
CARDIFF'S DISTRICT HEAT NETWORK – MEMBER UPDATE

Reason for the Report

1. To provide the Committee with an update to assess the progress that has been made towards establishing Cardiff's District Heat Network. In particular the item will consider how close the Council is to agreeing a final business case for the scheme, along with the necessary procurement arrangements required to deliver the scheme.

Background

2. The Environmental Scrutiny Committee received an item of the 17th April 2018 titled 'Cardiff District Heat Network'. The report was received as a pre-decision scrutiny prior to a paper titled 'Cardiff Heat Network' – Approval of the Outline Business Case' being presented to Cabinet on the 19th April 2018.
3. The reasons for taking the 2018 report to Cabinet were described as:
 - To report the outcome of a Detailed Feasibility Study on District Heat Networks in Cardiff;
 - To present the Outline Business Case (OBC) for the proposed Cardiff Heat Network (CHN) recommended by in this study;
 - To seek authority to commence with the next steps of the project including grant applications and the development of a Final Business Case (FBC) for further consideration by the Cabinet;
 - To signal a future Council Capital Bid for £4m of Public Works Loan Board (PWLB) Invest to Save borrowing for the CHN, subject to other funding confirmation and approval of a Full Business Case.

4. The scrutiny cover report for the item titled 'Cardiff District heat Network' (received on the 17th April 2018) provided background information and details of the steps required to take Cardiff's District Heat Network forward; for reference a copy of the cover report is attached to this paper as **Appendix 1**.
5. Following consideration by Cabinet of the 'Cardiff District Heat Network' report on the 19th April 2018, it was resolved that:
 - i. *The Outline Business Case for the Cardiff Heat Network be approved in principle, and the further development of a Final Business Case for Cabinet approval be authorised subject to securing the appropriate funding as set out in the report;*
 - ii. *The project team be authorised to proceed with the grant applications in respect of HNDU and HNIP as set out in the report;*
 - iii. *The project team be authorised to progress further engagement with stakeholders referred to in the report;*
 - iv. *Authority be delegated to the Director Planning, Transport and Environment in consultation with the Cabinet Member for Clean Streets, Recycling and Environment and with the S151 and Monitoring Officer to (i) finalise the procurement strategy and commence procurement of a Design, Build, Operate and Maintain (DBOM) contractor for the project, generally deal with all aspects of the project and award the DBOM contract after Cabinet has approved the Final Business Case and (ii) Agree minor amendments to the OBC which the Director in consultation with those as referred to above view desirable in the interests of the Council provided that if in either case the nature of the project is substantially altered from that set out in the OBC that the matter referred back to Cabinet.*
6. The presentation delivered at the scrutiny meeting on the 17th April 2018 included a set out the steps required to award the contract to build Cardiff's District Heat Network. These were:
 - Determine the Heat Network Delivery Unit (HNDU) development grant outcome;
 - Obtain approval of Welsh Government stake;

- Preparation of the Design Build Operate & Maintain (DBOM) Invitation to Tender (ITT);
 - Heat Networks Investment Project (HNIP) Capital Grant Application Funding round opens;
 - Short listing potential Design Build Operate & Maintain (DBOM) contractor;
 - Approval of Council funding element through Council Budget;
 - Outcome of Heat Networks Investment Project (HNIP) Capital grant funding round known;
 - Issue Invitation to Tender;
 - Final evaluation of potential Design Build Operate & Maintain (DBOM) contractors;
 - Final Business Case submitted to Cabinet for approval;
 - Award of Design Build Operate & Maintain (DBOM) Contract.
7. During the meeting officers will present Members with an update on the actions that have been achieved and those that still need to be delivered.
8. Following the meeting on the 17th April 2018 a letter was sent on behalf of the Committee to the Cabinet Member for Clean Streets, Recycling & Environment. This set out the comments, observations and recommendations of Members relating to the delivery of Cardiff's District Heat Network. A copy of this letter is attached to this report as **Appendix 2**.

Way Forward

9. Councillor Michael Michael, Cabinet Member for Clean Streets, Recycling & Environment has been invited to attend for this item. He will be supported by officers from the Planning, Transport & Environment Directorate.

Legal Implications

10. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

Financial Implications

11. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

RECOMMENDATION

The Committee is recommended to:

- (i) Consider the information in this report and the information presented at the meeting;
- (ii) Determine whether they would like to make any comments, observations or recommendations to the Cabinet on this matter; and,

(iii) Decide the way forward for any future scrutiny of the issues discussed.

DAVINA FIORE

Director of Governance & Legal Services

25th September 2019