the proposed delegation is made, this decision can be made by the Director of Digital and Resources.

Background Papers

- [UK 100 Cities Pledge](#)
- [Climate Emergency - Becoming Carbon Neutral by 2030: Report by the Director for Digital and Resources to Joint Strategic Committee \(9 July 2019\)](#)
- [Shoreham Harbour Heat Network Study](#)
- [Shoreham Harbour District Energy Feasibility Study](#)
- [Adur Local Plan](#) (Policies 8 and 19)
- [Shoreham Harbour Joint Area Action Plan](#) (Policies SH1, CA6, CA7)
- [Supplementary Planning Document - Sustainable Energy](#)
- [Platforms for Our Places - Going Further - Platform 3 - Tackling Climate Change and Supporting Our Natural Environment](#) (Commitment 3.3)
- [Adur & Worthing Councils Carbon Neutral Plan](#)
- [Energy South2East Local Energy Strategy](#)
- [Clean Growth Strategy](#)

Officer Contact Details:

Chris Jones
Project Manager (Shoreham Harbour Regeneration)
01273 263243
chris.jones@adur-worthing.gov.uk

Sustainability & Risk Assessment

1. Economic

With catastrophic climate change there is predicted by the IPCC to be damage to property and infrastructure, sea-level rise, floods, droughts, heatwaves, wildfires, and extreme storms requiring extensive repair of essential infrastructure such as homes, roads, bridges, railroad tracks, airport runways, power lines, dams, levees, and seawalls. Lost productivity is expected to follow with disruptions in daily life, lost work and school days and harm to trade, transportation, agriculture, fisheries, and energy production. The cost of addressing the causes of climate change are evaluated to be far less than the cost of inaction.

2. Social

2.1 Social Value

Some of the potential social value co-benefits of mitigating climate change include: The immediate benefits of avoided GHG emissions: less adverse effects from local air pollution on health & agriculture productivity; greater energy security and lower vulnerability of trade balance to oil price volatility; an acceleration of technological change when early investments in low-carbon technologies deliver. The short-term knock-on effects and long-term development benefits of a well-conducted low carbon transition include: redirecting savings toward productive investments; strengthening industrial fabric through investing in low-carbon technologies and local resources; reduced poverty through higher growth, higher employment, and better access to modern energy, transport, and housing infrastructures

2.2 Equality Issues

An equality impact assessment has not been undertaken. The Equality and Health Appraisal of the Shoreham Harbour Joint Area Action Plan found that a district heat network could also help to mitigate fuel poverty by reducing costs for residents, and allowing all socio-economic groups to sustainably heat their homes.

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

With catastrophic climate change there is predicted by the IPCC to be damage to property and infrastructure, sea-level rise, floods, droughts, heatwaves, wildfires, and extreme storms requiring extensive repair of essential infrastructure such as homes, roads, bridges, railroad tracks, airport runways, power lines, dams, levees, and

seawalls. Lost productivity is expected to follow with disruptions in daily life, lost work and school days and harm to trade, transportation, agriculture, fisheries, and energy production. The cost of addressing the causes of climate change are evaluated to be far less than the cost of inaction.

4. Governance

Adur & Worthing Councils have committed to achieving 100% clean energy by 2030. The planned heat network aligns with policies and proposals in the Adur Local Plan, Shoreham Harbour JAAP, Platforms for Our Places and Carbon Neutral Plan.